

OPENING THE MINT TO GOLD AND SILVER

A sequel to “The Double Whammy of Geopolitical Global Gold Games”

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In my last article I suggested that the superpowers China, Russia, and the United States may be, without they knowing it, racing towards reopening their Mints to the monetary metals. The governments of these countries are like the heroes of Greek tragedies: they are drawn to their fate by destiny. There is no way for them to avoid Kismet, regardless of what they do. Many readers have asked me to explain what the term „opening the Mint to the unlimited coinage of gold and silver free of seigniorage charges” means.

I should start by stating that the Mint is a monetary institution far more important than the Central Bank. It is an ancient and venerable institution. The Central Bank is a relatively new invention, hardly venerable. It was conceived to make ordinary people absorb the unpaid and unpayable debt of kings. The importance of the Mint is not to be found in its altogether negligible role of coining small change, the so-called subsidiary coinage which people use to make small purchases. The Mint is all-important because it is designed to produce *real money*. The origin of the Mint is intertwined with religion. From the point of view of political economy, the Mint is a reminder of the fact that, ultimately, real money is created (and extinguished) by the people and not by the government, or banks approved by the government. For example, the U.S. Constitution reserves the power to create money directly to the people themselves who convert gold and silver at the Mint into the coin of the realm (and extinguish money by melting it down). This is a power like *habeas corpus* that cannot be delegated, still less usurped. If the government grabs it, then, in the admirable phrase of Malcolm Muggeridge, it becomes the power of *habeas cadaver*. The Mint is the symbol of Constitutional Money, the only kind not subject to manipulation.

So much so, in fact, that *the Mint had to be closed to gold forcibly in order to deny people access to constitutional money, and in the hope that the government could usurp their power to create money*. History had to be falsified to conceal the fact of power-grab. According to the official version the Mint was never closed down as it continued to produce subsidiary coins. There were some housekeeping changes, yes. But nothing major.

This lie was exposed by William Jennings Bryan, the Democratic presidential candidate in 1896 when he denounced the power-grab in describing it as „the Crime of 1873”. He was referring to the closing of the U.S. Mint to silver in 1873, the first major violation of the Constitution’s monetary provisions.

People fell for the obfuscation. They were not interested in checking out the charges of Bryan. What crime? What closing? What Mint? Lots of silver coins are in circulation, can’t you see? People didn’t understand the difference between the full-bodied silver coin, the constitutional standard dollar, and subsidiary silver coins that were not full-bodied. The nominal value of the full-bodied coin, produced on account of anybody tendering the right quantity and quality of metal, coincides with the market value of its metal content. By contrast, subsidiary coins are produced on account of the

Treasury and their nominal value is always higher than the market value of their metal content. The difference between the two is called seigniorage, the profit going to the Treasury. There is no seigniorage on coining the standard dollar, the coinage of which is *unlimited*, in contrast with that of subsidiary coins with *limited* coinage, which explains why people accept them in circulation for the higher nominal value. (The cost of producing the standard coin, like that of constructing and maintaining public roads, is covered by taxes.)

The banks are supposed to be a handmaiden to the Mint. After the closing of the Mint to gold and silver the banks became the boss and the Mint was reduced to the status of a handmaiden. This was a violent revolution, the full meaning of which has never been explained by our institutes of higher learning. Slavery works best if people don't think of themselves as slaves. The Mint is the symbol of freedom. It is the very antithesis of slavery. Yet imposing slavery on the people is as simple as closing the Mint to gold and silver. People are no longer free. They have lost their God-given right to create and extinguish money. They have become slaves since the government has extorted the right of first refusal on their produce and savings. As Keynesians famously boast: „taxes for revenue are obsolete”. Once closed to gold and silver, the Mint makes taxation for revenue superfluous. It is freed up for devious purposes. Now, for the first time, taxation can be used to manipulate the economy and to manipulate the people. The government can stamp an entire industry out of existence by taxing it to death. Less conspicuously, it can boost the income of one branch of industry, or one group of citizens, at the expense of another. The Mint, if people can keep it open to gold and silver in defiance of the machinations of the government and banks, is both the symbol and instrument of freedom. Once it is forcibly closed, freedom is lost and the way to the pauperization of people is thrown wide open.

I often come across the objection that the government does make gold and silver coins available to the people who care to have them. There are officially produced eagle coins in the United States, maple leaf coins in Canada, panda coins in China, and koala coins in Australia. This does not look like the Mint being closed to gold and silver, does it? People who use this argument only betray their ignorance and prove how easy it is for the government to fool public opinion. Gold and silver coins that governments currently produce are meant to confuse the issue. They are an eyewash. These are souvenir coins struck on Treasury account, sold at a premium prices including seigniorage charges. People may feel good about having them, especially when gold and silver prices are buoyant. But their right to constitutional money has not been restored. *The Mint is still closed to gold and silver*. The people's right to unlimited free coinage is still being usurped by the banks. Rather than celebrating, people ought to be upset that their government stoops so low as attempting to lead them by the nose.

