

MONEY, BONA FIDE OR NON-BONA FIDE, by Dr. Edward E Popp, 1970; Previously available from the Wisconsin Education Fund, PO Box 321, Port Washington Wisconsin, 53074

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## PREFACE

This book was written because the writer has not been able to find any book which gives a complete and satisfactory definition for the word money. The definition given in most cases is a definition of the function of money, not the essence of money. Even the dictionaries and encyclopedias do not have a definition of what it is; they only relate its function.

The implication is that there is some mystery about the nature of money that only a few can understand. Everyone else is supposed to accept without question whatever is given to him or her as money and to use it as a medium of exchange. It is the writer's intention to take the mystery out of money by explaining what money is, how it works, what gives it its value, who should issue it, and other interesting items relating to media of exchange.

The writer also hopes to show that if a nation borrows its money (medium of exchange) with interest, it can never get out of debt. As long as it uses borrowed money (mostly bank credit) as its medium of exchange, it will continue to go more and more in debt, until the interest payments become unbearable. The end result will be a destruction of the value of the money by severe inflation or by a more violent means.

The people in the United States have been using borrowed money (bank credit) as a medium of exchange for many years. We can now see the end result approaching.

The writer hopes to show how the people can change from using an inflationary debt money system to a non-inflationary debt-free system. When enough people are sufficiently informed about the real nature of money (medium of exchange), a system for the use of bona fide media of exchange could be established with or without the help of federal officials. However, it would be much more convenient if Congress would permit only a bona fide medium of exchange to circulate. Congress could also prohibit the circulation of inflationary money (bank credit) just as it prohibits the circulation of counterfeit money. Inflation would never exist if only bona fide media of exchange were used.

It is also the hope of the writer that, in the event the people and/or our government officials do not use bona fide media of exchange before the money becomes worthless, they will then have sufficient information to enable them to start over with a system using bona fide media of exchange.

While the information given in this book is primarily intended for the people in the United States of America, the principles given can be just as useful for the people in any country in the world. People anywhere, with a government or without a government, with or without gold or silver, may learn how to issue a bona fide medium of exchange.

Finally the writer hopes that the chapter on interest will contribute to an increase in knowledge on the subject of interest. (Edward Popp, Port Washington Wisconsin, January 1970)

## **CHAPTER 1                    SOME USEFUL DEFINITIONS**

### **BARTER**

When one item of value is traded or exchanged for another item of value without any exchange of money (medium of exchange), we call that transaction barter. When a medium of exchange is used to make exchanges of items of value, we call such transactions buying and selling. The act of buying and selling also is barter, but it is indirect barter. In selling we exchange an item of value for a document (money or a credit certificate) that, if it is bona fide, is evidence of a claim for other goods or services. The document serves as a medium of exchange which we shall give in exchange for some other item of value. That is indirect barter. Indirect barter (buying and selling) is made convenient when a medium of exchange (money or a credit certificate) is used. Buying an item means that we obtain complete ownership of that item by paying money or a credit certificate for it.

### **TO BUY ON CREDIT**

When we buy an item on credit, on partial payment, or on time payment, we usually obtain possession, but not ownership, of the item. The owner simply makes an agreement with us that we will obtain ownership at the time we complete the payments for the item.

If we do not make the payments according to our agreement, we then give up our possession of the item. We do not own the item until it is completely paid for. We have not really bought the item until we have paid for it in full.

### **BANK CREDIT OR BANK CREDIT MONEY**

I shall try to explain bank credit by giving an illustration. A man borrowed \$1000 from a bank. The bank opened for that man a checking account for \$1000, gave him a checkbook, and told him that he can now write out checks for an amount up to \$1000. The bank, for its part, wrote in its books a deposit of \$1000 and a liability of \$1000. When a loan is made in this manner, the bank has created \$1000 worth of new bank credit (also called bank credit money). The bank did not give out any of its own money or any of its depositors' money. But the bank credit money (checks that the borrower would write out) would buy goods and services in the same manner as would real money that someone had earned.

If the collateral security pledged for that loan were items that the borrower was about to sell, then that bank credit money was not inflationary, because goods were available to be claimed by it. However, if the collateral security were items such as his automobile or his house, which he did not intend to sell, then that bank credit money could be inflationary. Note: The bank credit money was not earned by anyone. It was not earned by the bank and it was not earned by any of the depositors; it was just a bookkeeping entry.

When the loan is paid back, the bank credit money will no longer exist. The bank's books will show a decrease of deposits and liabilities of \$1000 each. It also will show a profit of the amount of interest it received for the loan of its bank credit, or for its bookkeeping job. More than 90% of all the buying and selling in the United States is done with interest-bearing bank credit.

### **CASH**

Cash such as coins and currency, is the most acceptable medium of exchange.

### **BONA FIDE**

*Bona fide* means made in good faith, without fraud or deceit. A document or written statement is bona fide when the person is honest when he writes it. That is to say, he is telling the truth in his document.

### **CREDIT CERTIFICATE**

In this book the term *credit certificate* means either a certificate of credit or a tax credit certificate, or both.

### **CERTIFICATE OF CREDIT**

When the possessor of goods or services writes out a certificate of credit stating someone has credit for a certain amount of his goods or services, it means that that someone has a claim for that amount of those goods or services; that is, those goods or services will be given to the bearer of that certificate in the manner stated on that document. The certificate of credit is the physical evidence to prove that the possessor of the goods or services owes (is in debt to) the bearer for a certain amount of goods and/or services.

### **TAX CREDIT CERTIFICATE**

A tax credit certificate is a document issued by a governmental body, which is used by that body to pay for goods and services it needed. It is redeemed by that governmental body when it is returned as payment for taxes. In order that the tax credit certificate be bona fide, the governmental body must levy a tax equal in amount to the face value of the tax credit certificate.

### **DIVIDEND**

The word *dividend*, in finance means a share of profit distributed to the owners of an enterprise. The word *dividend* is made up from the word *divide*. When the profit of a company is divided among the owners or shareholders of a company, the part given to each partner or shareholder is called a *dividend*. Such payments are not called *interest*. In this book where the word *interest* is used, it is never used to mean a dividend.

### **HONESTY**

Honesty is the virtue that is practiced by a *person* who expresses himself according to reality. A person is honest when he speaks or writes the truth.

We have heard the expression that we should have "honest money" or that we should have an "honest money system." It does not seem appropriate to use the word *honest* when it is applied to anything other than a person. Only persons can be honest or dishonest; things cannot be honest or dishonest. Therefore, counterfeit money or inflationary money should not be labeled dishonest money. It should be referred to as money made or issued by a dishonest person. The same thing is true of a money system. A system is not a person. Therefore, a system cannot be honest or dishonest. So if we have a money system that will permit some persons to acquire an unjust gain and other persons to suffer an unjust loss as a result of the normal use of that system, we should say the system has the qualities of an enterprise established by

persons who were not honest.

We probably would be correct if we said that there are only two kinds of documents used as media of exchange: the one kind called *bona fide*, issued by persons who are honest, and the other kind, non-bona fide, issued by persons who are not honest. The important feature about a document is to have it issued by a person who is honest. Therefore, the most important requirement for a document which is to be used as a medium of exchange is the practice of honesty by the person who issues the document.

## **JUSTICE**

Justice is the virtue we practice when we give to each person that which is his due. It also means that we are to allow each person to keep what belongs to him.

When we say we are to give to a person what is his due, we mean we are to give him what he has earned. When we say that we are to allow each person to keep whatever belongs to him, we mean that each person can keep whatever he has rightly acquired.

## **LEGAL TENDER**

When the government passes a law which declares that certain documents such as notes, bills, certificates, and coins are legal tender, it means that a person must accept these items as payment for any money obligations due him or run the risk of not being paid. He must accept them, even if they are not redeemable in goods or services. He must accept them, even if they are an inflationary medium of exchange. The government has the power to make such a law, but not the right to do so. The government has no right to force an injustice on anyone.

(A great injustice was done to many people in Germany in 1923, when they had to accept inflationary money with little value as payment for debts contracted previously when the money had much more value.)

It would not be necessary for the government to make bona fide credit certificates into legal tender because they would be self-evident claims for goods or services, just as the gold certificates used to be self-evident claims for gold.

## **MONEY**

The word *money* is frequently applied to anything that is used as a medium of exchange. Many items have served as media of exchange, such as gold, silver, cattle, grain, salt, notes, checks, certificates of credit, postage stamps, etc.

The Constitution of the United States gives the Congress (not banks) the power to coin money. Therefore it is appropriate that the word *money* be applied only to the media of exchange authorized to be issued by the United States Constitution.

## **MONEYLESS, CASHLESS, CHECKLESS SYSTEM**

Before the year of about 1925 in the rural areas of Michigan, and probably in other states also, it was the custom for the township highway superintendent to tell the owner of each farm the amount of highway taxes required of him for the year. The farmer could pay those taxes with money or he could earn an equal amount of money for his taxes by working on the road. He was allowed \$2 per day for his work with his own shovel or \$4 per day if he worked with his shovel and his team of horses and a wagon equipped for hauling gravel.

Let us say a certain farmer owed \$20 for his highway taxes. The town highway superintendent informed him that he would have to work three days with his team, wagon, and shovel, and four days with only

the shovel. He did just that and thus earned the required \$20.

The highway superintendent recorded in his books that the farmer had paid (earned) his taxes. The farmer did not receive any money, cash, or checks for his work. The town did not receive any money, cash, or checks for the payment of those taxes. Nevertheless, the taxes were paid just as much as they would have been if cash or checks had been used.

### **NOTE**

In relation to money matters, a *note* is a document giving evidence of a debt and a promise of payment with money.

(Since the terms *United States notes* and *Federal Reserve notes* are frequently used in this book the reader will benefit by looking over his five dollar bills until he finds a United States note, so he will know the difference between a United States note and a Federal Reserve note. There are not many United States notes in circulation, but occasionally a person will receive one in the ordinary course of his business. You may be able to get one from a bank if you ask for one.)

### **USURY**

The word *usury* is generally used nowadays in reference to exceedingly high interest charges. While it is appropriate to use the term *usury* when referring to very high interest rates, we must also remember that demanding low interest rates may be usury as well. Interest rates are unjust, even when low, if it is physically impossible for the borrower to pay them. Interest rates are also unjust if the lender loans counterfeit or inflationary money.

Therefore, it seems that the word *usury* should be applied to an unjust interest charge, whether it is high or low.

### **WEALTH**

We generally classify all material possessions and resources as wealth. This definition may be too general. We could more accurately consider wealth as all items that are produced by people, and are wanted, at least by some persons. Wealth is that which is produced when human labor with the aid of tools and knowledge is applied to some natural resource. With this viewpoint, natural resources are not wealth. A natural resource, such as land, is not wealth. In its natural state it cannot be used to maintain life or give comfort and pleasure to man.

In order to obtain food, fuel, or minerals from the land, a person must first labor with tools to produce such items (wealth) that are useful to the human person. Natural resources are not produced by man; they are given to man by the Creator. Wealth is produced by man, every day. Man creates wealth by his work. Money is not wealth. A bona fide credit certificate is a claim for wealth. Bona fide money or any other bona fide medium of exchange serves, with justice, as a convenient means to share one's wealth with other possessors of wealth.

### **WORK**

Work, in general, means the expenditure of energy. We shall limit our definition to productive work. When we expend out energy with tools and knowledge upon some natural resource, we can produce goods that are useful to man.

In general, we can say that man must acquire knowledge and tools before he can produce goods and services. It is by means of productive work that we acquire (earn) the goods and services or the medium of exchange with which to buy the goods and services we need or desire. If we wish more goods (wealth) and services, we should try to become more productive by making more efficient tools.

A person or a nation can become wealthy, that is acquiring an abundance of goods, by productive work using knowledge and efficient tools. Work, the expenditure of energy, by itself does not produce goods or services. A man may work hard to break open a safe to acquire its contents; but even if he succeeded in obtaining the contents, he did not produce any goods or services. His work was unproductive. He stole the goods that another man obtained by productive work.

Productive work is the necessary method by which we can obtain the goods and services we desire. If we acquire goods or services without productive work, it means someone else performed productive work to produce those goods or services but he did not receive them.

## CHAPTER 2 MEDIA OF EXCHANGE

That thing, object or document given or taken in the process of buying or selling is properly called *the medium of exchange*. The phrase *medium of exchange* describes the function of the object: it does not describe its nature. The thing that people agree to use as a medium of exchange is, by its function, a medium of exchange.

Various items, such as gold, silver, copper, nickel, iron, beads, furs, tobacco, grain, cattle, salt, etc., have been used as media of exchange. Government notes and coins (money), bank notes, bank credit, and private person's credit have also been used as media of exchange.

We shall divide the items used as media of exchange into two classes. In one class we will place those items in which the value as a commodity is about equal to its face value or its exchange value. In that group we find gold and some silver coins, grain, cattle, furs, tobacco, silk stockings, etc. Because these items are used in direct barter (not in buying and selling), we need not discuss them.

In the other class we will place those items that have no (or only small) value as a commodity--at any rate, the value as a commodity is much less than the face value. In that group we find copper, nickel, and iron coins, as well as government notes (money), bank notes, bank checks, credit certificates, and perhaps similar items.

The difference between the two classes is that when items in the first group are used as a medium of exchange, the exchange of goods or services is a direct barter (items of equal value are being exchanged directly). When items in the second group are used in the exchange of goods and services, that exchange is an indirect barter, commonly called buying and selling. The seller gives up an item of value for a medium of exchange, that, if bona fide, is a document giving evidence of a just claim for some other goods or services.

Even a non-bona fide medium of exchange is a medium of exchange as long as it is accepted by those who sell goods and services. However: a person should know the difference. A counterfeit bill is a medium of exchange as long as it is accepted by those who sell goods and services. Inflationary money also is a medium of exchange as long as people accept it and use it as a medium of exchange. However, counterfeit money and inflationary money are not bona fide media of exchange because they are not issued in good faith and do not give evidence of a just claim for goods or services. Counterfeit money and also inflationary money could exist even when no goods or services would be in existence to be offered to anyone. Bona fide media of exchange will never exist unless goods or services also exist and are being offered to the bearer of the document. There is no reason for the existence of a medium of exchange unless someone has something to offer for it. A bona fide document used as a medium of exchange comes into existence only because the one who wrote it has some goods or services to offer for it. Any document that is used as a medium of exchange is not bona fide unless it is redeemable in gold

or other goods or services. This applies, no matter by whom the medium of exchange is issued, no matter if it is called a note, legal tender, special drawing rights (SDRs), or certificates of any kind. Notes or certificates which are redeemable for goods or services are bona fide media of exchange.

Gold is one of the goods for which a bona fide medium of exchange can be redeemed. Gold has some advantages and disadvantages over other goods; but when the usual medium of exchange (money) is redeemable only in gold at a price set by law, the people who own gold have a great advantage given to them by law over those who do not own gold. The owners of gold then have a monopoly by law. Because those of the money system given to them by law. Because those who control the money system control all business, the owners of one commodity (gold) can then control the general prices of all other goods and services being offered for sale.

Any man who owns gold, including a banker, has the right (because it is his gold) to write out a certificate of credit stating that he will give to the bearer a certain amount of the gold he possesses. (He, however, has no right to write out a certificate of credit for more gold than he possesses.) In like manner the person who owns other commodities has the same right to write a certificate of credit stating that he will give the bearer a certain amount of his goods. The bona fide certificates of both of these men are acceptable media of exchange.

### **BONA FIDE MEDIA OF EXCHANGE**

One item which will serve as a bona fide medium of exchange is a negotiable document (a contract) giving proof or evidence that the bearer has a just claim for some *wanted* goods or services for which it will be redeemed. That document is a certificate of credit.

(The wanted goods and services are those for which some people are willing to work, or those for which some people are willing to exchange other goods or services.)

Another item which will serve as a bona fide medium of exchange is a negotiable document issued by a governmental body, stating that the document will be redeemed in the payment of taxes and will be accepted in the payment of all other charges due that governmental body. That document is a tax credit certificate.

### **CERTIFICATE OF CREDIT**

Let us illustrate how individuals and corporations can issue their own certificates of credit which can serve as bona fide media of exchange. They cannot and should not issue money; even the banks should not issue money; only the federal government can issue money. However, they can issue certificates of credit for their own goods and services. Those certificates of credit could be accepted by any governmental body as cash in the payment of taxes or any other charges and then used by it, again as cash, to pay for the goods and services it needs.

