

Re: Seigniorage, Who, What, Why

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On 15 Aug 2004 19:13:05 -0700, william_b_ryan@hotmail.com (Bill Ryan) wrote:

>>*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.*

That's not quite what I said: I said, "I use the term 'State' to represent the entire Federal structure, including the three branches of government AND the Federal Reserve, which operates under rules set by Congress."

In other words, one can refer to the State as represented by whatever agency, branch, or department is responsible. That includes the Fed as well as the Treasury.

>*Taxes are however paid to*

>*the U. S. Government, not the Fed.*

Almost correct. Taxes are paid to the United States Treasury, not the U.S. Government.

I said taxes are paid to the "State", which is correct since the Treasury is the responsible department. Ryan, trying to make a case, would have you believe I said taxes are paid to the Fed. I'll give him the benefit of the doubt and assume his mistake was only due to a reading comprehension problem. Unfortunately that problem appears all too often in his posts.

> *Any debtor may*

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- >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.*

The IRS accepts payment by check ONLY if the payer's account has sufficient funds. The payment is made when the check clears. Clearing means a transfer of Fed liabilities from the payer's bank to payee's bank.

A check is not legal tender. It is merely an order to transfer Fed liabilities from the payer's bank to the payee's bank. Ryan claims it is wrong to say that the IRS only accepts Fed liabilities in payment taxes, because he observes that it also accepts checks. Sheesh.