As I said, the Mint is one of the most ancient political institutions brought about by our civilization. In the early history of Rome over twenty-five hundred years ago the Mint where gold and silver pieces were struck was a sacred and inviolable place. In fact, the Mint was housed in the Temple of Juno (wife of the chief god Jupiter). Our linguistic heritage shows this most clearly: the English word 'money' is derived from the Latin word 'Moneta', the surname of Juno. Juno Moneta, literally Juno the Vigilant, refers to the legend that Juno's sacred geese on Capitolium saved the city from being sacked. With their loud cackling they alerted the sleeping town that enemy soldiers have scaled the walls under the cover of night and are ready to slaughter the inhabitants. Thus the English word *money* has connotation of *vigilance*. Vigilance, that is, to preserve freedom which is inseparable from constitutional money facing, as it is, constant threat from adventurers such as John Law, Keynes, Friedman, to name only a few. Sad to say, this connotation has worn off completely by now. People no longer have any idea that their freedom is being destroyed little-by-little, as their money has been corrupted.

Oh Juno Moneta, where art thou? And where are thy sacred geese?

Oh sacred geese of Juno, whither migrated thee? Why are thee not cackling now as a new attempt is being prepared to murder innocent people in their sleep?

Compare the Mint of Juno to the Central Bank of the United States, the Fed, which is less than one hundred years old. During its brief existence it has done more monetary mischief than all the monetary mischief perpetrated by governments during the twenty-five hundred year history of the Mint, including the endless debasement of coinage through the dilution of metal content. The most recent follies of the Fed raise the question whether it will live to celebrate its centenary, or whether pig-headed and ham-handed central bankers will destroy the dollar that was entrusted to their care in 1913. Already, the dollar has lost 99 percent of its purchasing power, and is manifestly in danger of

losing the remainder during the next five years or so. Quite obviously this could have never happened if the U.S. Mint had been kept open to gold and silver, which is the reason why the Constitution demands it.

The oldest central bank in Europe is the Riksbank of Sweden. It opened more than thirty years before the Bank of England. The early central banks in Europe were all established in order to fund the unpaid and unpayable royal debt. The newly chartered banks were in turn given privileges such as the monopoly of issuing bank notes, as well as immunity from being sued in case of non-performance on contracts.

Milton Friedman and his monetarist cohorts completely misrepresent the relationship between the Mint and Central Bank. They allege, falsely, that a price-fixing scheme is involved. In their topsy-turvy world the gold standard, and the Mint, are institutions negating the free market. In fact, however, the truth is that bank notes are *not* money; they are merely promissory notes whereby the Central Bank promises to pay bearer money on demand. Only the full-bodied coins into which the Mint converts gold and silver on account of anybody tendering the right quantity and quality of metal constitute money. You cannot find price-fixing in this process with a magnifying glass. The charge of price fixing was planted maliciously by Milton Friedman in order to denigrate and discredit the gold standard. His suggestion that the Central Bank is the creator of money, and the Mint is merely an embellishment, wholly unnecessary to boot, is a shameless lie. Friedman is celebrated as the father of the floating dollar by the monetarists, who consider it as a triumph in having set the gold price „free”. In fact, Friedman is the assassin of the dollar and will be remembered as such.

The fact of the matter is that the Central Bank is anxious to keep its notes competitive with full-bodied gold coins. Therefore it promises to redeem its notes by paying out gold at the statutory rate. So it is not the gold price that is fixed. Just the opposite: it is the value of the bank note that is fixed in terms of gold. The central bank that does the fixing has no other way of maintaining the value of its credit *without coercion*. The central bank, of course, wants to get rid of this restraint. It can, through coercion. The floating dollar implies coercion through legal tender laws. Full-bodied gold and silver coins never need legal tender protection. There is not one instance recorded in the monetary annals of a creditor ever refusing to accept the full-bodied coin in repayment of debt.

No doubt, for the Central Bank to live up to its promise to pay gold to bearer on demand takes knowledge, expertise, and discipline. When adventurers take over management backed by other adventurers at the Treasury, they engineer a default on the promise to pay out gold and promote the dishonored note as “money”. How do they get away with this highway robbery? They do because of the coercion of legal tender.

The term “legal tender” did not always indicate coercion. Originally it was a *limited* obligation to ensure smooth circulation of the subsidiary coinage. For example, the copper could be legal tender up to a dollar and, the nickel, up to five dollars. When adventurers took over the Treasury, the first thing they did was to torture the meaning of the term. They made it an *unlimited* obligation to accept irredeemable paper currency in discharge of debt.

