

Re: TURMEL: Ben Franklin, Prof. Flaherty, on Death gamble

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>
> *From Keith Wilde:*
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>
> *It is reassuring to get Owen's affirmation, because*
> *on reading the McGeer book I am not impressed that*
> *the quotations he provides from Lincoln really add up*
> *to an inference of the man's views that is as*
> *unmistakable as McGeer would like his readers to*
> *believe.*
>
> *Keith Wilde*
> -

If anyone is curious on the matter I have a link to Gerald Grattan McGeer's chapter V of his book CONQUEST OF POVERTY here:
<http://heritech.com/pridger/lincoln/mcgeer/mcgeerv.htm>

Perhaps if McGeer's inference is in question then Lincoln's own actions of creating government issued currency free of interest or fees will serve to obviate any misunderstanding.

LINCOLN's MONETARY POLICY:

"Money is the creature of law and creation of the original issue of money should be maintained as an exclusive monopoly of national government.

"Money possesses no value to the State other than that given to it by circulation.

"Capital has its proper place and is entitled to every protection.

"The wages of men should be recognized as the structure of government and in the social order as more important than the wages of

money.

"No duty is more imperative on the government than the duty it owes the people of furnishing them with a sound and uniform currency and of regulating the circulation of the medium of exchange so that labour will be protected from a vicious currency, and commerce will be facilitated by cheap and safe exchanges.

"The available supply of gold and silver being wholly inadequate to permit the issuance of coins of intrinsic value or paper currency convertible into coin in the volume required to serve the needs of the people, some other basis for the issue of currency must be developed and some means other than that of convertibility into coin must be developed to prevent undue fluctuations in the value of paper currency or any other substitute for money of intrinsic value that may come into use.

"The monetary needs of increasing numbers of people advancing towards higher standards of living can and should be met by the government. Such needs can be served by the issue of national currency and credit through the operation of a national banking system. The circulation of a medium of exchange issued and backed by the government can be properly regulated, and redundancy of issue avoided by withdrawing from circulation such amounts as may be necessary by taxation, redeposit and otherwise. Government has the power to regulate the currency and credit of the nation.

"Government should stand behind its currency and credit and the bank deposits of the nation. No individual should suffer a loss of money through depreciated or inflated currency or bank bankruptcy.

"Government possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by taxation and otherwise, need not and should not borrow capital at interest as the means of financing governmental work and public enterprise. The government should create, issue and circulate all the currency and credit needed to satisfy the spending power of government and the buying power of consumers. The privilege of creating and issuing of money is not only the supreme prerogative of government, but it is the government's greatest creative opportunity.

"By the adoption of these principles, the long-felt want for a uniform medium will be satisfied. The taxpayers will be saved immense sums in interest, discounts and exchanges.

There is also another document worth reading (Senate document 87-240)-169 money facts
<http://dewoody.net/money/>

some interesting ones:

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8. What is the problem of political responsibility?

Since the Federal Reserve is independent it is not accountable to anyone for the economic policies it chooses to pursue. But this runs counter to normally accepted democratic principles. The President and Congress are responsible to the people on election day for their past economic decisions. But the Federal Reserve is responsible, neither to the people directly nor indirectly through the people's elected representatives. Yet the Federal Reserve exercises great power in controlling the money—creating activities of the commercial banks.

14. Why are interest charges important?

For many reasons. First, interest plays a large part in the cost of living. All business firms borrow to conduct their operations—some more than others. These include firms at every stage of production. So interest is a charge which is added on at each link of the production chain. This is a cost which must eventually be paid by the consumer. If it is not paid by consumers, output cannot be sustained. Thus, interest rates also are a determining factor of the level of business activity. Additionally, interest rates influence production because interest rates influence the amount business spends for investment in plant and equipment, the third largest amount of spending for the country's annual output. (Interest has this effect because a part of the country's annual investment is financed by borrowing.)

15. Do interest rate changes and tight money have other effects?

Yes. Consider what happens when the Government is restricting money and credit. Firms find loans difficult to obtain and investment tumbles. Small business is especially hard hit because the larger firms tend to have their credit needs catered to first. Further, when investment falls, firms which produce machinery or build factories find their orders slumping and lay off workers while cutting their own orders for goods. The economy pays for high interest in incomes not earned and in output not produced.

18. What reasons have been given by the Federal officials responsible for the uptrend?

The reasons have differed as the years passed. In the early years, the official reason given was that "too many dollars were chasing too few goods," causing inflation. In recent years, the deficit in our balance of payments was cited. High interest rates, it was argued, were necessary to keep American capital at home. At all times, there has been constant talk of "fighting inflation," real or imagined.

20. How effective is high interest as an "inflation fighter"?

Well, if killing the patient is considered an "effective" treatment for an illness, then high interest is an effective anti-inflation tool. Of course plunging the country into a deep recession will cut labor's wage demands and will cause some business firms to make price concessions. But the cost of this is economic stagnation. And even then prices overall will probably not fall and they may even rise. That is, in the modern economy, just lowering the demand for goods and

labor somewhat will not necessarily stop a price push. The country learned this bitter lesson in 1958.

33. Do private banks issue money today?

Yes. Although banks no longer have the right to issue bank notes, they can create money in the form of bank deposits when they lend money to businesses, or buy securities. (The next chapter will explain how banks create money.) The important thing to remember is that when banks lend money they don't necessarily take it from anyone else to lend. Thus they "create" it.

