

# YOU CAN'T EAT GOLD. BUT CAN YOU EAT REAL BILLS?

*professorfekete*

I have received the following letter from a reader.

Professor:

I have been reading your essays on real bills for several years with great interest. If there were any contemporary examples of such credit in circulation, it would be easier to understand how real bills work. Also, have you considered editing the real bill entry on Wikipedia, to give it a less pejorative sense?

Paul Dadford  
Seattle

Here is my answer:

Hello Paul:

I am not responsible for the real bill entry on Wikipedia. I understand it was written by Mike Sproul, the author of the pamphlet *There's No Such Thing as Fiat Money*.

I shall give you more than what you have asked me for: I give you a futuristic example of real bills in action and how *you* can put them in circulation. I hope it won't come to that, but if we find out that the dollar has no dispensation from heaven exempting it from being fiat money and, hence, it *can* lose all its purchasing power as has every other fiat money in history within a generation, then my epistle may come handy some day.

Suppose for the sake of argument that the U.S. dollar has already lost all its purchasing power. (My apologies to Mike Sproul, but I was in Germany on August 15, 1971, the very day the dollar was declared fiat money. In trying to check out of my hotel, the cashier declined my Federal Reserve notes. He sent me to a bank across the street to change my money. At the bank I found a long line of other people with the same problem waiting for their turn. The teller was on the phone nonstop, waiting for the latest instructions from headquarters. To put it mildly, the bank did not welcome the opportunity to do business with us wanting to sell dollars, and we were treated accordingly: you were asked to produce 3 picture ID's, provide your address and phone number, the name and address of your employer, your mother's maiden name, your next destination, etc.)

Going back to our futuristic story, we have assumed that the dollar has died. It would be outrageous to assume also that the American people, and people of other countries where the dollar used to circulate, would now have one great death wish: they would all want to die along with the dollar in sympathy. No, they would want to eat, to get clad, shod, and to keep themselves warm in winter as before. Admittedly they have a problem. Here is what they will do.

Let's say you are the maker of some consumer good (say, a small whisky dispenser that can be attached to any cell-phone) that you are selling through Macy's Department Stores; and your brother is producing some semi-finished goods (say, cigarette lighters to be built into cell-phones) that he is selling through Walmart. As neither Macy's nor Walmart is accepting dollar bills from their customers, they won't try to pass off dollar bills to you. Macy's offers you two choices (the procedure at Walmart is very similar):

(1) you can have Macy-vouchers in any combination that you can use in store as cash, or

(2) you can bill Macy's for the goods delivered.

A bit suspicious, you take the second choice. Then the clerk at Macy's gives you a form to fill out, indicating date, quantity and quality of goods delivered, and your instruction that they pay the bill at their chief cashier's office 'in legal money' no later than 91 days to you or to whomever you may transfer the title through endorsing in the meantime. The receiving department takes your bill, stamps it on the other side with the legend "I accept" over the signature of the receiving clerk, date, address and phone number of Macy's. Then the bill is returned to you.

*Congratulations: you have just drawn your first real bill!*

The receiving clerk apologizes for the inconvenience and gives you a flyer suggesting supermarkets and clothes outlets in the neighborhood that will accept your bill drawn on Macy's as cash in payment for your purchases.

He also gives you another flyer listing those firms, including Walmart, whose bills (i.e., bills drawn on them) are received as cash at all the cashiers in any Macy's store. This means that if your brother endorses his bill drawn on Walmart, then you can use it as cash at Macy's.

As you leave Macy's, you get a terrible toothache. You go the dentist's office nearby where you are informed by the receptionist that the doctor no longer accepts dollar bills in payment. She gives you a flyer listing supermarkets and department stores whose bills the doctor will take. Luckily, Macy's is on that list and you are on your way to the dentist's chair. The professional charges are lower

than your bill drawn on Macy's, so the receptionist offers you change in the form of a bill drawn on the dentist that you can use to pay for further professional services of his, but is also receivable by hundreds of medical offices nearby, as well as by many retail outlets including Macy's.

*Congratulations: you have just put your first real bill into circulation!*

Incidentally, all the banks have by then closed their doors for reasons of insolvency. Nobody feels sorry for them. They got such a bad name during the death-throes of the dollar that the few of them that tried to re-open for business were avoided by the people like they avoid the plague. According to the latest report some succeeded, but their officers shun the name 'banker'. They call themselves 'bill mongers'. Sounds much more honorable.

Real bills are second only to gold. But sometimes they are safer. When you try to eat them, for example. True, it is a hassle trying to eat your real bill. But when you try to eat your gold, *you may get killed for it!*

Detractors of real bills, beware! One day your life may depend on them!

Yours, etc.,  
Professorfekete

### **Calendar of events**

Come to Munich, the capital of Bavaria, for the next ten-day course of the New Austrian School of Economics, from August 20-29, 2011, where I shall answer any questions you may have on the origin of money, origin of interest, hoardability of monetary metals, opening the Mint to silver. Also on hand will be Sandeep Jaitly to tell you about the gold mine of the silver basis, and about the last contango in Washington. For details, consult: [nasoe@kt-solutions.de](mailto:nasoe@kt-solutions.de)  
See also my website: [www.professorfekete.com](http://www.professorfekete.com)

Also on the drawing board we have a Seminar in Hong Kong, as well as one in Auckland, NZ, coming up in November. Stay tuned for details.

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