Let us say a man works for a farmer who says he will pay him ten dollars' worth of potatoes for his work. The hired man then has a just claim on the ten dollars' worth of potatoes because he earned it. However, he has no physical evidence to prove it. Only when the farmer writes that promise on a piece of paper, then the hired man has evidence or proof of his just claim. Now if the farmer would write on the statement that he promises to give the ten dollars' worth of potatoes to the bearer of his statement, that note would be a negotiable document and it could serve as a bona fide medium of exchange. It would be evidence of a just claim for goods (potatoes), which are being offered to the bearer of that note. It also would be evidence of a just debt the farmer owes the bearer of that note.

So we see that a document serving as a bona fide medium of exchange gives evidence that the bearer has

a just claim for some goods or services from the person who issued and signed the document. It means that the one who issued and signed the document is in debt to the bearer. The document may be called a note (that is, a promise to pay), or a certificate of credit.

Suppose the hired man then goes home with his pay (the note that gives evidence of a just claim for ten dollars' worth of potatoes). At home he finds a bill from his dentist for ten dollars. He asks his dentist if he would accept that note in payment of his bill. The dentist says "yes." So his dental bill is paid. The dentist does not need the potatoes but he owes the garage man ten dollars. He asks the garage owner if he will accept the note for ten dollars' worth of potatoes as payment for his bill. The garage owner says "yes." That bill is now paid. The garage man then asks his hired mechanic if he would accept the note as part of his wages. He too agrees. The mechanic then takes the note to his grocery man from whom he buys eight dollars' worth of groceries. The grocery man says, "I can use the potatoes." He gives the mechanic eight dollars' worth of groceries and a "certificate of credit" for two dollars' worth of groceries, payable to the bearer. The mechanic also needs a haircut. He goes to the barber and gives his two-dollar certificate of credit for his haircut. The barber goes to the grocery store and gives up his certificate of credit for two dollars' worth of groceries. The grocery man then destroys that credit certificate because the purpose for which it was issued was fulfilled. The grocery man in the meantime has telephoned the farmer to bring him ten dollars' worth of potatoes. When the farmer delivered his potatoes and received *his* note (the note he wrote out for ten dollars' worth of potatoes as pay for his hired man) he also destroyed it because the purpose for which it was issued was then fulfilled.

(Note the benefit that came to a number of people by the use of a bona fide medium of exchange. The farmer wrote out a certificate of credit for his potatoes. It served as a means of paying his hired man, a dental bill, a garage bill, a mechanic's wages, a grocery bill, and a haircut)

This is a simple example of how a bona fide medium of exchange can be made and used by private persons, without the need of any help from the government and without borrowing from a bank. Let us go back to the farmer and repeat the process: only this time the farmer will take his ten dollars' worth of potatoes to the grocery store first. The grocery man will give him a certificate of credit for ten dollars' worth of any of the merchandise he has for sale in his store.

The farmer goes home with that ten-dollar credit certificate and pays it to his hired man. The hired man pays his dental bill with it. The dentist pays his garage bill with it. The garage owner pays it to his mechanic who in turn goes to the grocery store for his eight dollars' worth of groceries and a two dollar certificate of credit which he uses to get a haircut from the barber who takes it back to the grocery store for his two dollars worth of groceries. The cycle is then completed.

In this case the farmer did not issue a credit certificate. He used the one issued by the grocer. That teaches us that it is not necessary for everyone to issue credit certificates. Some can use those that are issued by others. They would be issued only when there was a need for them. However, in order that they be bona fide they must be issued by the one who possesses the goods or services for which they are a claim.

The advantage of using credit certificates is that one does not have to borrow from the bank and pay interest. Take this last case where the grocer issued his credit certificates to the farmer for the potatoes: instead of issuing the credit certificates, he could have borrowed the money from the bank and pledged the merchandise in his store as collateral security for the loan. The money he would have received would have been no better or worse for the paying of those bills than his certificates of credit. The difference would be that he would have had to say to the banker, "Please, may I have the loan?" and then pay interest for the "use" of the loan.

Companies such as Montgomery Ward or Sears Roebuck could pay their employees with certificates of credit which could be used by them or anyone else to purchase any goods listed in their catalogs or offered for sale in their stores. Those certificates of credit could serve as bona fide media of exchange. They would be documents giving evidence of a just claim for goods for which they would be redeemed by those companies. In fact, the companies would be obligated (because they agreed to do so when they wrote out the certificates) to redeem them with their goods or services.

### **ANOTHER CERTIFICATE OF CREDIT**

Once, when the writer was a small boy living on a farm, he accompanied his mother when she took a case of eggs to town to the general store for the purpose of buying the family needs. She selected all the things she wanted, but the storekeeper told her that she still had two dollars coming. He then said, "I will give you credit for those two dollars." That credit was a just claim for any of the goods being offered for sale in that store. It could have served as a bona fide medium of exchange. My mother kept it and used it later, but it probably would have been accepted in the community by others in payment for other goods or services if that had been necessary.

### **MORE CERTIFICATES OF CREDIT**

Let us suppose General Motors did not have much money, but had a large number of automobiles on hand ready to be sold, and GM needed money to pay their employees. They could borrow bank credit money with interest, pledging the unsold cars as security for the loan. Then they could use that bank credit money to pay their employees. Note: the real backing of that bank credit money was the cars which were being offered for sale. The bank credit money was not redeemable for gold or silver or for any goods owned by the bank. Though only the banker knew it, that bank credit money was backed only by "evidence of a claim" on those unsold automobiles. As soon as the automobiles were sold, the bank credit money had to be returned to the bank and be destroyed. It had served the purpose for which it was issued. However, interest was paid for the "use" of it.

(A company can only pay its employees with the product it makes. If a company pays its employees with a medium of exchange, it obtained that medium of exchange by selling its product for it)

Now, instead of General Motors borrowing bank credit money, they could issue certificates of credit with which they could pay their employees. Each certificate would be issued for a certain number of dollars' worth of credit toward the purchase of any of their products. Those certificates of credit would have the same backing as the bank credit money that was borrowed from the bank. The public as well as the bearer would know what the backing was because it would be stated on the certificate. However, they would not know what backing, if any, there was if bank credit money were used. Those General Motors certificates of credit could be used as bona fide media of exchange because they would be evidence of a just claim for their products.

### **GIFT CERTIFICATES**

Another item that could serve as a bona fide medium of exchange is a gift certificate. A person may buy one from many business places. It is usually intended to be given as a gift. A gift certificate is a written document giving evidence that the bearer has a just claim for a certain amount of goods or services from a certain store. It is a certificate of credit used as a gift. The store could pay the wages of its employees with it and they in turn could use it for gifts or buy goods and services with it from all who would accept it.

### **TOKENS**

Tokens also can serve as a useful medium of exchange. Let us suppose that in the United States we, for

some reason or other, would have a severe shortage of dimes. And let us suppose that only dimes can be used to make a telephone call at a pay telephone owned by the American Telephone and Telegraph Company. The telephone company could and probably would make metal tokens to serve the same purpose as dimes for making telephone calls. The company would sell these tokens for ten cents each or ten for one dollar. The company would announce that these tokens would be accepted also as payment for any telephone bills. Each token would be redeemable for ten cents worth of the company's services. If the shortage of dimes continued, those tokens would soon be accepted and used in place of dimes by many people all over the country. They would not be government issued or bank-issued money, but they would be a bona fide medium of exchange because they were evidence of a just claim for an available service - the paying for a telephone call or a telephone bill.

(We will digress a little here and say, suppose the telephone company loaned those tokens, at six percent interest per year, instead of selling them, and required the people to pay them back after one year, with six more tokens for each one hundred tokens they received. How could the people pay back 106 tokens when they received only 100 tokens? They could not. All the people could do would be to borrow more tokens or go without tokens. If they continued to borrow they would go more and more in debt.

The interest on the tokens just borrowed would be added for each year they would be kept or used to the interest on the interest tokens with the result that the people would go more and more in debt. There never would be enough tokens in existence to pay off the loan and all the interest as well. That very important fact would be concealed from the people as long as they kept on borrowing.

What occurs when the people borrow tokens is exactly what occurs when the people borrow money or bank credit that is to be used as the medium of exchange.)

The people, including the officials of the telephone company, would soon see how well the tokens served as a medium of exchange. The company officials also would see that they could even use the tokens to pay part of the wages of the employees. The employees would use the tokens as a medium of exchange when buying the goods and services they wished. The general public would find that it no longer would have to go to the telephone company to buy tokens. There would be enough tokens available from change made at ordinary business places.

Because the company was still selling its tokens for cash, it decided also to redeem those tokens for cash as well as for the payment of its services. Those tokens then were a very acceptable bona fide medium of exchange. The company then could pay its employees all of their wages and salaries with tokens. The people and the company might find it a little inconvenient to have so many tokens to carry around; it therefore could issue, in lieu of tokens, certificates of credit, each of which would be worth a specific number of tokens or dollars in the payment of telephone services, or it could be redeemed for cash. Note again: This medium of exchange came into circulation by being sold or as payment for wages. It was not loaned to anyone. The telephone company did not borrow this medium of exchange from a bank. Also it was not issued by any governmental body. The telephone company was selling telephone services and had the right to issue the tokens and the certificates of credit. The company also had the obligation to redeem those tokens and certificates of credit.

### **TAX CREDIT CERTIFICATES**

Let us illustrate how a governmental body can create the bona fide medium of exchange necessary for its operations. This applies to the federal, state, or local governments. Let us show how a city would operate without money and without borrowing.

The city employees render services which are necessary for the health, safety, and general welfare of the people. When payday comes the city clerk will be instructed by the Council to pay each employee his wages with a tax credit certificate in the amount the employee earned. If he earned one hundred dollars, the tax credit certificate would have written on it, "This certificate will be redeemed for one hundred dollars in the payment of city taxes." It will be signed by the proper city officials.

However, before any such certificates are given out, the city Council *must* pass a non-revocable tax assessment, on the taxable property, equal in amount to the value of the tax credit certificates to be issued. (That is exactly what the Council must do when it borrows bank credit money or real money from a bank.) The tax credit certificates or any borrowed money can be paid back only with the taxes the city collects from its taxpayers. By using tax credit certificates the city would not go in debt and would not have to pay interest.

If the city officials decided to issue tax credit certificates with which to pay for a municipal building, such as a city hall, over a five year period, the Council would have to levy a non-revocable tax for one-fifth of the cost of the building for each of those five years just as they might do if they borrowed money from a bank.

### **POSTAGE STAMPS**

The United States Post Office could pay their employees with postage stamps instead of money, because those stamps are evidence of a just claim for postal services. They are redeemable for postal services. They are bona fide because the services are available to the bearer of those stamps. Some years ago, Sears Roebuck and Montgomery Ward used to accept postage stamps in lieu of checks or cash for small mail orders. In 1863, postage stamps were widely used as a medium of exchange in the United States. So if people use stamps in the buying and selling of goods and services, the stamps then are a bona fide medium of exchange.

### **REQUIREMENTS OF A BONA FIDE MEDIUM OF EXCHANGE**

The medium of exchange we are talking about is either a document giving evidence of a just claim for goods or services or a document receivable as payment for taxes for which it will be redeemed. The requirements are the same as those necessary for any other bona fide document.

1. It should be a complete document with all the information written on it necessary to prove that the bearer has a just claim for certain goods or services, or that it will be redeemed in payment for taxes.
2. It should be issued by the possessor of the goods or services for which it is a claim, or by the governmental body that will redeem it in the payment of taxes.
3. It must be issued by an honest person.
4. It should be issued and paid in such a way that the owner of the document will not suffer a loss if the document is lost, stolen, or destroyed.

### **ADVANTAGES OF USING A BONA FIDE MEDIUM OF EXCHANGE**

When the people of any country use documents that are bona fide media of exchange, they will have the following advantages:

1. They will have all the media of exchange they need for the buying and selling of all the wanted goods and services that are produced. Furthermore, they will have it without paying interest for the "use" of it.
2. There will not be inflation and deflation (booms and busts). Business, in that sense, will be normal. When the media of exchange are borrowed, times are never normal. There is always a fear of inflation or deflation.
3. No one will have a monopoly in the issuing of the media of exchange. Each corporation and each governmental body will be able to issue it and use it independently of other corporations or governmental bodies.
4. The price of goods and services will not be able to be raised or lowered by the banking system.

(The banking system now, by increasing or decreasing the amount of bank credit, can cause the general price level to go up or down in an artificial manner.)

5. By using a bona fide medium of exchange it will be more difficult for dishonest people to use it to pay for bribes, illegal drugs, and other illegal purposes.
6. Anyone who would attempt to counterfeit or forge or steal such media of exchange would easily be caught, just as those who steal or forge checks are easily caught.
7. No one will receive any of the media of exchange unless the goods or services for which the certificate is issued are on hand, or unless in the case of a tax credit certificate, taxes are levied for which it will be redeemed.
8. People, including government officials will be more apt to understand just what money really is. They would know that when the government asked for more taxes, it would be asking for the people to work harder to produce more goods and services. That is because bona fide money earned for taxes would only come from the taxpayers who must work harder to produce the goods and services for which the bona fide money is a claim. There is no bona fide money unless it is first earned by someone.

Government officials as well as others, who expect the government officials to take something from everyone to give something to all, might- just might-learn the meaning of justice and they just might think about practicing it.

9. The mystery of what money is would be gone. All credit certificates would be redeemable either with goods and services or as payment for taxes. Each certificate would have all the information written on it that was necessary so that the bearer would know the thing for which it was a claim.
10. People in foreign countries who received our certificates (money) for the things they would sell us would also know the items for which they could redeem those certificates. There would never be a balance of payments deficit or surplus.
11. There would be no such thing as a government debt.
12. The local banks would serve the people just as they now do when they accept and loan earned money. The savings accounts and the checking accounts would all be deposits of bona fide media of exchange and the banks would always make loans of bona fide media of exchange: that is, bona fide credit certificates. Those credit certificates would be used in the same manner as the gold and silver certificates were formerly used.

(Those gold and silver certificates were certificates of credit redeemable with gold and silver. The credit certificates referred to in this book are redeemed with other goods, services, and in the payment of taxes.)

The banks would also perform all the other valuable services which they now perform and for which they would charge a deserved fee. The bankers may also enjoy more independence and freedom than they now have in the conduct of their business.

### **CHAPTER 3      MONEY IS A DOCUMENT**

The definition of a document is “an original or official paper relied upon as a basis, proof or support of something.” Also it is “a writing, containing information.” A document gives written evidence.

Let us see how “what is used as money” fulfills that definition. Probably the first paper “money” was issued when someone brought gold to a certain goldsmith for safekeeping and the goldsmith gave him a written statement, a note, saying he (the goldsmith) had received a certain amount of gold and he would pay back the gold on demand upon the return and surrender of that written statement or note. He signed his name to it. That written statement, or note, was a document; it gave evidence of a just claim for a certain amount of gold that he held for safekeeping. The document gave information which proved that the goldsmith owed the bearer a sum of gold and that he would return it to the bearer on demand. That





document has been changed. However, it still is a document. It states it is legal tender for all debts, public and private. It is signed and stamped with the United States Seal by the proper officials. It is not the same document as the previous note. It really is not a note. A note is always written with a “promise to pay.” The bearer is no longer promised to be paid five dollars. He now is only told that it is legal tender for all debts, public and private.

Nevertheless, it is a document. It serves as a medium of exchange on which no interest is paid when it is brought into circulation. The fact that we have official signatures and seals on our paper money is sufficient to have them properly classified as documents. But what type of document is the present United States note? It is not a certificate of credit. It is not, as it ought to be, a tax credit certificate. What is it? It appears to this writer that it is a government issued paper token that is accepted (not redeemed) in the payment of federal taxes.

### FEDERAL RESERVE NOTES

The Federal Reserve notes are issued by the Federal Reserve Banks. We shall show how the wording on the notes has been changed since 1914, when the Federal Reserve notes were first issued. Keep in mind that these notes are documents. They give important information.

On the face of a \$20 Federal Reserve note of the 1914 series was written the following:

Federal Reserve Note		
20 THE UNITED STATES OF AMERICA 20		
(Signed by) Frank White Treas. of U.S.	(Signed by) A. W. Mellon Sec. of the Treasury	
Will pay to the bearer on demand		
TWENTY DOLLARS		
20	Federal Reserve Note	20

On the reverse of the same note we read the following:

**This note is receivable by all National and Member banks and Federal Reserve Banks and for all taxes, customs and other public dues. It is redeemable in gold on demand at the Treasury Department of the United States in the city of Washington, District of Columbia or in gold or Lawful Money at any Federal Reserve Bank.**

That was a real document. It was a bona fide note. It also was a bona fide certificate of credit. A person could read it and understand for what it was a claim. It was not labeled “legal tender.” Nothing was said about “private debts.” Note the difference between the words *receivable* and *redeemable*. It was receivable for taxes (not redeemable for taxes) but it was redeemable for gold or lawful money.