69. If the Government can issue bonds, why can't it issue money and save the interest?

A few clear-headed and firm individuals, such as Abraham Lincoln, have insisted that the Government should.

The late Thomas A. Edison stated the matter this way: If our Nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also * * * .

It is absurd to say that our country can issue \$30 million in bonds and not \$30 million in currency. Both are promises to pay: but one promise fattens the usurer and the other helps the people.

However, it has long been one of the political facts of life that private banks must be allowed to create the lion's share of the money, even if not all of the money. Thus there is little opposition to the Government's printing bonds and then permitting the banks to create the money with which to buy those bonds; but proposals that the Government itself create the money instead of the bonds have always set off tremendous political upheavals. For example, Abraham Lincoln set off a political furor when he insisted upon having the Government issue \$346 million in money (the so-called "greenbacks") instead of issuing interest-bearing bonds and paying Interest on the money.

70. If the Government issued more money instead of Government bonds, isn't there a danger that the Government would issue too much money and cause inflation?

No. It is no more or no less inflationary for the private banks to create \$1 billion of new money than it is for the Government to create \$1 billion of new money. Furthermore, as an agency of the Government the Federal Reserve System, decides in any case the total amount of money to be created.

91. What are the sources of revenue of the Federal Reserve?

By far the largest is interest on its holdings of U.S. Government securities. This accounts for almost 99 percent of Federal Reserve income.

92. How much of the Federal Reserve earnings must be returned to the Treasury?

No law or regulation specifies how much of the Federal Reserve's

earnings must be returned to the Treasury, but in practice the Federal Reserve spends all of the income it cares to spend, pays dividends to member banks on their "stock" and sets aside a large amount as "surplus." The remainder is then returned to the Treasury. It usually returns an amount several times the amount of its expenses.

96. Why is the Federal Open Market Committee one of the most powerful groups of men in our country?

Because in many ways their power is equal to that of the President in deciding how the world's greatest economic mechanism will operate. By regulating the supply of money, the Committee can control the general level of interest rates. This in turn is one of the major determinants of the level of business activity in the country. The Committee, then, has the power to offset any action taken by anyone to stimulate or restrain the country. This indeed is power.

125. Do private banks enjoy a special relationship with the Federal Government?

Yes, a very special relationship. The business of banks is to lend money. The profit comes from the difference between the cost of creating money and the price they charge borrowers for that money. Now the cost of creating money is negligible. Congress has delegated the power to create money to the banking system without a charge. The banks do not pay a license fee or a payment charge for their reserves. Thus the raw materials the banks use cost them nothing. Also the Government subsidizes the private banks in other ways. The banks receive free services from the Federal Reserve. Check-clearing is one example. Further, the Federal Government provides private banks with protection from competition and the hazards of failure. New national banks are not chartered unless the Federal officer in charge of such matters thinks the new bank will succeed and will not "weaken" substantially any already existing bank. Then again, the FDIC has set rigid standards for a bank to receive insurance. No new bank whether National or State chartered can very well succeed unless it obtains insurance. A basis for this insurance is that time new bank will not face, or cause, "undue" competition.

Another interesting document:

SPEECH OF HON. IRA S. HASELTINE, OF MISSOURI,
IN THE HOUSE OF REPRESENTATIVES, MAY 13, 1882,
ON THE BILL TO ENABLE NATIONAL BANKING ASSOCIATIONS
TO EXTEND THEIR CORPORATE EXISTENCE.

MR. HASELTINE said :

MR. SPEAKER : I propose the following amendment :

" That all the interest-bearing indebtedness of the United States now due or optional with the Government, and all other interest-bearing indebtedness as it shall hereafter become due, shall be paid in lawful

money of the United States.

" SEC. 2. That all money now in the Treasury, and all revenues of the United States Government not otherwise appropriated, shall be applied in payment of the interest-bearing debt.

" SEC. 3. That the Secretary of the Treasury be, and he is hereby authorized and required to issue non-interest-bearing Treasury notes of the United States of the denominations of one, two, five, ten, twenty, fifty, and one hundred dollars, which shall be made lawful money and a legal tender at its face value for all taxes, revenues, and debts, public and private, within the United States, which may be necessary in addition to the aforesaid money and revenues to pay the said interest-bearing debt now due, and also the interest-bearing debt now optional with the Government, and all other interest-bearing debts as they shall respectively become due.

" That the Secretary of the Treasury is hereby authorized and required to issue Treasury notes made a full legal tender and lawful money in denominations convenient for currency, and in quantity equal to any contraction which may be caused by the withdrawal of national-bank notes.

" SEC. 4. That all acts and parts of acts in conflict herewith be, and the same are hereby, repealed."

Mr. Speaker, this amendment provides for paying into the circulation all money and revenues not otherwise appropriated, and issuing legal-tender currency to take the place of interest-bearing bonds now due, or optional with the Government, and also to take the place of national-bank currency. It provides against any contraction by the withdrawal of bank paper and saves to the people from \$12,000,000 to \$15,000,000 per annum. The adoption of this amendment would provide for the payment of the interest-bearing debt and supply the people with money which is preferred to gold.

Mr. Speaker, Hon. Peter Cooper, the great American philanthropist and political economist, who in moral and patriotic grandeur is second to no man of his time, in his late petition to Congress protests against the passage of the bill under consideration as reported by the committee, and presents the argument for a just and enlightened policy so clearly and forcibly that I deem it due to the cause and in the interest of good government and humanity to give his petition entire, etc. (See " Congressional Record.")