Re: Seigniorage, Who, What, Why

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Date: 08/16/04

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Date: 15 Aug 2004 19:13:05 −0700
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>False premise. The "State" accepts checks drawn on
>commercial banks in payment of taxes.
>−
Wrong. The State requires banks to deliver Fed
liabilities in payment. If the payer's account does
not have sufficient funds (Fed liabilities), his
check will bounce.
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But Hummel said the "State" is the Federal Reserve−U.
S. Government combination. Taxes are however paid to
the U. S. Government, not the Fed. Any debtor may
require that the debt he is owed be paid in legal
tender. The U. S. Government is no exception. The
Internal Revenue Service generally prefers that taxes
be paid by check or their electronic equivalent−−not
legal tender. It will accept payment in other forms
by mutual agreement−−as will typically any debtor.

If Mr. Hummel believes otherwise, perhaps he will
direct our attention to the relevant clause in the
tax code.

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>Hummel:  Their wide acceptance as a medium of
>exchange is based on the power of the State to
>enforce tax collection.
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>Nope.
Wrong again.  If the State failed to enforce tax
collection in the States own fiat money, there would
be nothing to ensure the wide acceptance of fiat
money as a medium of exchange.
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If the "State" printed and spent debt notes into
circulation, as the U. S. Government attempted to do
during the Civil War, it could in principle enhance
the general acceptability of its notes in trade by
accepting them in return in payment of taxes on par
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with say, gold.
The U. S. Government does not now print and spend
notes into circulation.
The current Federal Reserve Notes are tokens for
Federal Reserve Bank credit that have value because
they are accepted in payment for groceries,
automobiles, etc. including taxes.
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>Nope. Before 1947, nothing was rebated. Since
>1947,
>not "all" but ninety percent (90%) of its self-
>calculated "profit" is "rebated."
Who cares what happened in 1947? And who cares
whether "all" means not quite all? The point is that
the Treasury and not the Fed is the beneficiary of
the Federal Reserve notes in circulation.

The beneficiaries of the Federal Reserve Notes are
the people who use them in trade.
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Ryan believes that the Fed should not engage in open
market operations as required to hold the Fed funds
rate close to the target. I suppose he is entitled
to his opinion. In any case, the profits to dealers
due to the Fed's open market operation are not
"huge."

We have another of Hummel's arbitrary definitions.
He declares the profits on churning federal
securities channeled to Wall Street NOT to be "huge,"
so we are to accept on faith they are not.
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>It is not "the State" but the Fed
>that is the monopoly supplier of bank reserves,
>inasmuch as the Fed is the central bank in the
>fractional reserve system.
The State includes the Fed, as noted above.

The Fed is conceptually a member of the financial
sector, in the manner that the Supreme Court is a
member of the judicial sector. But Hummel would say
if government "owned" MacDonald's, "Big Macs" would
be "State" hamburgers. MacDonald's is a member of
the firms sector regardless whether or not it may
happened to be "owned" by some government entity.
In economic sector analysis, the Federal Reserve is
grouped with the financial sector--whether or not it
is "privately" owned or owned by government;
government is grouped with the firms sector.
Consumers interact with the nexus of firms and banks.
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William F Hummel <wfhummel@comcast.net> wrote in message news:<r4foh09j2j5ukbknfr1n3r26rhbiahbv5h
> On 12 Aug 2004 18:37:33 -0700, william_b_ryan@hotmail.com (Bill Ryan)
[snipped]