A ten dollar Federal Reserve note of the 1928 series had the following information written on the face of it:

Federal Reserve Note		
10 THE UNITED STATES OF AMERICA 10		
Redeemable in gold on demand at the United States Treasury, or in gold or Lawful Money at any Federal Reserve Bank.		
(Signed by) N.O. Woode Treas. of U.S.	(Signed by) A.W. Mellon Sec. of the Treasury	
Will pay to the bearer on demand		
10	TEN DOLLARS	10

On the reverse of the same note was written only, THE UNITED STATES OF AMERICA at the top and TEN DOLLARS at the bottom.



before 1965, the Federal Reserve notes were not lawful money. It was written on the notes that they could only be redeemed in lawful money.

Nevertheless, these Federal Reserve “notes” are documents even though they are not certificates of credit. They cannot be called a bona fide medium of exchange. They are however, documents which are used as a medium of exchange. The government accepts them as payment for taxes, thus giving them their value.

As the years passed, since 1914, less and less information has been written on these notes. Now there is not enough writing on them to inform the bearer of their exact significance. They are called “notes” but have no “promise to pay.”

Let us review some interesting facts regarding the Federal Reserve notes. When the first notes were issued in 1914, the Federal Reserve Banks got the United States government to agree to redeem those notes in gold. The Federal Reserve Banks made the profit by issuing them and loaning them out for interest, but the government, which at that time made no profit on them, had the obligation to redeem them in gold. To be sure, the Federal Reserve Banks also agreed to redeem them in gold or lawful money. However, the Federal Reserve Banks could choose to redeem them with lawful paper money; the government had to redeem them in gold.

The Federal Reserve notes of the 1928 series were redeemable in the same manner as were the notes of the 1914 series.

The Federal Reserve notes of the 1950 series were redeemable by the United States treasury or any Federal Reserve Bank in lawful money, but not in gold by anyone.

The Federal Reserve “notes” of the 1963 series (the ones in circulation in 1969) are not now redeemable in gold or in lawful money. Now the government just says they are lawful money (legal tender); that is, “notes” of private corporations (bank’s) now are lawful money.

That is certainly interesting, but the most interesting fact about all of this is that the officials of the United States government used their official power to give value to those “notes” by agreeing to redeem them, first in gold, then in lawful money, and now by accepting them as payment for taxes. All of the time the United States government has been borrowing those “notes” for the purpose of using them as media of exchange. They could use their legal power to issue United States notes or tax credit certificates without borrowing and without going in debt. Interesting, is it not?

### **COINS - GOLD OR SILVER**

Are coins documents? A gold or silver coin, in which the commodity value of the metal is about equal to the face value of the coin, would not be a document. It would not be evidence of a claim for goods or services. It would be a good in itself. It is not issued or coined to be a document. It serves as a medium of exchange because it is a valuable and convenient item that can be exchanged for some other valuable item. (The exchanging of goods and services by the use of such coins, is really a convenient way for direct bartering.)

A document giving evidence of a claim for some goods or services would be destroyed when the goods or services for which it was issued were given up. Such a gold or silver coin would have no occasion to be destroyed because it was a “written” claim. Thus we see that a gold in which the commodity value of the metal or silver coin, is about equal to the face value of the coin, would not be a document.

## **COPPER AND/OR NICKEL COINS**

Every copper and/or nickel coin now used in the United States is a document. It gives evidence that it will be accepted as payment for taxes etc. As the coin now appears it does not have all the necessary information written on it, but the information does exist in the Congressional Record.

The "Coinage Act of 1965" passed by the United States The Congress states the following:  
Section. 102 All coins and currencies of the United States...., regardless of when coined or issued, shall be legal tender for all debts public and private, public charges, taxes, duties and dues.

That information, if it were written on the coin, would make it evident that it is a document. It would state, among other things, that the coin is legal tender and that it will be accepted as payment for taxes. So even though that information is not on the coin, the information (Law) is in the Congressional Record and it is applied to the coin just as if it were written on each coin.

## **CHAPTER 4 MEDIA OF EXCHANGE USED IN THE UNITED STATES**

The media of exchange used in the United States in 1969 may be placed in two groups:

1. Money, and, 2. Credit.

### **MONEY**

That portion of the media of exchange which is coined or issued by the authority of the United States Constitution (not necessarily by an Act of Congress) may properly be called money.

Note: When money is made by an unauthorized person, that person is guilty of being a counterfeiter. However, when an unauthorized person issues a false check, he is not a counterfeiter but a forger. It is not as serious a crime to be a forger as it is to be a counterfeiter. A forger steals from one person; a counterfeiter steals from many persons. The money we find in circulation in the United States consists of:

- a. Coins - half dollars or 50 cent pieces, quarter dollars or 25 cent pieces, dimes or 10 cent pieces, nickels or 5 cent pieces, and 1 cent pieces
- b. United States notes
- c. (Federal Reserve notes)
- d. There may be some other types of notes or certificates either held by or used by the Federal Reserve Banks, but we do not find them in circulation.

### **COINS**

Let us see how United States coins come into existence and into circulation. The following are quotations from the pertinent parts of the "Coinage Act of 1965":

Sec. 101. (a) The Secretary (of the treasury) may coin and issue pursuant to this section . . . (coins) . . . in such quantities as he may determine to be necessary to meet the needs of the public.

Sec. 102. All coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve Banks and national banking associations), regardless of when coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues.

Sec. 3528. The Secretary of the Treasury may use the coinage metal fund for the purchase of metal for coinage. The gain arising from the coinage of metals purchased out of such fund into coin of a nominal value exceeding the cost of such metals shall be credited to the coinage profit fund. The coinage profit fund shall be charged with the wastage incurred in such coinage, with the cost of distributing such coins, and with such sums as shall from time to time be transferred therefrom to the general fund of the Treasury.

The United States mint, in effect, sells the coins to the Federal Reserve banks; The Federal Reserve banks sell the coins to the local banks; the local banks then sell them to anyone who wishes to buy them. It has been reported that the cost to the government for making of a 25-cent piece is 2.5 cents. So the

government makes 22.5 cents profit for each 25-cent piece it makes and sells. The profit goes into the general fund of the U.S. treasury and is then used to pay regular government expenses.

The profit made by the minting of the coins is used just the same as is the income the government receives from taxes. For the government, the making and selling of our (token) coins is a revenue-making enterprise. That revenue would otherwise have to be raised by taxes. The coins are a medium of exchange because the people use them as such. They have their face value because the government sells them for their face value and accepts them at their face value in payment for taxes.

Because our coins are sold into circulation by the government instead of being paid into circulation (for goods and services and a tax levied for an equal amount), they do not fulfill the definition of a *bona fide* medium of exchange. They are not real tax credit certificates or certificates of credit. However, they are a medium of exchange which has the advantage over Federal Reserve notes and bank credit money, because interest does not have to be paid in order to bring them into circulation. They also fulfill the definition of (non-bona fide) money. On December 31, 1968, there were about \$5,691,000,000 in worth of coins in circulation in the United States.

### **UNITED STATES NOTES**

The United States notes were created by the United States Congress in 1862 and 1863. They were used by the government to pay the expenses of the Civil War. The government did not borrow them from the banks. They were paid into circulation for goods and services. They then became a medium of exchange which could be used in the payment of United States taxes, and all of the first issue was accepted as money for all purposes.

On the second issue of those notes the Congress, unwisely, added a clause restricting their use in the payment of interest on the public debt and on import duties. Later it was learned that those restrictions were a mistake. Since 1885 the United States notes have circulated as full legal tender. They too fulfill the definition of non-bona fide money, brought into circulation without borrowing it, which serves as a medium of exchange.

On December 31, 1968, there were about \$310,000,000 worth of these notes in circulation. Anytime the United States Congress and the President have the proper information; the will and the courage; they can create enough United States notes to replace all the Federal Reserve notes. (On December 31, 1968, there were \$44,653,000,000 worth of Federal Reserve notes in circulation.)

### **(FEDERAL RESERVE NOTES)**

We put the Federal Reserve notes in parenthesis because they do not deserve to be classified as money. They do not fulfill the definition we gave for money, even though the Congress, by the passage of the "Coinage Act of 1965," made those notes legal tender. The Federal Reserve so-called "notes" are not issued by the United States government. The Federal Reserve banks issue them and then loan them to the United States government as well as to others.

Uninformed persons may place Federal Reserve "notes," United States notes, and coins on an equal basis as money; but by using a little logic, we conclude that notes issued by a bank and loaned to the government with interest cannot be exactly the same as the United States notes and coins which are issued and coined by the government, and upon which no interest is paid in order to bring them into circulation. Therefore, Federal Reserve "notes" do not deserve to be classified as money.

## CREDIT

The following media of exchange belong to the credit group:

- Federal Reserve “notes”
- Bank credit
- Certificates of credit and gift certificates
- Tax credit certificates

## FEDERAL RESERVE “NOTES”

We will classify the Federal Reserve “notes” under the group called “credit”, but they really do not deserve such classification. They are just a “make believe credit,” but they are placed into circulation as if they were real certificates of credit.

Perhaps we might understand just what Federal Reserve “notes” really were if the Congress would permit the Federal Reserve banks to issue our coins (in the same manner that they issue their “notes”) and to loan these coins to the government and others with interest. These coins would be tokens loaned out with interest and used as media of exchange. In the same manner Federal Reserve “notes” are written paper tokens, called notes, loaned with interest, and used as media of exchange. No one earned these notes. There are no goods or services for which they must be redeemed.

Remember (see Chapter 3) the Federal Reserve note in 1914 was a real certificate of credit, redeemable in gold; but as the years went by, the document contained less and less information on it, so now it is almost a blank piece of paper. That is why we can call them paper tokens.

But let us see how Federal Reserve “notes” come into existence and into circulation. The following is the pertinent part of The Federal Reserve Act:

Sec. 16. Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose are hereby authorized.....

2. Any Federal Reserve bank may make application to the local Federal Reserve agent for such amount of the Federal Reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal Reserve agent of collateral in amount equal to the sum of the Federal Reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances acquired under the provisions of section 13 of this Act, or bills of exchange endorsed by a member bank of any Federal Reserve district and purchased under the provisions of section 14 of this Act, or bankers’ acceptances purchased under the provisions of said section 14, or gold certificates, or direct obligations of the United States. In no event shall such collateral security be less than the amount of Federal Reserve notes applied for....

Now let us use a sample illustration to show how Federal Reserve “notes” can be brought into circulation. Let us say that the United States government wishes to borrow \$1000 from a Federal Reserve bank. The government offers to the bank a 4% \$1000 bond. The bank takes the bond and deposits it with the United States Treasury and hires the treasury department to print \$1000 worth of Federal Reserve “notes.” (The Federal Reserve bank pays the printing cost, which may be between 50 cents and \$1 per \$1000 of the “notes.”) The “notes” are printed and given to the Federal Reserve bank. The bank then loans the \$1000 worth of brand new bills to the government. The government then uses them to pay for governmental expenses. The “notes” (bills) are then in circulation.

Note: The Federal Reserve bank loans, with interest, its so-called note that has no backing, to the government for its note (bond), which is backed by the taxing power of the United States government. The government will now collect from the taxpayers the \$40 interest, per year, to be paid on that bond

until that bond matures. But when it matures, the government will borrow another \$1000 or more to replace it.

(The government will never have enough Federal Reserve notes to be able to pay back the \$1000 loan with interest. That statement can be more easily understood, if we assume that no other money or medium of exchange exists in the whole country and that the loan was the first loan the bank made. It means that only those \$1000 worth of Federal Reserve notes are in existence. Let us assume that no more loans are made for one year and the government wanted to pay back that \$1000 loan plus the \$40 interest with Federal Reserve notes. It could pay back only the \$1000 because that is the amount of all the notes in existence. It would have to borrow the extra \$40 in order to be able to pay the interest. You see; it could not get out of debt.)

Any time the banking system needs “money,” the Federal Reserve banks can, by depositing the appropriate securities with the United States Treasury, order the treasury to print Federal Reserve “notes” (“money”) for them. The banks then loan, with interest, that “money” into circulation to borrowers who likewise can never get out of debt. They will have to borrow more and more, if for no other reason than to pay the interest. If some individuals are to pay off their loans plus interest, they can do it only if other individuals borrow some more “notes” and give (by making exchanges) some of their “notes” to the individuals who then will be able to pay off their loans plus interest.

The twelve Federal Reserve banks in the United States are owned by their member banks. They are the local banks, which are members of the Federal Reserve system. On June 30, 1963, there were 6,058 such member banks. These banks, at that time, held 85% of the nation’s “money” in checking accounts. It should be pointed out that since 1947 the Federal Reserve banks have paid to the United States treasury as interest on Federal Reserve notes a large share of their earnings. For the year 1967, they paid to the United States treasury \$1,907,498,270. They kept for themselves, to add to their surplus \$29,851,200.

The following objections are listed against the use of the *present* Federal Reserve “notes” as a medium of exchange:

1. They are not real notes or real certificates of credit.
2. They are not redeemable with goods or services.
3. They are not redeemable in the payment of taxes.
4. They have to be borrowed in order for them to serve as a medium of exchange.

### **BANK CREDIT**

All banks that have checking accounts can create bank credit. Bank credit is also called checkbook money. It is not real credit. It is not a certificate of credit that gives evidence of a just claim for some goods or services for which it must be redeemed by the one who issued it. It is a “make believe” credit. However, people use it as if it were real credit. So let us see how bank credit comes into existence as a medium of exchange. An example may show how it is brought about.

Let us say a merchant would like to buy \$2000 worth of merchandise to be sold in his store. He only has \$1000 of his own. He goes to his local bank and asks to borrow \$1000. The banker says he will loan him the \$1000 if he will pledge the \$2000 worth of merchandise for collateral security and pay 6% interest. They agree. The merchant signs a note and other necessary papers. The banker tells the merchant that he will credit to his checking account the \$1000. The merchant can now write out checks for the \$1000 that he borrowed.

The banker added (deposited or credited) \$1000 to the merchant’s checking account, but the banker did not receive any money for that deposit. He did not take that \$1000 away from any account of his own. He did not take that \$1000 away from the account of anyone else. The bank now really has \$1000 more

bank credit money on demand deposit than it had before the loan was made.

When the banker added that \$1000 deposit to the merchant's checking account, he, at that instant, created \$1000 of bank credit money. That bank credit money became \$1000 worth of new media of exchange or checkbook money in the community. That bank credit money or checkbook money has the same buying power as coins or currency.

That is an example of how bank credit money is created. There may be between 100 and 140 billion dollars of bank credit money in circulation. The amount varies with the number of loans made by the banks. Between 85% and 95% of all the business in the United States is done with bank credit money or checkbook money. It is not a bona fide medium of exchange for the following reasons:

1. It is not evidence of a just claim for goods or services for which the bank (that issued it) must redeem it.
2. It is not earned by anyone. (The banker just wrote in the merchant's checking account a \$1000 demand deposit.)
3. It is loaned into circulation with interest.
4. If it were the only medium of exchange in circulation, the borrowers could never get out of debt.
5. When the banks loan too much of it, we have inflation.
6. When the banks loan too little of it, we have deflation.

### **CERTIFICATES OF CREDIT AND GIFT CERTIFICATES**

There is another type of credit that is used as a medium of exchange, called certificates of credit or gift certificates. They are issued by merchants and either sold to customers or given to customers as refunds or as credit for future purchases. They also could be used to pay employees for services. The certificates state that the bearer can claim a certain number of dollars' worth of goods or services at the store that issued them. Only a small number of them are used as a medium of exchange. If people would know of their advantages, they could and would be used much more frequently.

These certificates are evidence of real credit (not "make believe" credit) and they are a bona fide medium of exchange for the following reasons:

1. They are evidence of a just claim for the goods or services because the merchant who issued them will redeem them.
2. They are not loaned into circulation; they are paid or sold into circulation.
3. They are earned by either the employee who receives them as pay or by the person who buys them.

### **TAX CREDIT CERTIFICATES**

Tax credit certificates issued by governmental bodies are not used at the present time. They could be issued as payment for goods and services. They could be issued in lieu of borrowed bank credit money. No interest would have to be paid for the "use" of them. If the officials of federal, state, and local governments, as well as people in general, would fully understand how to use tax credit certificates most of the interest paid by governmental bodies could be saved. They would be a bona fide medium of exchange for the following reasons:

1. They would be earned by the person who received them.
2. They would not have to be borrowed.
3. They would be redeemed by the governmental body that issued them when received as payment for taxes.

