Or it may have been that escape from danger of death increases the appetite for life, a phenomenon that I have noticed on other occasions.

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— The Federal Reserve System, composed of thousands of private banks, ultimately controls the supply of money in this country through the emission of Federal Reserve Notes, although the Constitution provides that Congress alone has power "to coin Money and regulate the Value thereof."

None of these alterations has ever been sanctioned as constitutional by the Supreme Court.

The Framers of the Constitution were familiar with a popular jibe at the near-worthless Continental Currency (paper money) of the War of Independence—"not worth a Continental." Although that paper money was at least theoretically redeemable in silver dollars, and had never been declared a legal tender by the Continental Congress, the Founding Fathers' miserable experience with it prompted them to insure that such a calamity would never reoccur, by prohibiting ALL "Bills of Credit" (paper money) in the Constitution for the nation (See: Part VIII, Notable Quotations, Paper Money). The reader may judge for himself how they would react to today's Federal Reserve Note—paper money that is not even theoretically redeemable in silver or gold, which has been declared legal tender for all debts, and which a largely private banking cartel (the Federal Reserve System) can impose on the American people as an "obligation" with no law to control the amount of overall liability.

Impact Of The Substitution Of Irredeemable Paper Currency For Silver And Gold Coin

These historical developments in the monetary system have had significant impacts on our society as a whole and on individuals in particular—for the most part, impacts at variance with the intent of the Founding Fathers. Some of these impacts include:

"The American People no longer enjoy a form of money that serves as a store of value."

Because the American people are required to use as "legal tender" Federal Reserve Notes that lack any intrinsic value and have no fixed relation to a definite amount of precious metals, their money fails to provide them a store of value over time. For that reason, average people of modest means must rely on savings accounts and other unsophisticated investments and find it difficult or impossible to provide themselves with financial security in the face of the constantly eroding purchasing power of Federal Reserve Notes.

"The purchasing power of the paper 'dollar' has dropped drastically."

The modern Federal Reserve Note is not a "dollar." A constitutional "dollar" is a silver coin containing 371 1/4 grains (troy) of fine metal. But, prior to 1968, a Federal Reserve Note "dollar bill" could be exchanged for a silver dollar. At that time, the Federal Reserve Note had the same purchasing power as a dollar. Today, however, the Federal Reserve Note has lost more than 90% of its purchasing power compared to the dollar, as can be determined by consulting any dealer in silver or gold coins.

"Public expenditures and public debt have grown alarmingly."

The Federal Reserve System has the power to emit unlimited amounts of "*fiat* currency": Federal Reserve Notes that are legal tender but are not redeemable in silver or gold coin. The Federal Reserve System can use this unlimited supply of currency to purchase government bonds at essentially no cost, converting those bonds directly into money available for public expenditures. (This process is called "monetizing public debt.") With the Federal Reserve System supplying as much money as Congress is willing to promise to repay in government bonds, Congress has been enabled and encouraged to expand public expenditures tremendously, at the cost of an ever-mounting public debt. In 1987 the Treasury Department estimates *the interest alone* on this debt to be more than two hundred billion dollars. At present, the total debt is more than two trillion dollars, or about $10,000 for every American. The government now must borrow over 130% of net private domestic savings to finance this huge debt. If this debt were to be paid in constitutional silver dollars of 371 1/4 grains each, it would require more than five thousand times the annual production of silver in the entire world. For this and other reasons, many economists and financial experts predict that the public debt will be repudiated in whole or in large part, resulting in unprecedented economic turmoil.

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It was the old, familiar attitude—"rather than risk offending anybody, do nothing."

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"The government's imposition of fiat currency on the country has destroyed the real wealth of the people."

Because Federal Reserve Notes are not redeemable in silver or gold coin, their purchasing power—and, therefore, the real wealth of all citizens who hold those notes in savings accounts, certificates of deposits, and so on—depends on the government's ability to refrain from overextending the public debt. Recent history has proven, however, that Congress is more concerned with currying political favor with special-interest groups through massive government spending programs, than with maintaining a sound monetary system. The Federal Reserve System has enabled Congress to finance these spending programs by monetizing public debt: that is, Congress spends more money than it receives in taxes ("deficit spending"). It covers this deficit by emitting public debt. The Federal Reserve System purchases this debt with newly created *fiat* currency, which the government immediately spends. These expenditures of newly created fiat currency, however, are *inflationary*—they lower the value, or purchasing power, of all other Federal Reserve Notes already in circulation, thereby depriving the holders of those notes of some of their real wealth, which is transferred to the special-interest groups that benefit from the excessive government expenditures. Thus, the emission of *fiat* currency amounts to a secret tax on the country as a whole, that enriches the recipients of the government's spending programs.

"The fiat-currency system has destablized our economy and precipitated recessions and unemployment."

Since the establishment of the Federal Reserve System in 1913, the United States has suffered fifteen economic recessions, including the famous Great Depression of the 1930's. Although there were economic cycles in earlier centuries, they were caused by wars, droughts, and similar changes in real economic conditions. In this century, business cycles are caused by misguided "monetary policy"—the manipulation of fiat currency by the Federal Reserve.

When a monetary system is based on silver or gold coin, arbitrary increases or decreases in the money supply cannot occur. But fiat currency is not restricted in any way. When the Federal Reserve buys bonds it arbitrarily increases the money supply, and the excess money is used by unsuspecting businessmen and consumers to invest or purchase goods and services that would not be demanded or produced without the artificial increase in the money supply. Unlike real economic growth, where increases in investment and productivity are caused by true free market events, the artificial stimulation of the economy by fiat currency *misdirects* investments. Businessmen make mistakes during a fiat-currency inflation because the economy is made to seem artificially prosperous. When the inflation ends, the investments are exposed as economic mistakes; and businesses have to close and lay off workers. The machinery and buildings built with the artificial, fiat currency are then seen as wasted; and for a thorough period of time everyone is actually *worse off* than if the "temporary prosperity" had not occurred. These economic downturns are a direct consequence of the irrationality and instability of a fiat currency system.

"Fiat currency is inherently fraudulent and confiscatory."

Any system of *fiat* currency is inherently fraudulent, because it denies the existence of a real, unchangeable standard of value for the nation's money. For example:

A citizen may purchase a "10,000 dollar" government bond, when "10,000 dollars" has sufficient purchasing power to enable him to buy an automobile. The citizen assumes that the bond—which the government issued "on the credit of the United States"—will be a good investment; in the first place, that it *will* be repaid; and, in the second place, that it will be repaid in 10,000 dollars of the *same purchasing power* he initially invested. The citizen trustingly assumes that a "dollar" is a fixed amount of monetary value.

What the citizen may not know is that, consistently since World War II, the policy of the government and the Federal Reserve System has been steadily to depreciate the real value of Federal Reserve Notes (dollar bills). This process is called inflation. And the symptoms of the process can be seen by the citizen in what he calls "higher prices"—that is, it takes more of this devalued paper currency to purchase the same goods and services.

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