After the default adventurers at the Central Bank and the Treasury initiated an elaborate check-kiting scheme whereby the latter issued irredeemable promises which were accepted by the former, and vice versa. According to Milton Friedman the depreciation of irredeemable currency can be avoided by restricting the issue through a quantity rule, e.g., the note circulation must be increased at a steady annual rate of, say, three percent. However, his thesis amounts to saying that fraudulently issued promises can be given permanent and enduring value, as though people were too dumb to understand fraud when they see it. In other words, Friedman confuses *delayed* exposure of fraud with *inability* to expose it. But what kind of a monetary system is it that so vitally depends on assuming that people are inherently stupid? Historically, no monetary fraud has ever succeeded. Every attempt to make the currency permanently irredeemable has been exposed as fraudulent and consequently collapsed. All irredeemable currencies, without exception, have ended up in the garbage heap of history. The irredeemable dollar is different only in so far as the unprecedented magnitude of the fraud necessarily takes longer to expose. But longer is not forever. After all, for the first time in history an attempt is made to fool all the people all of the time. And we have it on the authority of Abe Lincoln that this is not possible.

It is another matter if the irredeemable currency is stabilized before the final collapse, by opening the Mint to gold (or silver, or both). There are historical precedents such as the greenback of

Civil War vintage. In that instance common sense and monetary science prevailed and came to the rescue of the moribund dollar. Today, both common sense and monetary science appear to be badly lacking. This would make the outlook rather gloomy.

However, there is a ray of hope: international competition in the monetary arena. Neither the Chinese nor the Russian central bankers do at heart believe in constitutional money any more than their American colleagues. They certainly enjoy their unlimited power to issue the currency in unlimited quantities. Nevertheless, they are not stupid. Both the Russians and the Chinese want to put an end to American monetary hegemony whereby the U.S. government can obtain real goods and real services from all countries of the world in exchange for irredeemable (read: fictitious) promises to pay. They realize that the only road to defeating the American monopoly is the Yellow Brick Road. They have quietly embarked upon an ambitious program of remonetizing gold through the back door. They keep a low profile about it as it is in their interest to acquire as much gold as possible on the best terms possible.

No matter how you look at it, there is a Gold War going on in the world. The alignment of the antagonists is the same as it was in the Cold War. The name of the game is: who will end up with the largest pile of the precious yellow? Remember the adage: "He who has the gold makes the rules."

The competition of the superpowers to acquire gold will ultimately lead to an infinite escalation of its price. As unlimited amounts of rubles and yuans are printed to buy up the limited amount of gold that is available, the competitive devaluation of currencies will reach a frenzied stage in destroying the value of all currencies. Competitive devaluation is a *destructive* process. American, Russian, and Chinese central bankers will find that their hands are forced by events. After all the false fits and starts they will hit upon the winning strategy: the *constructive* process of opening their Mint to the unlimited coinage of gold. This is the only logical thing they can do, whether they like it or not, after the stage is reached whereby cartloads of paper currencies fail to fetch even one grain of gold.* Opening the Mint will be the only way to attract all the available gold and silver in the world to their shores, benefiting their prostrate banking system that will be quick to issue gold instruments acceptable in global trade.

The U.S. will be forced to do the same, but it is questionable that being a follower rather than the leader will save the American economy from further disintegration.

There is no reason why the U.S. government could not retain monetary leadership in the face of the Russian and Chinese challenge. All it has to do is to open the U.S. Mint to both gold and silver *before* they open theirs. To do this would take fine statesmanship such as presidential candidate Ron Paul is offering to the American people.

Unfortunately, a great deal of damage has been done mainly because the educational system has been corrupted in exiling monetary science and sound economics from the curriculum. Keynesian and Friedmanite economics rule supreme in academia. Adventurers at the Treasury and the Federal Reserve take full advantage of the prevailing ignorance. Bad-mouthing of gold in the financial press continues unabated.

If the U.S. government fails to act and misses this last opportunity to stabilize the dollar, then the American people will be exposed to excruciating economic pain. People of other lands will not fare much better. When their dollar-denominated assets go up in smoke, they will blame America. Anti-American feeling in the world will hit an all-time high. America will lose all her allies in the face of an increasing number of enemies. And, as famously stated by Alan Greenspan, America will be unable to procure war matériel for its military.

The only way to avoid catastrophe is to open the U.S. Mint to gold and silver while it is not too late, as advocated by presidential candidate Dr. Ron Paul.

* Note that I am not prophesying that cartloads of paper currencies will fail to fetch a loaf of bread. In fact it is perfectly feasible that the price of bread, along with other prices of consumer goods, will fall in the wake of deflation. The process herein described is not one of hyperinflation. It is one of competitive devaluation by the superpowers in order to corner gold.

Reference

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