## CHAPTER 5 BORROWED MONEY AS A MEDIUM OF EXCHANGE

Let us suppose we live in an isolated community where only ten families live. They are engaged in the usual occupations of a small community. Everything is going smoothly in the community, everyone is making a living and the people's needs are being met. Due to some unexplainable reason, they wake up one morning and find all of their money is gone. There is absolutely not even one cent in the bank or in the community. Nothing else is disturbed. Now what are the people to do for money?

### GOLD COINS

The next day a gentleman named Mr. Goldsmith, with \$10,000 in gold coins comes into the community and tells the people he has heard of their problem and he offers to loan to each family \$1000 in gold coins for one year at six percent interest. Of course he requires some collateral as security for the loan. That seems fair to the people; gold is considered to be the best kind of money.

So the village official borrows his \$1000 and he officially signs a note and also a statement that he will levy a tax sufficient to pay the principal and interest when due. The farmer borrows his \$1000 and keeps in his granary \$1000 worth of grain as his collateral. The electric power producer signs a note pledging the income from people who pay their electric bills. The church official promises to pay from dues he will collect from his members. The post office will sell stamps for its income. All the others borrow their \$1000 of gold coins and pledge either their goods or services as collateral.

Business is again normal. The people are working, buying and selling and taking care of the needs of each other. Most of them are thankful that Mr. Goldsmith helped them out. But as the end of the year approaches the people start to save their money so they can repay their loan. There is less buying; business is getting slow. No one wants to part with his gold coins because he has to pay back his loan.

When the day arrives on which the payments for the loan are due, they all go to pay Mr. Goldsmith. Some have enough money to pay the principal and interest; some can pay only the principal; some only the interest, but all pay him all the money they have. He counts the money he receives and it is exactly \$10,000. That is the amount he loaned to them. However, they had agreed to pay him 6% interest. Six percent interest on \$10,000 equals \$600, but there is no \$600 of extra gold coins in the whole community. They have goods and services with which they could pay the \$600 interest, but gold coins they do not produce and therefore do not have. They cannot sell their goods or services for gold because no one has that necessary extra \$600 in gold.

Mr. Goldsmith says he is compelled to take what is due him from the collateral that was pledged as security. He sets a date when he will auction off as much of the goods as is necessary to pay what is due him.

The auction is held. The local people attend, but they cannot bid for the goods because they have no money. They used all their money to pay off their loans and have none left. Two strangers are present who have money but they bid very low when the goods are offered. The necessary amount of goods is sold to the highest bidder, but the highest bidder buys the goods at about one third of their real value. Mr. Goldsmith gets his interest money. Note, however, that the people who borrowed from him paid the \$600 interest with goods that they produced.

Now their debts are paid off but they again have no money. They are in the same position as they were one year earlier, except they are out the \$600 worth of goods used to pay the interest charges. But the goods that were sold for \$600 were really worth about \$1500. It seems evident that borrowing gold

coins, with interest, for the purpose of using them as a medium of exchange was not satisfactory. What did they do that was wrong?

1. They borrowed money for the purpose of exchanging goods and services.
2. They borrowed an item (gold), with interest, as money, an item they did not possess and that they themselves could not produce.
3. They agreed to pay the interest with gold. They could not pay with gold because they did not produce gold. (People should agree to pay for their wants only with things they produce.)

### **BANK CREDIT**

Now let us see how it would work if the people in that community tried to use bank credit as a medium of exchange. The local banker was studying the problem during the past year. He told them how bank credit works. Each person who needs money goes to the bank and borrows as much as he needs. He signs a note and pledges the same security as he would if he borrowed gold coins. The banker then gives him a checkbook and enters the amount, say \$1000, as a deposit in his account. The borrower can then write out checks as he needs them, up to \$1000. The interest will be six percent per year.

Let us say each of the same ten families borrows \$1000 of bank credit. They write checks for all of their purchases of goods and services. Everyone accepts the checks because the bank accepts the checks. So business again goes on in a normal manner. Some produce goods and some perform services. The needs of the community are taken care of. They are pleasantly surprised that the checks work just as well as Mr. Goldsmith's gold coins.

However, as the months pass and the time approaches when the loans and interest are to be paid, the people start to buy less. They begin to save what checks they can get, or deposit them in their bank account, so they will have enough to pay off their loans. Soon people completely stop buying. Those who try to sell cannot because people cannot write out any more checks. They each need \$ 1000 plus \$60 for interest of checkbook money to pay off their loan.

When the due date comes, some again cannot pay their note and interest in full. They have goods to be sold but there are no buyers. The reason is that they (all the borrowers together) have borrowed \$10,000 worth of to bank credit and have promised to pay back \$10,600 in bank credit, the extra \$600 being the interest on the \$10,000 loan. That extra \$600 of bank credit did not exist in the entire community. The bank only created \$10,000 worth of bank credit, and it could not create any more, unless someone borrowed some more.

We now see that it is impossible to pay back such a loan, with interest. This is easy to understand when everyone is required to repay his loan at the same date. But when the loans come due at different dates and many of the loans are renewed and increased in size, and there is enough bank credit created to satisfy the needs of the community, then the fact of the impossibility of paying back the loans with interest is concealed.

This means that in order to have enough money (medium of exchange) in circulation so the business of producing and exchanging goods and services continues in a normal manner, the total debts in the country must continually increase. If some individuals and corporations pay off their debts, others will have to increase their debts.

Therefore, when the medium of exchange is bank credit borrowed at interest, the total debt in the country must increase. If an attempt is made to reduce the total debt, prices and wages must also be reduced otherwise goods and services will go unsold and some unemployment will take place. As long

as people continue to borrow and increase their debt, business will continue because there will be enough of the medium of exchange in circulation to buy the goods and services produced; however, the burden of interest payments will become greater and greater. If some of the debts of private individuals and corporations are reduced, then the debt of governmental bodies has to be increased. If the debt of government is to be reduced, then the debts of private people must be increased. But the total debt in the nation must be continually increased (at least enough to pay the interest charges on the debts made as the bank credit money is increased) in order to keep people producing. That is the situation when the medium of exchange is borrowed, with interest; that is the situation as it exists in the United States in 1969.

### **GOVERNMENT MONEY**

We have learned so far that the community that found itself without money tried borrowing gold coins from Mr. Goldsmith and also tried borrowing bank credit from their local bank for the purpose of having a medium of exchange. Both plans failed: What would the results have been if they had borrowed money (coins or currency) from the national government? Well, the federal government officials cannot, with justice and honesty, loan out any money. They have no money to loan out. They cannot, with honesty and justice, issue money to loan out. The only bona fide money they can issue, with justice and honesty, are tax credit certificates. United States notes or coins, when issued with honesty and justice, can be issued as if they were tax credit certificates. And tax credit certificates are paid out for goods and services, not loaned out.

An honest merchant who issues a certificate of credit pays it out or sells it, but never loans it out. He never issues certificates of credit to loan out. Likewise, honest and informed government officials will never issue tax credit certificates (United States notes or coins) to be loaned out. But if the officials would issue United States notes, coins, or certificates to be loaned out, such “money” would not be bona fide money.

So let us solve the problem for the people in the community without money in the right way. The right way is for those people to create their own medium of exchange by issuing their own credit certificates. We see from what has been said that a medium of exchange is necessary for the convenient exchange of goods and services. We have learned that there is more than one type of medium of exchange to be used for the buying and selling of goods and services. We have also learned that when people borrow their medium of exchange, with interest, they cannot get out of debt. They must continue to borrow more and more, or stop producing for each other.

Another important thing to remember is that when the medium of exchange is borrowed, there exists a serious handicap to the normal activities relating to the production and exchange of goods and services, because those who have the money or credit to loan also have the power to refuse loans and thereby reduce the amount of the money in circulation which in turn results in prices going down and workers being laid off. In other words, they have the power to cause business to slow down. (One method used to reduce loans is to charge high interest rates.)

However, by themselves, those who loan money or credit do not have the power to make business pick up. They, by themselves, do not have the power to put money (medium of exchange) in circulation. They can offer people loans, even with low interest rates, but they cannot make people borrow. If people do not borrow money, then there will not be enough money in circulation to maintain prosperity. A well-informed people will not depend on borrowed money for their medium of exchange.

The ups (booms) and downs (busts) in business activity in the past have nearly always occurred when the amount of the medium of exchange was increased or decreased. When the medium of exchange was increased, business activity increased. When the medium of exchange was decreased (by less

borrowing) business activity decreased.

That is how prosperity and depressions are made. That is how inflation or deflation is made. Banks can make deflation by refusing to loan their bank credit (medium of exchange), but they cannot increase the supply of money (bank credit) unless some producers or distributors of goods or services are willing to borrow. They can encourage people to borrow by lowering interest rates, but they cannot make people or governments borrow. That is why they, by themselves, cannot put more money into circulation even if it is needed to restore or maintain employment and production.

Many people believe that wars make prosperity. That is not true. What happens when a nation gets into a war is that the government borrows money (bank credit) from the banks thus more “money” is put in circulation. That is what causes an increase in business activity.

The same increase in business activity would take place if the money supply were increased for any other purpose. It could be increased without borrowing, but because it is for a war, everybody thinks it is all right to borrow. The same amount of money can be created by the government for war or for any other purpose without borrowing, by the issuing of United States tax credit certificates or by notes or coins issued as tax credit certificates. Prosperity will exist as long as people are willing to produce goods and services, and if enough of a bona fide medium of exchange exists so that the people can share those goods and services with others, in justice.

### **SOLUTION FOR THE NATION OR COMMUNITY WITHOUT MONEY**

The right way for a nation, a state, a county, a city, or a community to provide a sufficient amount of a bona fide medium of exchange is for each or all of them to create it, themselves. They should not borrow it.

The governmental bodies-federal, state, and local- should each issue all the tax credit certificates it needs for its necessary expenditures. It must levy a tax equal to the amount of the tax credit certificates it issues.

If there still is need for more of the medium of exchange, then private corporations and persons should issue as many certificates of credit as are necessary to sell all the wanted goods and services produced. In that way there will always be enough of a bona fide medium of exchange in circulation and it will not be a borrowed medium of exchange.

## **CHAPTER 6 VALUE OF MONEY or PURCHASING POWER OF MONEY**

With the present money system now used in the United States, there are two “purchasing power values” applied:

1. A general value
2. A particular value

### **THE GENERAL VALUE**

Because the money (medium of exchange) we use today is not evidence of a claim for specific goods or services or for any goods or services (If it were that fact would be written on each bill.) even though we assume that it is evidence of a claim for any goods or services being offered for sale and because the amount of the face value issued may be more or less than the amount necessary to buy at normal prices the goods and services being offered for sale, the general or average value of our dollar, for the purchasing of goods and services, is determined by the number of dollars (dollars which are available to those who want the goods and services) in circulation in relation to the quantity of goods and services being offered for sale *at a certain time*. [Editorial note: the previous paragraph needs rewriting for clarity.]

For example, if there were 1000 bushels of wheat being offered for sale and there were, at the same time, exactly \$1000 in circulation, the owners of which wanted to purchase that wheat, then the *average* dollar would buy one bushel of wheat. If there were exactly \$500 in circulation, the owners of which wanted to purchase the 1000 bushels of wheat, the *average* dollar would buy two bushels of wheat. Or if there were \$2000 in circulation for the purpose of buying the wheat, the *average* dollar would purchase  $\frac{1}{2}$  bushel of wheat.

We see then that the general or average value or buying power of the dollar is arrived at by dividing the number of dollars in circulation into the quantity of goods and services being offered for sale *at a certain time*. But because all the buying and selling within a country, in everyday practice does not take place at a certain instant the changes in the average value or buying power of the dollar do not exactly follow the above suppositions.

However, generally speaking, if the number of dollars in circulation decreases and the amount of goods and services being offered for sale remains the same, then the buying power of the average dollar will increase. (The same amount of goods and services will be obtained for fewer dollars.) If the number of dollars in circulation increases and the amount of goods and services remains the same, then the buying power of the average dollar will decrease. (More dollars will be required to buy the same amount of goods and services.) Also, if the amount of goods and services offered for sale is increased and the number of dollars in circulation remains constant, then the buying power of the average dollar will be increased. (The same number of dollars will buy more goods and services.) In like manner, if the amount of goods and services being offered for sale is decreased and the number of dollars in circulation remains constant, then the buying power of the average dollar will be decreased. (Less goods and services will be offered for the same number of dollars.)

So we see the general or average value or purchasing power of the dollar goes up and down according to the amount of money in circulation in relation to the amount of goods and services being offered for sale but not necessarily in the same proportion because all sales are not made at the same time. If the money supply is increased by 20% and the amount of goods and services remains constant (usually there is some increase in the amount of goods and services being offered for sale when the money supply is increased) the buying power of the average dollar will decrease but, because all sales do not take place at the same time, it may decrease more or less than the 20%.

### **THE PARTICULAR VALUE**

The particular value, or buying power of the dollar for each sale, is determined by agreement between the buyer and the seller. That particular value may be higher or lower than the average or general value for the nation as a whole. The particular value is the price paid at each of the individual transactions. It may vary with each sale. It will be determined by negotiation and agreement between each buyer and seller.

In many cases, especially for items with small value, there takes place what may be called silent negotiations. One person offers something for sale at a certain price. If the prospective buyer is satisfied with the price, he pays the price and buys the item. If the buyer thinks the price is too high he says nothing, but refuses to make the purchase. In both cases there was a silent negotiation.

Yesterday the writer bought a name brand of regular gasoline from a service station for 27.9 cents per gallon, including 11 cents tax. A few miles from that service station, another service station was selling the same company's gasoline for 32.9 cents per gallon. The gasoline was the same in both places. The same United States money was used in both places. But the buying power of the money was worth about

18% more at one station than at the other station. Who determined the buying power or the value of the money in that case? It was not the government. The government said it would buy or sell gold for \$35 an ounce, but that did not have any effect on the buying power of the dollar for the buying of that gasoline. The value or buying power of the money used to pay for that gasoline was set by the service station operator and the buyer. It was a mutual agreement.

A person will discover the same thing when he is driving from one part of the country to another. His money will not have the same buying power in all places.

Let us take some other examples. Generally speaking, a person will pay more for a dozen eggs in the winter than in the spring or summer. Yet the eggs have about the same food value at all times. Fruit, such as watermelons, strawberries, grapes etc., have about the same food value the year around but the price varies according to the seasons and the location of the market as well as the supply.

The same principle applies in all buying and selling. The particular value, or buying power of the money, for each transaction, will be determined by mutual agreement between the buyer and seller. Sometimes there will be spoken negotiation and at other times silent negotiation.

We should also note that those who lend money charge different rates of interest at different times, but the borrower gets the same dollars for the same period of time. So moneylenders may talk about a stable dollar but the buying or paying power of the dollar, in the payment of interest, will also be determined by mutual agreement between the lender and the borrower.

It is not so important to have a stable buying power in the dollar, as it is to have a medium of exchange that will facilitate the exchange of goods and services with reasonable justice. It is just to pay more for strawberries and watermelons at Christmas than on the Fourth of July.

We have learned that the particular value or buying power of money is determined by agreement between the buyer and seller. Now let us see who determines the general value or general buying power of money. We have learned that the general value or buying power of money (medium of exchange) goes up and down according to the amount of money in circulation in relation to the amount of goods and services being offered for sale at a certain time.

Those then, who have the power to increase or decrease the amount of money in circulation, have the power to raise and lower the general value of money. They have the power to raise or lower the general price level of all goods and services.

Note: Those (the banking system and the federal government) who, at the present time, issue the medium of exchange are not the same persons who are producing and distributing the goods and services, but they are issuing all of the medium of exchange for all those who produce and distribute goods and services. Thus we see that persons who do not produce or distribute goods and services have the power to raise and lower prices for those who do.

When goods and services are exchanged by barter, the value of the items exchanged is determined by the two parties making the exchange. A third party has no authority, in justice, to set the value or price of the items exchanged.

The act of buying and selling is bartering indirectly. Therefore, a bona fide medium of exchange would and should give to buyers and sellers the same right to determine the value of their goods and services as would exist for them in direct bartering. There would be an average or general price level but it would not be raised or lowered by those who were not producers or distributors of goods and services.

The United States Constitution gives Congress the power to regulate the value of money. Congress has set the price of gold and pretends that it is the same as regulating or setting the value of money. We all know that this is just not so. We know the price of gold has not been changed by the government since 1934, but the general buying power or the value of the dollar has decreased from one to five times, since 1934, when it is used to buy goods and services other than gold. So when Congress sets a price for gold, it is not regulating the value or buying power of the dollar for anything other than gold.

We know the general buying power or general value of the dollar depends upon the number of dollars in circulation in relation to the amount of goods and services being offered for sale, at a given time. Therefore, Congress would fulfill its duty regarding the regulating of the value of money by permitting only bona fide money to circulate. It should not permit inflationary money (bank credit and Federal Reserve notes) to be issued. Inflationary money destroys the value of all money, just as much as counterfeit money does while the counterfeit money is in circulation. Therefore, the Congress should prohibit anyone from issuing inflationary money, just as it prohibits the issuing of counterfeit money.

### **PRESUMED VALUE**

A presumed value is a value that we think money possesses, but that it does not. For example, for many years, before 1933, most people in the United States presumed that they could get gold for their currency. They could not; there just was not enough gold available for that purpose. After 1934, they could not even get gold for their gold certificates. They presumed their money was as good as gold, but it was not. Before 1965, most Americans believed or presumed their silver certificates would always be redeemed with silver. They presumed that they would serve as good money for years. But now the government will no longer redeem them for silver.

We should always remember that a certificate or claim, even if it is money, does not give the bearer the right to anything other than the thing for which it is a claim. We can say bona fide money is a claim for the thing for which it will be redeemed. For example, when we had silver certificates, the certificate was evidence of a claim for a certain number of silver dollars. It was not a claim for any goods, such as meat or potatoes. The people who possessed meat or potatoes could, if they so decided, sell their meat or potatoes for the silver certificates but they were not obligated to do so. The government, on the contrary, was obligated to exchange silver for silver certificates because it agreed to do that when it first issued the certificates. The silver certificates were a claim for silver dollars or the amount of silver contained in the silver dollars. (The silver dollar that weighs 412.5 grains, at .900 fine equals 371.25 grains of pure silver.) Most people presumed or believed (because of their limited knowledge of the market price of silver) that each silver dollar had a market value of one dollar's worth of silver. The truth is that for many years the silver in each silver dollar was worth less than fifty cents. The market value of the silver in the silver dollar did not approach one dollar until about 1965. Why is it, then, that for all those years the silver dollar or the silver certificate would buy one dollar's worth of goods or services, when it would only be redeemed for less than fifty cents worth of silver? The answer is that the United States government accepted it for the payment of one dollar's worth of taxes; that is what gave it its one-dollar value.

Note that about as soon as the silver dollar and the silver certificate were worth more than their face value in silver, they were not used as a medium of exchange; they were hoarded or sold for a profit. They disappeared as a medium of exchange.

Tax credit certificates or certificates of credit would never be hoarded, because they would never be redeemed for more than their face value. Also no one could have a monopoly on the issuing of them. They would never have to be borrowed. They would never cause inflation. There would never need to

be a shortage of them.

A bona fide certificate of credit used as a medium of exchange is a document giving evidence that the bearer has a just claim on some wanted goods or services for which it will be redeemed. Note: It is a claim for some goods or services that exist at the time the certificate is issued. Most of us presume that if we possess money we will have a just claim for some goods or service anytime in the future. That is not completely true. If the medium of exchange (certificate of credit) is bona fide it will be evidence of a claim for some goods or services that exist at the time the certificate is issued. It would not be honest for a person to issue a claim for goods or services which do not yet exist. If any claims (certificates) are issued for which goods or available services do not exist, such claims would not be bona fide claims even if they were issued by the government.

Those who say we must have a money (medium of exchange) with a future stable buying power are not giving us true and complete information. The only way money can have a future stable buying power is when the power of government makes it so. And even then it can do that only for a limited time and amount of goods. It also is generally done without justice.

When the government buys and sells gold at a set price, the buying power of the dollar is set only when it comes to the purchasing of gold. The buying power is not set for the purchasing of other items. So it is not true to say the dollar has a stable buying power for all goods, when it is stable only for the buying of gold. And even with all the power of government, the price of gold could not be maintained because the government could not continue to sell gold below the market price after its supply of gold became too small.

We sometimes are told that gold has a stable value. History teaches us that whatever stable monetary value gold has had has been the value given to it by government. If governments would not give a fixed value to gold, its value would be determined by supply and demand, just the same as other commodities. Counterfeit money is money created and issued by an unauthorized person. Those who accept it presume it to be valid money. While it is in circulation it is inflationary. It causes an increase in the general price level. The counterfeiter thus steals from all others who use money. The counterfeiter gets something for his counterfeit money, which he did not earn. (When a person gets something, which he did not earn, someone else earned that something but did not get it.) However, if and when someone detects the counterfeit money as counterfeit, then the possessor can no longer use it as money. The possessor then suffers the total loss. The counterfeiter then stole from that person.

People presume inflationary money has real value even when it does not. If it had real value it would not be inflationary; it would not cause an increase in the general price level. For instance, if the federal government issued money (tax credit certificates, notes or coins) and paid them into circulation for goods and services but did not at the same time levy a tax of equal value, then that money could be inflationary money.

One more type of non-bona fide medium of exchange which people presume to have real value but does not, is *inflationary* bank credit.

That portion of inflationary government issued money as well as that portion of inflationary bank credit cannot be distinguished from the non-inflationary government issued money or bank credit. They both appear alike. At present both are legal.

The effect on the general value of money by the use of inflationary money is the same as the effect that takes place when counterfeit money is used, until the counterfeit money is discovered to be counterfeit.

It is true the inflationary bank credit is destroyed at the time the loan for which it was issued is paid off. The inflationary effects then no longer exist. But if the opportunity presents itself and it almost always does—the bank will make another inflationary loan, leaving the effects the same as if that loan were being continuously renewed.

Note: There is a difference between the government setting standards for weights and measures and the setting of standards to measure values or worth in dollars and/or cents. Weights and measures are used only to determine the *quantity* of items. The *value* or *worth* of an item varies with time, place, and the purpose for which it may be used. A certain item may serve a very useful purpose for one person and thus be very valuable to him while the same item may be of no value or worth to another person because he may have no use or desire for it. Therefore, the government or any other third party cannot, with justice, set the value or price for which an item is to be sold. At the time of the transaction the price or particular value of an item is set by mutual agreement between the buyer and the seller.

## **CHAPTER 7 HOW TO INTRODUCE COINS IN A COUNTRY WHERE NO MONEY EXISTS**

Let us suppose a new government were formed in a country where no money existed. The new government wanted to coin money and put coins into circulation. Could it do so in the same manner the United States is doing in 1969? The answer is no. It could not sell the coins because the people would not have any money with which to buy the coins. How then should coins, made by the government, be put into circulation?

### **GOLD AND SILVER COINS**

While it is not necessary to have coins made of gold and/or silver, they could be made and put into circulation as follows:

Let any person from anywhere bring any amount of gold or silver to the government mint. The mint will make the metal into coins of a certain weight and fineness that is appropriate. The weight and fineness of the coin would be guaranteed by the government. The government would *not* designate on the coin the value in dollars, marks, francs, etc. It merely would designate the weight and, of course, the country. The cost for the making of these gold or silver coins would be paid with a portion of his gold by the person who brought the metal to the mint and asked that it be made into the coins. After the coins were made they would be given to their owner. He could either save them or use them as a medium of exchange.

When such coins are used as a means of exchanging goods and services, such exchanges are direct barter. These gold and/or silver coins are not a claim for goods or services. They are valuable items being exchanged for other items of about equal value.

No injustice would be done to anyone by the making and using such coins. However, if the government sets a fixed monetary value on those coins or if the government says that the only medium of exchange which will be made or allowed must be those gold and/or silver coins, then an injustice will result because those who possess the gold and silver will have a monopoly on the medium of exchange. Also such coins might be hoarded and then no medium of exchange would be in circulation.

### **NICKEL AND COPPER COINS**

Now let us see how the government can with justice, put nickel and/or copper coins into circulation. Remember, we are speaking about a country that has no money within the country. But for convenience of the explanation, let us say the government has a mint which is ready to operate.

The government has passed a law that says the government will levy taxes to cover all necessary governmental expenses. The officials who operate the mint for the government will hire men and buy

the nickel and copper needed. They will pay the hired help and the supplier of nickel and copper with tax credit certificates. These tax credit certificates will be accepted for the payment of taxes. On the same day that those tax credit certificates are issued to pay for the necessary goods and services, the officials will levy a general tax of an equal amount. The government will accept those tax credit certificates for the payment of taxes. Therefore, the general public will also accept them as a bona fide medium of exchange.

(Note: Those tax credit certificates were earned by the government employees and also by the person who supplied the nickel and copper. Those certificates were not borrowed. They were not given out free. They were given as payment for work done and goods produced and delivered to the government (all the people in general). So when the people, as producers of goods and services, accept those tax credit certificates for the payment for their goods and services, they are paying with their goods and services for the work done by the government employees and for the supplies bought by the government.

When these tax credit certificates are used to pay the taxes (which were levied at the time the certificates were issued), those taxes are marked paid and the tax credit certificates are destroyed. The purpose for which they were issued was fulfilled. Such tax credit certificates are a bona fide medium of exchange; they fulfill the definition of a bona fide medium of exchange.)

The mint is now ready to make the coins. On these' coins will be engraved the value they are to represent, such as 50 cents, 25 cents, 10 cents, 5 cents, and 1 cent. The coins could be made with a face value of \$1, \$5, \$10, \$20, \$50, or \$100 just as easily as they are made into only fractions of one dollar.

(Postage stamps and currency bills are usually all the same size but they are issued for different denominations. A \$.50 postage stamp is no larger than a \$.01 stamp. Also, a \$50 bill is no larger than a \$1 bill. Coins can be issued in the same manner. Such coins then would not be too heavy to carry or too inconvenient for use when paying large bills.

Note also: The reason why these copper and/or nickel coins have the value of the coin engraved on it, is that these coins are issued as documents. They are issued as tax credit certificates, whereas the gold and silver coins were not issued as tax credit certificates.)

After the mint has made a supply of these new nickel and/or copper coins, how will these coins be put into circulation? The government cannot sell them because the people have no money with which to buy them. The government cannot, with justice, give them away free. It cannot, with justice, loan them to the people. But the government can, with justice, pay them into circulation for the goods and services it needs, just as it did when it paid for the goods and services with the tax credit certificates. In other words, these coins are to be issued, used, and redeemed in the same manner as tax credit certificates are issued, used, and redeemed.

The government must also levy a tax on the general public at the same time it pays out these coins. The government will also accept these coins as payment for those taxes. When these coins are received as payment for taxes, the government will mark those taxes paid, and then in effect "destroy" these coins, just as it did with the tax credit certificates. The coins have fulfilled the primary purpose for which they were created.

However, the government need not really destroy these coins. They may be re-used over again and again as a medium of exchange in the payment for goods and services but each time they are re-used (after they were redeemed as payment for taxes), a new tax must be levied just as was done when they were issued the first time.

Note also: The government in this case does not make more coins than the amount necessary for the payment for the goods and services bought by the government. And a tax is levied for the same amount as the amount paid out in coins.

When coins are issued in this manner they are in effect tax credit certificates issued as coins. They serve as a bona fide medium of exchange. They will never cause inflation. The government will have all the money it needs, without borrowing.

The procedure used to introduce coins into a country without money, is the same procedure that should be followed when coins are issued in a country that already has money. When other money already exists, it is physically possible for the government to sell the coins in order to get them into circulation. But there is too much danger that it will not be done with justice. It also could be done without regard to the amount of goods and services being offered for sale, and without regard to the amount of taxes levied. Inflation could then occur. In contrast, if they are paid into circulation and an equal amount of taxes are levied and collected, no inflation and no injustice would result.

## **CHAPTER 8 WHO, WITH JUSTICE, HAS THE RIGHT TO ISSUE THE MEDIUM OF EXCHANGE?**

We know that one bona fide medium of exchange is a certificate of credit which gives evidence of a just claim for goods or services for which it will be redeemed. The other bona fide medium of exchange is a tax credit certificate which gives evidence that it will be redeemed when presented as payment for taxes to the governmental body that issued it.

So we ask, who, with justice, has the right to make out and sign a document which would be evidence of a claim for goods or services for which it will be redeemed? Of course the answer is that only the one who is in possession of those goods or services can write out and sign a document which states that he will give up his goods or services for that document or claim.

The goldsmith who possessed gold could, with justice, write out his “promises to pay with gold” because he was the possessor of the gold. The government had no right to issue claims against the goldsmith’s gold. The neighbors of the goldsmith also did not have that right. Only the goldsmith himself had that right because he was the possessor of the gold.

When the United States government issued gold and silver certificates, it had a right, with justice, to issue those certificates because it was in possession of the gold and silver for which the certificates were evidence of a claim.

When the department store issued gift certificates or certificates of credit for merchandise in its store, its officials issued and signed the certificates because they were in possession of the goods for which the certificates were to be redeemed. When the telephone company issued its tokens and certificates, it had the right, with justice, to do so because it was in possession of the necessary equipment with which to render the services for which the tokens and certificates were evidence of a claim.

Also each governmental body has the right, with justice, to issue tax credit certificates with which to pay for its own necessary goods and services because it will accept and redeem those certificates when they are presented as payment for the taxes that were levied at the time the certificates were issued.

Thus we see that the documents which are bona fide media of exchange are always issued by the possessor of the goods or services for which the documents are evidence of the claim for those goods or services. One company cannot issue certificates of credit, or gift certificates, for the merchandise of another company. One governmental body cannot, with justice, issue tax credit certificates to be redeemed by another governmental body.

The United States Constitution gives Congress the power to coin money. But it is understood that Congress is to do it with honesty and with justice. The United States Congress has the power to coin and issue money, with or without honesty and justice, but the Constitution does not give it the right to do it without regard to justice and honesty.

So let us see what money the United States government can coin or issue with justice and honesty. Since the government no longer issues gold or silver certificates, the documents that are now to be issued as money may only be tax credit certificates, issued as payment for the goods and services that the United States government buys. And then those tax credit certificates are to be accepted and redeemed when received as payment for federal taxes. The United States notes and the United States coins are to be issued as if they were United States tax credit certificates. They will then be and will serve as bona fide media of exchange for all purposes. Such a bona fide medium of exchange may be called money because it was issued by the federal government.

The United States government, then, has the right and the power; with justice, to issue as much money (tax credit certificates, notes, and coins) as is necessary for its just needs. It is not necessary and it is not proper for the government to borrow bank credit. However, the United States government does not have the right to issue tax credit certificates for any purposes other than for its own necessary expenses, and it must levy a tax equal in value to the amount of the certificates, notes, or coins it issues. In that way the government will have all the money it needs and inflation will never exist.

Any government, big or small, anywhere in the world can issue all the money (tax credit certificates) it justly needs for governmental expenses. It is never necessary for a government to borrow bank credit from within or without the country. It is never necessary for any government, anywhere, to borrow its medium of exchange. If the government has the taxing power that is necessary in order to borrow money, it can use the same taxing power to give value to the money it issues for itself.

(When a government borrows money, it levies a tax to pay off the loan, plus interest. When it issues tax credit certificates, it levies a tax only to redeem the certificates. There is no tax for interest because there is no interest to pay. The same security, the power to tax which a bank gets from a governmental body when it makes a loan to a governmental body, is the same security that is back of the tax credit certificates. If the security is good enough for the banks, it is good enough for everyone else. That is why tax credit certificates can be issued and accepted as a bona fide medium of exchange.)

It is very important to note that when credit certificates are issued and paid (for goods and services) into circulation, they are first earned by someone. Whoever earns them is, in justice, entitled to receive them. One reason inflation exists is because “money” is issued that has not been earned by someone before it is issued.

Some good people believe that the federal government should issue all the media of exchange necessary for the buying and selling of all the goods and services in the country. Let us remember that a bona fide medium of exchange is a document giving evidence of a just claim for goods or services for which it will be redeemed. Such a document can be issued and signed only by one who is in possession of the goods or services for which it can be redeemed. It follows, then, that before the government can issue a just claim for goods and services, it first must be in possession of the goods and services for which it issues the claim.

Therefore, in order for the federal government to have the right to issue, with justice, the media of exchange for all the goods being offered for sale, it would be necessary for all the producers of goods to turn over all their products into a large pool owned by the federal government.

While it could be done that way, such a monopoly would not leave much economic freedom to the producers within the nation. In the end the government would be setting the price of the goods for the producer, whereas the price should be set by negotiation between the producer and the consumer.

The banks now issue nearly all the media of exchange (bank credit) used by governmental bodies. The banks are not rendering any of these governmental services. Therefore, the banks cannot issue tax credit certificates which would be redeemed in the payment of taxes. But they issue and loan to governmental bodies bank credit which serves the same purpose. We cannot blame the banks. The government officials who authorize such loans should do their homework on the subject before they accept such loans. The governmental body can issue tax credit certificates which will serve just as well as the bank credit. And they will do it without any cost for interest payments.

However, no monopoly on the issuing of the media of exchange should exist, not even by the government. Some might say, "Can't you trust your own government? If you can't trust your government, then who can you trust?" We can trust our government; it is just some government officials we cannot always trust.

In the lifetime of the writer the government officials have not limited our money to a bona fide medium of exchange. Instead they have done the following:

1. They, at times, made one-dollar silver coins with only thirty-five to forty-five cents worth of silver in each coin.
2. The silver certificates were claims for silver dollars, so they too, at times, were issued as a claim for less than fifty cents' worth of silver for each face value of one dollar. (That meant the government would buy one dollar's worth of silver and make between two and three silver dollars, or between two and three dollar's worth of silver certificates out of it.)
3. The federal government officials authorized the bankers to form the Federal Reserve banking system, and gave that banking system the power to expand and contract the amount of "money" (bank credit) to be used as the medium of exchange by the government itself, as well as by the producers and distributors of goods and services. Thus, it gave them the power to control all business and to stimulate inflation and make deflation.
4. The government officials have made no effective objection to the issuing of inflationary "money."
5. The officials are supposed to regulate the value of the money. They have not done that, and they cannot do it as long as they permit *inflationary* bank credit to be legal.
6. The government officials who are elected to be good managers of our government have run the federal government into over a three hundred and sixty billion dollar (\$360,000,000,000) debt which has cost the producers of goods and services, over \$15, 000,000,000 in taxes just to pay the interest in 1969. And not one official has offered a sound way to reduce or pay off the debt. The debt could be reduced gradually until paid off as soon as the officials permit only bona fide media of exchange to be used.
7. The officials passed the "Coinage Act of 1965" which, among other things, made the Federal Reserve notes lawful money. Beginning in 1914 the Federal Reserve notes were not lawful money. On the notes, it was written "Redeemable in Lawful Money." They are now legal tender; that is, lawful money. For the first time in the history of our country, we are borrowing privately issued lawful money. Remember, the making of these notes lawful money does not make them bona fide medium of exchange.

The above are a few reasons why some of us do not trust the knowledge and the ability of some government officials.

We, therefore, conclude that the media of exchange issued for the country will be bona fide and adequate, if the federal government issues tax credit certificates or United States notes and coins as tax credit certificates for only the goods and services it justly needs; the state and local governmental bodies issue tax credit certificates for their just needs; and if there is still a need for more of the media of exchange, then non-governmental corporations and private persons can issue as many certificates of credit as may be necessary in order to sell all the wanted goods and services that are produced.

In that manner all the media of exchange will be issued with justice. None of it will have to be borrowed and no one will have a monopoly in the issuing of it. It will always be issued by the possessor of the goods or services for which it will be redeemed or by the governmental body that will redeem it when it is presented for the payment of taxes.

## **CHAPTER 9 HOW MUCH MEDIA OF EXCHANGE SHOULD BE ISSUED? WHO SHOULD DETERMINE THE AMOUNT?**

First of all, only bona fide media of exchange should be issued. There should be no counterfeit or inflationary media of exchange issued. When we speak of media of exchange here, we are referring to the following bona fide media of exchange:

- a. United States tax credit certificates, or United States notes and coins issued as tax credit certificates.
- b. Tax credit certificates issued by a state or by local governmental bodies.
- c. Certificates of credit issued by non-governmental corporations and private persons.

These three groups have the right to issue as much of the media of exchange as is necessary for each of their just needs. Because all three types of media of exchange are bona fide, they can serve as payment for the purchasing of all goods and services, including the payment of all taxes. It will not be necessary for each dollar's worth of goods and services offered for sale to be matched by a dollar's worth of the media of exchange. Each dollar's worth of the media of exchange will generally be sufficient for the payment of several dollars' worth of goods and services.

So when the federal government needs money to pay for its necessary goods and services, it should issue as many United States tax credit certificates, or notes and/or coins, issued as tax credit certificates, as it needs. Of course it has to levy a tax equal to the amount of the certificates it issues. In the event there are not enough United States tax credit certificates, notes, or coins to meet all the needs of the state and local governmental bodies, the local governmental bodies should issue tax credit certificates to the amount necessary to meet their needs. Again they too must levy a tax equal to the amount of tax credit certificates issued.

If the above governmental bodies issue all the tax credit certificates necessary to meet their needs, there probably would be enough of the media of exchange in circulation for all other purposes. But in the event there were not enough, then private corporations and private persons could and should issue as many certificates of credit as are necessary for the sale of all the *wanted* goods and services that are produced.

(The wanted goods and services are those for which some people are willing to work, or those for which some people are willing to exchange other goods or services.)

Note: The amount of the media of exchange to be issued is determined by the need of those who are offering goods and services for sale. The United States government decides for itself how much bona

fide money it needs. The state and local governmental bodies decide for themselves how many tax credit certificates they should issue. Likewise, private corporations and persons decide for themselves the amount of certificates of credit they need to issue.

The governmental bodies will not issue too much of the medium of exchange because they have to levy a tax equal in value to the amount they issue. Private corporations and persons will not issue too many certificates of credit because they can issue certificates of credit only for the goods and services they are offering for sale.

Generally speaking, we can say that as the production of goods and services is increased, the amount of the bona fide medium of exchange will be increased; and as the production of goods and services is decreased the amount of the bona fide medium of exchange will be decreased. Thus the effect will be that the medium of exchange will have a relatively stable buying power.

## **CHAPTER 10 HOW TO MAKE A BONA FIDE MEDIUM OF EXCHANGE ACCEPTABLE**

In order to learn what should be done to make bona fide media of exchange easily acceptable, we should learn how non-bona fide media of exchange became acceptable. How is it that supposedly well-informed people today accept non-bona fide, even inflationary, media of exchange?

Let me explain. When the goldsmith first issued his certificates of credit or written “promises to pay,” those documents were bona fide and were used as bona fide media of exchange. The people who accepted them knew (because some of them had deposited their gold with him) that the documents were evidence of a just claim for gold held by the goldsmith. They knew from past experience that the goldsmith would give to the bearer of those documents the amount of gold specified on those documents.

Later, when the goldsmith wrote and loaned out his “promises to pay” in an amount that was greater than the value of all the gold in his possession, the people also accepted them, even though they were non-bona fide, because the documents had the same appearance, the same writing and the same signature as the previous bona fide documents. The people believed them to be bona fide. That is why they accepted them.

Let me also explain what took place as different series of Federal Reserve notes were introduced. In 1914 when the first Federal Reserve notes were issued, the writing on those notes stated that they would be redeemed with gold. In the beginning the Federal Reserve banks had enough gold to redeem every note they issued. Those notes were bona fide documents; they also were bona fide certificates of credit. Therefore, they were accepted and used as a medium of exchange.

To explain further, let us say that a certain Federal Reserve bank had \$10,000,000 worth of gold with which it could redeem the notes it might issue. Therefore, the first \$10,000,000 worth of notes that it issued could be redeemed with gold. The next step took place when the government permitted that bank to issue and loan out another \$15,000,000 worth of notes without making it increase its gold reserve.

Thus, it was allowed to loan out \$2.50 worth of notes for each \$1 worth of gold it had in its possession.

However the second group of notes had written on them “Redeemable in gold,” just as it was written on the first notes.

As time passed, the Federal Reserve banks were allowed to issue four dollars' worth of their notes for each one dollar's worth of gold in their possession. Still later, in 1968, the government gave permission to the Federal Reserve banks to issue and loan out their notes without requiring them to have any gold for the purpose of backing their notes.

The Federal Reserve notes, also, are not redeemable with other goods or services. They are, therefore, non-bona fide media of exchange which are accepted because they were bona fide in the beginning. The changes took place so gradually that most people did not realize that subtle changes were being made. A similar story may be told regarding our silver coins. In 1965, when copper and nickel coins began to replace the silver coins, the new coins were sold to the banks for the same price as the silver coins. The banks also sold them to the public for the same price as the silver coins. The people, therefore, accepted them and used them as if they were equal to silver coins. The silver coins were gradually withdrawn, leaving only the copper and nickel coins in circulation.

Thus we see from the foregoing examples that the people were first given a bona fide medium of exchange. Later they were given a non-bona fide medium of exchange along with the bona fide medium and were told that both were of equal value.

The next step took place when the bona fide medium of exchange was withdrawn, leaving only the non-bona fide medium in circulation. The people accepted the non-bona fide media of exchange because they felt they had no other choice and because the non-bona fide media seemed to work as well as the bona fide media.

(What is wrong with the use of a non-bona fide medium of exchange as long as people accept it? One can buy and sell with it. What is wrong with it?)

The answer is that a bona fide medium of exchange is interest-free and it has none of the other harmful effects that come with the use of a non-bona fide medium of exchange. For example, when a bona fide medium of exchange is used, inflation, deflation, international money crises, interest-bearing government debt, and unjust non-governmental debts can be avoided.

People who borrow their medium of exchange are always in debt. Governments that borrow their medium of exchange are also always in debt, and in addition they are not sovereign; they are dependent on those from whom they borrow.)

People were conditioned to accept the non-bona fide medium of exchange because it was given to them subtly and gradually. The change back to a bona fide medium of exchange should be properly planned and likewise done gradually. The non-bona fide media now in use should be continued in use without any changes while the people learn to issue and use a bona fide medium of exchange.

(If the people are not willing or able to learn how to issue and use bona fide media of exchange, they will continue to use non-bona fide media and experience the above-mentioned problems.)

The bona fide tax credit certificates and certificates of credit should be issued and circulated as equal (even though they are superior) in value to the non-bona fide media in circulation. People will soon learn that the bona fide medium can be obtained without borrowing and without charges for interest payments.

### **THE MOST ACCEPTABLE CREDIT CERTIFICATES**

If and when the United States government would issue enough tax credit certificates to meet its needs there would be sufficient media of exchange for a very large portion of the needs of the people in the United States. A sample of the appropriate form is shown here.

	<b>Tax Credit Certificate</b>	
10	of	10
No.	THE UNITED STATES OF AMERICA	Date
<p>This certificate is receivable, at its face value, for the payment of all customs, fees, fines, and other charges due the United States government. It is redeemable in the payment of taxes due the United States, or in cash at the office of the United States treasury in Washington D.C.</p>		
(Signed by) Treas. of U.S.		(Signed by) Sec. of the Treasury
For		
10	<b>TEN DOLLARS</b>	10

Note: It is redeemable for the taxes which were levied at the time the certificate was issued. It is receivable as cash for all other charges due the United States. Such a certificate would be a bona fide medium of exchange and would be accepted as cash by everyone.

**THE LESS ACCEPTABLE CREDIT CERTIFICATES**

The less acceptable credit certificates are those issued by state and local governmental bodies and those issued by private corporations and persons. However, if they are written so that they can be redeemed for cash, then they too will be very acceptable. The following examples will show the forms necessary to accomplish that objective:

<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"></td> <td style="text-align: center;"><b>Tax Credit Certificate</b></td> <td style="width: 33%;"></td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">of</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">No.</td> <td style="text-align: center;">THE STATE OF CALIFORNIA</td> <td style="text-align: center;">Date</td> </tr> <tr> <td colspan="3"> <p>This certificate is receivable, at its face value, for the payment of all fees, fines, and other charges due the State of California. It is redeemable in the payment of State taxes, or in cash by the State Treasurer.</p> </td> </tr> <tr> <td style="text-align: center;">(Signed by) State Treasurer</td> <td></td> <td style="text-align: center;">(Signed by) County Treasurer</td> </tr> <tr> <td colspan="3" style="text-align: center;">For</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;"><b>TEN DOLLARS</b></td> <td style="text-align: center;">10</td> </tr> </table>		<b>Tax Credit Certificate</b>		10	of	10	No.	THE STATE OF CALIFORNIA	Date	<p>This certificate is receivable, at its face value, for the payment of all fees, fines, and other charges due the State of California. It is redeemable in the payment of State taxes, or in cash by the State Treasurer.</p>			(Signed by) State Treasurer		(Signed by) County Treasurer	For			10	<b>TEN DOLLARS</b>	10	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"></td> <td style="text-align: center;"><b>Tax Credit Certificate</b></td> <td style="width: 33%;"></td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;">of</td> <td style="text-align: center;">10</td> </tr> <tr> <td style="text-align: center;">No.</td> <td style="text-align: center;">THE COUNTY OF LOS ANGELES</td> <td style="text-align: center;">Date</td> </tr> <tr> <td colspan="3"> <p>This certificate is receivable, at its face value, for the payment of all fees, fines, and other charges due to the county of Los Angeles. It is redeemable in the payment of county taxes, or in cash by the county treasurer.</p> </td> </tr> <tr> <td style="text-align: center;">(Signed by) County Treasurer</td> <td></td> <td style="text-align: center;">(Signed by) County Treasurer</td> </tr> <tr> <td colspan="3" style="text-align: center;">For</td> </tr> <tr> <td style="text-align: center;">10</td> <td style="text-align: center;"><b>TEN DOLLARS</b></td> <td style="text-align: center;">10</td> </tr> </table>		<b>Tax Credit Certificate</b>		10	of	10	No.	THE COUNTY OF LOS ANGELES	Date	<p>This certificate is receivable, at its face value, for the payment of all fees, fines, and other charges due to the county of Los Angeles. It is redeemable in the payment of county taxes, or in cash by the county treasurer.</p>			(Signed by) County Treasurer		(Signed by) County Treasurer	For			10	<b>TEN DOLLARS</b>	10
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	<b>Certificate of Credit</b>	
10	of	10
No.	THE BLANK CORPORATION	Date
<p>This certificate is redeemable, at its face value, for any of the products, goods, or services being offered for sale by the Blank Corporation, or for cash by its treasurer.</p>		
(Signed by) Corporation Treasurer		
For		
10	<b>TEN DOLLARS</b>	10

When the above certificates are redeemed for cash by the respective treasurers, the certificates are redeemed for cash at the option of the treasurer as long as goods, services, and unpaid taxes are available for which the certificates were issued as a claim. If the goods or services for which the certificates were issued as a claim were sold for cash before they were bought by the credit certificates, the cash would be on hand for the purpose of redeeming the unused credit certificates. Likewise, if a governmental body had collected all taxes for which the tax credit certificates were issued and still some tax credit certificates were outstanding, those outstanding certificates would have to be redeemed with cash. However, the credit certificates may be redeemed for cash at any time.



The idea could be used in order to acquaint people with the practice of using credit certificates. Later the regular credit certificates could be issued and circulated.

However, there may be times when some credit certificates will not be acceptable, especially by people who live some distance from the place where they are issued. A similar situation now exists when personal checks are issued by a person who is away from his home city or when he is not known. The American Express Company saw that problem as an opportunity to render a service for a profit. For a small fee a person can take his personal check and, so to speak, have it changed into an American Express travelers' check which is acceptable almost everywhere. The American Express Company advertises several times daily on the radio in order to encourage people to use their travelers' checks. It is, therefore, reasonable to expect that it or a similar company will, for a fee, exchange their own checks for bona fide credit certificates.

### **PROTECTION AGAINST LOSS**

The credit certificates will have an extra advantage because they can be issued and transferred in such manner that the owner of the certificates will not suffer a loss in the event his certificates were lost, destroyed, or stolen.

### **PROTECTION FOR THE ISSUER**

The issuer will have the certificates printed in advance on paper similar to what is now generally used for bank checks. Every certificate will have a serial number on it. When it is used to pay for some goods or services, the issuer will date it and make a record of the certificate number, the value and to whom it was paid. Thus the certificate will have no value and the issuer will suffer no loss if it is lost, destroyed, or stolen before it is paid out and recorded.

### **PROTECTION FOR THE BEARER**

On the back of the certificate in small print should be written the following: This certificate must be redeemed or exchanged for a certificate of equal value within one year of the date of issue. (The period of time could vary.)

The person to whom it is first paid should carefully write his name and the date he received it on the back of the certificate. Every person to whom the certificate is subsequently given should also endorse the certificate with his name and the date on which he received it. Then in the event the certificate is lost, destroyed, or stolen, the owner of the certificate can report the fact to the issuer who can observe, when the certificate is returned, the names of the endorsers and thus have a means of determining how each payee came into possession of the certificate. If a person were suspected of having stolen it, he could be called in and asked to explain how he got possession of it from the previous owner.

If the certificate was reported lost or destroyed, and it was really lost or destroyed, it would never come back to the issuer. After the redemption date arrived and the certificate was not presented for redemption, the issuer could reimburse the owner in a manner that was mutually agreeable. The certificates can be used without any endorsements, but by using endorsements the owners are protected against loss.

Thus we can conclude that once the people learn of all the advantages that come with the use of credit certificates they will find them very acceptable or they will adopt methods to make them acceptable.

## **CHAPTER 11 FOREIGN TRADE**

Foreign trade should be carried on in the same manner as domestic trade. There is no difference in trading, or buying and selling across the border between the people in two countries than there is in

trading across the border of two states or two counties, unless a government makes a difference. If a government did not interfere, then foreign trade would take place between the people of different countries in the same manner as it takes place with the people within the country. The trading would be done to the advantage of the people in each country. If each country used a bona fide medium of exchange, each person would know what goods or services he could get for the goods he was selling. When the government sets an artificial price on gold and adopts a money system that permits its money to buy its gold at a set artificial price, it interferes with the normal trading of the people of one country with those of another country.

Whenever the government sets a price on gold it nearly always sets it higher or lower than it would be if no such price were set. If the government wanted the price of gold to be normal in relation to all other commodities, all it has to do is nothing. The price of gold then would become normal and many problems in foreign trade would disappear.

When a government sets a price on gold that is too high, then gold comes into that country for an artificial reason, and other countries lose it for an artificial reason also. When a government sets a price on gold that is too low, then that country loses gold for an artificial reason. (Gold does not come into or go out of a country by itself. Someone brings or ships it into or out of a country in order to make an unearned profit from so doing. The government that sets the price makes the unproductive profit possible.)

Also when the price of goods exchanged in foreign trade is settled according to the artificial price of gold, it sometimes is to the advantage of the seller to take (buy) gold instead of other goods in payment for his goods. In other words, gold is his best buy. That is why he takes (buys) it. That is one of the reasons why gold leaves a country.

The normal way to sell goods to people in another country is for the person who sells the goods to take as payment other goods, or bona fide claims (media of exchange) for other goods, produced directly or indirectly by the person to whom the goods are sold. There should be no gold speculator as a go-between, and there would be none if some governments did not put a fixed price on gold. Then there never would be such a thing as a balance of payments deficit; there never would be a debt, in gold to a foreign country.

Also money should not be loaned to a foreign government or to people in a foreign country. Such loans are an unnecessary burden for them. The people in a foreign country need not borrow; they can issue their own money. The people in a foreign country can only pay for the things they buy with the goods and services they produce. Their own money (medium of exchange) represents a claim for their goods and services. They have the ability to fulfill the claims of their own money, but they may not have the ability to obtain foreign money to repay a foreign loan.

Therefore, if bona fide media of exchange were used by all countries and there were no set or fixed price on gold, there would always be a balance of trade for all countries. Each country would sell as much goods and services as it would buy.

It is not necessary that a country export more than it imports in order to have prosperity. This fact can more easily be understood if we imagine there are only two countries on this earth, and each country has to export six percent more goods and services than it imports in order to have prosperity. It would be physically impossible for such a thing to take place. If one country exported six percent more than it imported, the other country would export that same amount less than it imported. (We do not want a money system that will cause an unjust burden in one country in order to have prosperity in another

country.)

There is no injustice in the act of selling the tools of production to people in a foreign country on time payments, provided that the payments are only payments for the cost or for the rent of the tools. The payments are to be permitted to be made with the bona fide money of the foreign country. The payments for the rent of the tools are to stop as soon as the total cost is paid or the tools are worn out, whichever occurs first.

When payments for the buying or renting of tools are made in that manner, the buyer or renter is able to make these payments with the things that are produced in his own country. His country's money is a claim for the goods within his own country. If he has to make payments with gold or with the money of some other country, it may be physically impossible for him to acquire the gold or the other country's money. The gold or the other country's money may not exist within his country. Under such conditions he could not pay for the buying or renting of the tools. He would have to continue to be in debt.

Also, if he borrowed money, with interest, from the country from which he bought the tools, he would under those conditions never be able to get out of debt, just as it happens when anyone borrows the medium of exchange. Injustice arises when money is loaned, with interest, to a foreign country or a person in a foreign country. The injustice results when the foreign country, or a person in a foreign country, is asked to pay for goods, services, or loans with gold or with some other nation's money.

### **BALANCE OF TRADE**

There is a balance of trade when a country sells to other countries an amount of goods and services that equals in value the amount of goods and services it buys from other countries. When one country sells to other countries more goods and services than it buys from other countries, it has a *favorable balance of trade*. When one country buys from other countries more goods and services than it sells to other countries, it has an *unfavorable balance of trade*.

### **BALANCE OF PAYMENTS DEFICIT**

When a country has an unfavorable balance of trade, it causes a balance of payments deficit. The United States has had a balance of payments deficit with other countries during the last several years. The deficit was not only the result of buying more goods and services from foreign countries than it did in former years but also it was due to gifts, loans, investments, and military expenditures made to and in foreign countries. The effect of all is the same: the foreign countries have billions of dollars' worth of United States money or assets (which can be converted into United States money) with which they can claim goods, services, stocks, bonds, or gold from the United States.

The balance of payments deficit can be corrected when they buy our goods and services. We have the goods and services. Why don't they come and get them? The answer is simple: the United States made a promise in 1934 that people (bankers) in foreign countries may buy gold at \$35 per ounce from the United States Government. They may buy all other goods and services in the United States at the going market prices.

We all know that the prices of most goods and services have increased from 100% to 400% since 1934. But the price of gold has remained the same by government edict. So the best buy of bankers in foreign countries is gold. But, as always happens when someone sells an item below the market price, he is soon sold out. That is the position the United States is in at this time.

The government officials made the problem by fixing the price of gold. The government should not set any price on it. Gold is a commodity like copper, beans, or wheat. About the only people who benefit

when the government sets a fixed price on gold are those who make a business of buying and selling gold. There is nothing wrong in the business of buying and selling gold, if the government would treat gold as it treats all other commodities.

I might add here a brief explanation regarding the way money is handled in foreign trade under our present money system. Let us say a man in Germany sells an automobile to some person in the United States for \$1000. The American sends a check of \$1000 to the man in Germany. That check will buy \$1000 worth of goods and services in the United States. The German could use it for that purpose, if he wanted to. The German also has the opportunity to go to a German bank and sell (change) it for German money. That is what is usually done. So that is what he does. The German international banker (he is the money changer in this case) then owns \$1000 of American money. He too could buy \$1000 worth of American goods, services, stocks, or bonds with it. But because the United States government has promised to sell gold to foreign banks for \$35 an ounce, the banker buys it; at that price gold may be his best buy. The gold may then leave the United States.

When the government sets a fixed price on gold, the effect that takes place is an offer to redeem with gold all the United States money held (owned) by foreign banks.

When the foreign banks own 30 billion dollars' worth of United States money and the United States has only 10 billion dollars' worth of gold, the United States simply cannot redeem all that money with gold. It is no wonder our officials have a problem.

Such a problem would never exist if governments would permit the use of only bona fide money (medium of exchange). There never would be any balance of payments deficits or surpluses. There would be no need or use for The International Monetary Fund or Special Drawing Rights (SDRs). There would be no national or international financial crises.

## **CHAPTER 12 INFLATION AND DEFLATION**

### **THE CAUSE OF INFLATION**

The word inflation means to inflate or blow up, especially with air or gas. Inflation, as it applies to our present money system, means an increase of the volume of money or bank credit in circulation to an amount beyond that necessary to buy, at current prices, the goods and services being offered for sale. Note: It is not just an increase of the volume of money or bank credit in circulation; it is an increase to an amount which will cause an increase in the general price level.

Inflation is made when the banking system makes loans of bank credit (not earned money) for purposes other than loans necessary to finance the sale of goods or services being or about to be offered for sale. Therefore, any loans made by any corporation or person outside of the banking system will not be inflationary. Also the loans of real earned money made by the banking system will not have inflationary effects. Even the loans of bank credit (money the banks do not have but pretend to have) made for the purpose of financing the sale of goods or services being offered for sale will not cause inflation.

An example will illustrate a non-inflationary and an inflationary loan. If a contractor who is building a house which he is offering for sale, is given a loan of bank credit money on that house, that loan would not create any inflation because the bank credit will be withdrawn from circulation as soon as the house is sold and the loan repaid. However, if the person who later bought that house and did not intend to sell it was given a loan of bank credit money for the purpose of buying that house, such a loan could be inflationary because the loan may not be repaid for years, thus leaving the bank credit money in circulation. (A person who buys a house to keep should be given a loan of earned money, not bank credit money; then no inflation would result from the loan.)

Let me give another example to show what happens when more money (medium of exchange) is in circulation than is necessary to buy, at current prices, the goods and services being offered for sale. Suppose you were the owner of a theater with 1000 seats. Now, let us assume you were usually selling tickets for 500 seats. As time went by, you increased the number of tickets that you sold to 600, then to 700, and later to 1000. That increase in the number of tickets you sold did not make or cause inflation. If you then decided to sell 1100 tickets for the 1000 seats, you then would have sold 100 inflationary tickets. Those extra 100 tickets were not bona fide tickets, but they had the same appearance as such. You were not honest at the time you sold those extra tickets. However, if you enlarged your theater to 1100 seats, then the extra 100 tickets would be bona fide and you would not have sold any inflationary tickets.

We see from this that inflation does not just come by itself like a windstorm or a hurricane. It is made by someone who is not honest when he issues inflationary tickets or inflationary money.

Explanation: The theater with the 1000 seats represents all the goods and services that are being offered for sale in the entire country. The tickets represent all the money and credit of all types in circulation, which could be used for the purchasing of all the goods and services being offered for sale in the entire country. When you were selling only 500, 600 or even 900 tickets, you could say you were having a depression. When you increased your ticket sales up to 1000, you were issuing bona fide tickets. You were honest and there was no inflation, even though you doubled the number of tickets from 500 to 1000. There was no inflation because you had a seat for every ticket that you sold.

The point is that it is normal and necessary, in order to have prosperity, to increase the amount of money in circulation up to an amount that is sufficient to buy, at normal prices, all the *wanted* goods and services which are being offered for sale.

Remember inflation takes place when more money or bank credit, mostly bank credit, is issued and placed into circulation than is necessary to buy, at normal prices, the goods and services that are being offered for sale.

Inflation takes place when more tickets are sold than there are seats in the theater. If for example, 500 of those 1000 seats were destroyed or stolen, then only 500 tickets should be sold because only 500 seats are available for sale. Any tickets sold above the 500 number would be inflationary.

Now, when we are dealing with the medium of exchange that is necessary for the general buying of goods and services those who issue the medium of exchange-if they are informed and practice the virtue of honesty-will increase the volume of the medium of exchange only when the amount of goods and services being offered for sale is increased.

Thus we see that the volume of the medium of exchange should not be increased just because the population increased; it should not be increased 3%, 4%, or 5% per year just because of the passage of time. It should be increased only when the amount of goods and services are increased and then only to the amount necessary to maintain the normal general price level.

When we are dealing with theater tickets and seats it is easy to detect the fact when too many tickets are issued and sold because the sales of all tickets are completed at the same time (the time the performance begins.) But in everyday buying and selling, when the buying and selling is a continuing process too much money (medium of exchange) can be issued and placed into circulation without the people being able to easily detect how and by whom it is brought about.

It should be easy for us, therefore, to understand why only the possessor of the goods or services being offered for sale should be the one to issue the media of exchange (certificates of credit) which are to be used for the purchasing of those goods and services. He is the only one who knows how much media of exchange (certificates of credit) to issue; he knows how much good and services he has for sale.

### **WILL AN INCREASE OF PRICES CAUSE INFLATION?**

We know from experience that if the selling price of items which are being offered for sale is increased and the volume of money in circulation remains constant, less of those items will be sold. In fact, if the selling price of those items is extremely high, none will be sold. So an increase in the price of goods or services being offered for sale when the volume of money in circulation remains constant, will cause an increase in the general price level because less items will be sold for those same number of dollars which are in circulation. It follows then, if less items are sold, a reduction of production and employment will also take place.

If we find ourselves in a situation where prices are increased and there is no reduction in the number of items sold at those increased prices, we rightly can conclude that such sales took place only because the volume of money in circulation was also increased. It was the increase in the volume of money in circulation that made it possible for the buyers to pay the increased prices.

### **EFFECTS OF INFLATION**

The banking system or the government that issues too much bank credit or money receives an unjust benefit for a dishonest deed, just as a counterfeiter makes an unjust gain for a dishonest deed.

Another effect of inflation is higher prices, which are an unjust burden for those who are living on a fixed income. We must keep in mind that higher prices, when not due to a short supply of the item, are the effect of inflation, not the cause. An example will illustrate: Suppose, for some reason, there is a very small crop of potatoes during a certain year. In the normal course of events, the price of potatoes will go up. The small crop of potatoes would cause the price of potatoes to go up, but it would not cause inflation. It would not cause the issuing of too much bank credit or money. The small crop of potatoes would not cause all other prices to go up, as inflation would. The price of potatoes would go down the next year if there were a big crop the next year.

Why should the price of goods and services go up just because there is too much of the medium of exchange in circulation? The only purpose for which the medium of exchange is created with justice is to facilitate selling and buying. If there were nothing to sell, there would also be nothing to buy. If there were nothing to sell and nothing to buy, there would be no need for any medium of exchange. In fact there would be no bona fide media of exchange of any kind in existence. A bona fide medium of exchange is created only at the time some goods or services are being offered for sale.

Now let us go back to your theater. You would not sell any tickets for the seats in your theater until you were ready to open up for business. But if you did, those tickets would not be bona fide tickets. You see no bona fide tickets or bona fide medium of exchange would exist until something was ready to be sold. Bona fide tickets represent a just claim for seats in the theater. A bona fide medium of exchange represents a just claim for some goods or services for which it will be redeemed.

Now let us say you are ready to open up your theater for business. You sell 1000 tickets, one for each seat. Your theater is full, the patrons are satisfied, and each ticket holder has a seat.

Sometime later you sell 1100 tickets for your theater. You will then have all of your seats filled and 100

patrons standing in the aisles and along the walls. Note, the value of some of those tickets declined. Some patrons did not have a seat because you sold them non-bona fide tickets.

You later decide to sell 1500 tickets, but then you require that each couple who wish seats will have to have three tickets. Your theater is filled and everyone has a seat, but they paid 50% more for their seats. If you still later decide to sell 2000 tickets, you will require each patron to have two tickets for each seat. The prices of the seats are now double. You see, there were more tickets in circulation (that is, in the hands of the patrons) than were necessary to buy the seats at normal prices (that is, one seat for each ticket). So, in order to redeem all those tickets with the seats you had available, you charged two tickets for each seat.

This gives us some idea as to the reason why prices go up when more media of exchange or tickets are issued and put into circulation than are necessary to buy at normal prices the goods and services that are being offered for sale. But when it is done with non-bona fide money (Federal Reserve notes) or bank credit loaned into circulation, the whole process is concealed from the general public. That is why many people think that inflation just comes like the measles.

### **CURE FOR INFLATION**

Perhaps the most important point to keep in mind when we think of correcting inflation is that we should not cause deflation. We should not even cause a reduction of the inflation. If we do either of the two we will cause unemployment. The degree of unemployment will depend on the degree of the reduction of the inflation.

Inflation should be stopped, not reduced. Then no unemployment will result, no injustice will come to anyone, wages will not have to be reduced, and the general price level will be maintained. Production of goods and services will continue at the usual rate.

To stop inflation it is only necessary to stop issuing inflationary Federal Reserve notes and inflationary bank credit money and accept the going general price level as the normal general price level. That means, under our present money and banking system, the banking system should loan bank credit only for collateral security of goods that are being or are about to be offered for sale; *all* other loans, including loans to governmental bodies should be made with earned money. As the amount of goods being offered for sale is increased the loans of bank credit for them may also be increased. Then the inflation will not be reduced; it will only be stopped. The general price level will be maintained, no unemployment will be caused, and no injustice will come to anyone.

### **DEFLATION**

When we use the word *deflation* as related to, the volume of money or bank credit in circulation we should mean the condition that exists when the volume of money or bank credit is less than is necessary to buy, at normal prices, the goods and services that are being offered for sale.

When a condition of inflation exists, and that inflation is reduced, deflation does not exist, even if the inflation is reduced to zero. Inflation will be reduced to zero when there is just enough media of exchange to buy, at normal prices, all the wanted goods and services that are being offered for sale. When the volume of the medium of exchange goes below that point, then we can say deflation exists. An automobile tire that has 45 pounds pressure, when it is supposed to be normal with 35 pounds is not in a state of deflation when the pressure is reduced from 45 pounds to 40 pounds, or even to 35 pounds. The fact that the inflation was reduced to 35 pounds did not cause the tire to being a state of deflation. Now, if more air is let out of the tire so that it contains less than 35 pounds pressure then a state of deflation exists. In that same way we should use the term deflation as it relates to the volume of the

medium of exchange in circulation.

### **EFFECTS OF DEFLATION**

Since deflation means an insufficient amount of the medium of exchange in circulation, the general effects are:

1. A decline in the general prices for the goods and services being offered for sale
2. A decline in the amount of goods produced and services rendered
3. A decline in employment
4. An unearned increase of the buying power of the remaining media of exchange

Note: Those who produce goods and perform services, those who work, and those who produce the things we all need and want - they are the ones who are hurt most by deflation.

### **CAUSE OF DEFLATION**

Because over ninety percent of the media of exchange used in the United States comes into circulation from the banking system making loans to governmental bodies and to private persons and corporations, all that is necessary to make deflation is for the banks to refuse to make loans or for the borrowers to payoff their loans and refuse to borrow.

It is just that simple under our present money system.

That is the usual way the depressions are made. That is the way most of the general unemployment of people is brought about. There is no mystery about the causes of general unemployment.

### **CURE FOR DEFLATION**

Since we know the cause of deflation (an insufficient amount of the media of exchange in circulation), it is not difficult to state the cure. Borrowing the media of exchange appears to help, but it causes big troubles later. The perpetual interest payments become a burden and the people can never get out of debt. As soon as the people issue and place into circulation sufficient bona fide media of exchange, deflation will no longer exist.

Assuming the officials of the federal government are not sufficiently informed to issue enough United States tax credit certificates, notes, and coins, the officials of each state, as well as the officials of the local governmental bodies, should then issue sufficient tax credit certificates to pay for their necessary expenses. In the event that this is done and there still is not enough of the media of exchange in circulation, or in the event that this is not done, then private persons and private corporations should issue as many certificates of credit as are necessary to sell all of their goods and services. This would all be done as outlined in Chapter 2 and Chapter 10.

Even if the federal, state, and local governmental bodies did not issue any tax credit certificates, enough certificates of credit could be issued and put into circulation to dispose of all the wanted goods and services being offered for sale because each seller of goods and services could issue, if necessary, enough certificates of credit and pay them to others so that they, in turn, could buy all the goods or services he offered for sale. The seller of goods and services who issued the certificates of credit would get for his certificates of credit the goods and services of other sellers of goods and services. That is all there is to buying and selling. One possessor of goods and services exchanging his products or services for the products or services of other producers or possessors of goods and/or services. By using certificates of credit as media of exchange the process is made convenient.

Thus we see that the cure for inflation or deflation is the same: the people themselves must learn what a bona fide medium of exchange is, issue it, and use it. They need not and should not borrow the media of exchange.

(Note: The above chapter gives an example of how a theater owner can issue non-bona fide tickets because each ticket was issued as a claim for any seat instead of for a specific seat.

A ticket is more apt to be bona fide if it has written on it the number of the seat for which it is evidence of a claim. Likewise, a document, which is used as a medium of exchange, should also have written on it the specific item or items for which it is evidence of a claim. Inflation then, would never occur.)

## CHAPTER 13 INTEREST, JUST AND UNJUST

The definition of interest, or interest charge, is “the premium paid by the borrower for the use of what he borrows.” It also is defined as, “a charge for borrowed money, generally a percentage of the amount borrowed.”

The definition of the word *rent* is “a periodical payment for the use of property.”

We might say then, that the word *interest* is applied when we speak of a payment for the “use” of money: and the word *rent* is applied when we speak of a payment for the use of property.

We now wish to determine under what conditions interest charges are just and under what conditions interest charges are unjust. We have frequently heard that interest charges are unjust when the rates are too high. That is true. But interest charges which are low could also be unjust if they were charged, say on counterfeit money, or on inflationary money, or when the loan was not necessary, or if it were impossible for the borrower to pay it, as is the case when the medium of exchange is borrowed, with interest, and no medium of exchange exists with which to pay the interest.

Let me give some illustrations. If we own a house and rent it to a tenant, it is a just practice for us to charge him a fair rent for the use of it because, as time goes by, he is, in a sense, using up the house. The house depreciates in value. If given enough time it will lose all of its value. The same thing would occur if an automobile or some other piece of machinery were rented out. It would gradually be used up.

Therefore, it is a just practice to charge a reasonable fee or rent for the part that was used up. It might be correct to say that such rent charges are, in a manner of speaking, the selling of the house or the automobile a little at a time. The part that is used up each year is the part that is sold each year and it is the part for which the money is paid as rent. So we can conclude that it is a just practice to charge a fair rent for the use of an object which we own and which we allow someone else to use.

Now let us consider the charging of a fee (interest) for the renting (loaning) of a medium of exchange (money). When money is rented (loaned out), the money is not being worn out or used up, as a house or an automobile wears out or is used up. You would not, so to speak, be selling it a little at a time as you do when you rent out your house or your automobile.

Let us say you loaned or rented a brand new automobile to your neighbor for a period of one year. When the year was up he returned it and you charged him a fair price for the use of it because he really did use it. The car was partly used up. It is just for you to charge him for the part that was used up. That payment was due you.

But suppose instead of your neighbor returning the partly used car, he returned to you a brand new car, equal to the one you loaned to him a year earlier. This one is even a year newer. You could not charge

him for any “used up part” of the car, because the car was not used up at all. In this case you did not really rent or loan the car to him; you traded the first car for the one he returned a year later.

Some writers say that when a person loans out money he deprives himself of the use of that money for the length of time he has loaned it and he should be paid for his willingness to do without it for that length of time. That idea might have merit if some of his energy were used up because he deprived himself of the use of it for that time.

In practice, however, the person who loans money only loans his surplus money. He loans money that he does not need at that time, but he wants to have it at some future time. Therefore, he does not suffer any hardship; he does not use up any of his energy by his willingness to do without it at that time. It might then be unjust for him to ask for more money from the borrower than he gave to him. A case can be made so that, in justice, he might have to pay the borrower for keeping his money current or up to date for a certain period.

We will give an example. Remember, all bona fide money (medium of exchange) is either a tax credit certificate or a certificate of credit. All have an expiration date after which they will not be redeemed. The expiration date may be unknown; it may not be written on the certificate or on the coin or on the token. We saw how the United States government set June 24, 1968 as the expiration date for its silver certificates.

Now let us suppose a person has a surplus of tax credit certificates that are redeemable for a certain year only. If he loans these certificates to a neighbor who agrees to give him, a year later, certificates of equal value of the next year’s tax credit certificates, that neighbor will be, so to speak, keeping his money current or up to date. He is, in that sense, rendering him a service. He might be entitled to a fee for that service. On the other hand, the person who made the loan also rendered a similar service to his neighbor by making the loan to him when he needed it. Those services that each one rendered to the other did not require the expenditure of energy by either one. Both practiced justice by making exchanges of equal value; one year’s certificates were traded or sold for the next year’s certificates. If any interest or fee were to be charged by either one of those two, that might be an unjust charge; however, it would be just to require collateral security for such a loan.

It is important to remember, for the sake of having knowledge on the subject, that all bona fide money, tax credit certificates, and certificates of credit will not be redeemed after enough time has elapsed. That is why, when you loan out money you cannot expect to get the same money back. That same money may no longer exist. You are really, when making a loan, exchanging the money you now have for some other money that you expect to get in return. Therefore, in justice, you should get back money of equal value, no more or no less.

Bona fide money (medium of exchange) does not lose its value because of the elapse of time. (We shall not consider inflation, because inflation exists only when a non-bona fide money is used.) Therefore, you cannot charge a rent (interest) fee for the use of money because it is not really used. The same money that is loaned out is not returned; other unused money is returned in its place.

Money (a bona fide medium of exchange) is not really used by anyone. When we receive money (medium of exchange), we do not use it as we use a suit of clothes or a piece of furniture. We keep it until we are ready to buy something with it. While we are keeping it we are not using it. Then, when we spend it, we no longer have it. So, we do not use it after we have spent it. Thus, it seems proper to say that money is not really used.

Money is a document like a deed. We never speak of using a deed. We keep a deed as evidence to show that we have a claim to a certain piece of land. We do not rent out a deed. We do not loan out a deed. We give a deed to a person who buys our property. Money (a bona fide medium of exchange) is given as evidence to show that the bearer has a just claim for some goods or service for which it will be redeemed.

If a manager of a store gave you a gift or credit certificate for some goods in his store, you could give that certificate to another person as a gift or you could exchange it for some other item of value with another person. But you would not, with justice, rent or loan it out for an interest fee.

Bona fide money (medium of exchange) is created for the purpose of buying and selling goods and services. If money is created for the purpose of being loaned out to obtain interest, it is not bona fide money (medium of exchange). It was not issued as evidence of a claim for some goods or services. Things that are really used can be loaned out or rented, but things that are not used cannot, with justice, be rented or loaned out. The following are some examples: You cannot rent out a document, such as a deed or a license of any kind. You cannot rent a chicken dinner or a loaf of bread. You cannot rent a gift certificate, a certificate of credit, a tax credit certificate, or money. When you cannot get back the same item you loan out, you cannot rent out or loan out that item. (Those items can be sold, traded, or given away, but not rented or loaned.)

When we loan out or rent a house, an automobile, or a hand saw, the borrower will return the same item we loaned to him. But when we pretend to loan out items that cannot be returned, once they are “used,” such a “loan” is not a real loan. It is a trade or barter for a similar, but not the same, item that also had not been really used by the borrower.

For example, if a lady “borrows” a cup of sugar from her neighbor, she will not return the same sugar because she “used” it up. She will return a cup of some other sugar. She did not borrow (rent) that first cup of sugar; she made a trade or bartered the one cup of sugar for the other cup of sugar.

The same may be said about “borrowing or renting” other items that are consumed or destroyed when used. Food and fuel are good examples of such items. Money (credit certificates) also falls into that same class. It is, in effect, destroyed when it is “used,” redeemed—that is, when it has fulfilled the purpose for which it was created. Therefore, you cannot really rent or loan it out. You can trade it for money (credit certificates) of equal value, which will be returned to you at a later date. But it might not be just to demand more money than you gave merely because the trade was not completed on the same day.

It may at first appear to us that if we “loaned” money to a person we are, in justice, entitled to some interest for our going without the “use” of it until the time the money is returned. But if we kept the money, it would not have increased in value while we kept it. If we spent it for an item such as a lawn mower, we would have the use of the lawn mower, but the mower would lose its value as it was used and time went by.

Again, it is worth noting that bona fide credit certificates do not lose their value with the elapse of time, but the thing for which we spend them might. That indicates that credit certificates (money) are not used up, even with the elapse of time. That is why we could consider it unjust to charge interest (rent) just because of the elapse of time.

We should also look at interest charges according to the purpose for which the money is spent by the borrower. When it is spent for something which is really used, such as a house or an automobile, the

interest charge then would be the equivalent of rent because the one who made the loan would, in effect, be part owner of the house or the automobile. The interest charge then could be a just charge in the same manner that rent is a just charge. When the borrowed money is spent for something that is not worn-out, such as food, fuel, "a taxi ride," or for the payment of government expenses, the interest charges are really a fine or a penalty imposed on the borrower because of his delay in returning the money. While such a loan should not be made with interest, it still may not be just to charge interest as a penalty for the delay in getting the money returned.

To explain just how great is the injustice that results when interest is charged for a long period of time, we shall make a table showing how much \$1000 becomes when it is loaned out at six percent interest, compounded annually. It has been computed that money loaned at six percent interest compounded annually, a little more than doubles every twelve years. We therefore submit the following table:

[TABLE HAS BEEN OMITTED. BRIEFLY, THE RULE OF 72 SAYS THAT THE TOTAL DUE DOUBLES AT A PERIOD OF YEARS DETERMINED BY DIVIDING THE NUMBER 72 BY THE ANNUAL INTEREST RATE. DR POPP'S TABLE SHOWED \$1,000 DOUBLING EVERY 12 YEARS UP TO 204 YEARS WHERE THE TOTAL BECOMES \$131,072,000 (editor's note)]

We see that \$1000 loaned out at 6% interest compounded annually amounts to \$1,024,000 after 120 years. If it is left at 6% interest compounded annually for another 84 years, the total becomes \$131,072,000. Think of it! We started out with only \$1000! If we had started out with one billion dollars, the total would be a million times that amount; that is, it would be one hundred thirty one trillion, seventy two billion dollars (\$131,072,000,000,000).

The above figures give us a good idea as to the cost of interest payments over a long period. When money is borrowed to pay for items that are really used, such as a house or an automobile, the interest payments are, in effect, rent payments on the unpaid part of the house or the automobile. The payments will end either when the house or auto is paid for, or when they are worn out or destroyed.

When money is borrowed by a government to be used as a medium of exchange, or to pay for services, or to pay for goods that are consumed or destroyed, there is no end to the length of time the interest payments have to be made. They continue indefinitely. To be sure, the bonds mature, but new ones are issued to replace the one that matured. The nation can never get out of debt. If the government paid off a part of the debt, it could do so only if private enterprise went more into debt. Otherwise a shortage of the medium of exchange would exist and a depression would occur.

Remember, it is not necessary for a government to borrow its medium of exchange. It can issue tax credit certificates, or the equivalent in notes or coins, just as easily as it can issue bonds or other interest-paying notes. All are backed by the same taxing power of the government.

In 1969 the federal debt of the United States was over \$360,000,000,000. The interest on that amount at 5% per annum amounts to \$18,000,000,000. We should look at that as the fine or penalty the taxpayers pay because the officials do not see to it that bona fide money is used. If bona fide money is not used, these debt and interest charges will continue to increase and increase almost without end. Of course there will be an end: it will be severe inflation or some other violent end.

### **EXAMPLES OF JUST INTEREST**

Let us say we own a house worth \$12,000. If we rent out that house for \$80 per month or \$960 per year, we will come up with the following figures:

Our annual cost of owning that house is as follows:

Taxes	\$330
Insurance	\$ 50
Repairs	\$ 100
<u>Depreciation</u>	<u>\$480</u>
Total	\$960

Out of the \$960 per year rent paid by the tenant, he is paying for the following:

Taxes	\$330
Insurance	\$50
Repairs	\$100
<u>Use of House</u>	<u>\$480</u>
Total	\$960

So the tenant is paying only \$480 rent for the use of the house. The other \$480 extra he would have to pay if he were the owner. The owner could charge the tenant 4% interest on the \$12,000 and have the tenant pay the taxes, insurance, and repairs, the result in cost to him would be the same as if he paid it all as rent of \$80 per month. Such an interest charge would be a just charge because it is a rent payment for the use of the house. It only appears as if it is a charge for the use of the money.

Now instead of renting the house, let us sell the house for \$12,000. The buyer will pay \$2,000 down and the balance of \$10,000 by paying \$1000 off the principal each year for the next ten years, with 4% interest on the unpaid balance.

The buyer's payments will be as follows:

Payment at time of purchase ----- \$2000

Principle Payment	End of	\$1000
Interest Payment	Year 1	\$400
Principle Payment	End of	\$1000
Interest Payment	Year 2	\$360
Principle Payment	End of	\$1000
Interest Payment	Year 3	\$320
Principle Payment	End of	\$1000
Interest Payment	Year 4	\$280
Principle Payment	End of	\$1000
Interest Payment	Year 5	\$240
Principle Payment	End of	\$1000
Interest Payment	Year 6	\$200
Principle Payment	End of	\$1000
Interest Payment	Year 7	\$160
Principle Payment	End of	\$1000
Interest Payment	Year 8	\$120
Principle Payment	End of	\$1000
Interest Payment	Year 9	\$80
Principle Payment	End of	\$1000
Interest Payment	Year 10	\$40

When the buyer made the \$2000 down payment, he really did not buy the whole house; he only bought  $2/12$  of the house. He then bought  $1/12$  part more of the house during each of the next ten years.

We can see that the interest payments, in this case, were really payments for the rent (use) of the portion of the house that the buyer did not yet own, because he had not yet paid for that portion. When he made the down payment of \$2000, he only paid for a  $2/12$  part of the house. The first year that he lived in the house he paid rent for the use of the other  $10/12$  part, which he did not yet own. He possessed it, but he did not own it. The second year, after he paid off an additional \$1000, he then paid rent for the use of  $9/12$  of the house. That was the part he did not yet own.

So each year as the principal was paid off, he became owner of  $1/12$  more portion of the house and his interest (rent) was reduced accordingly. At the end of the tenth year he had the house paid for and he then owned the whole house. He did not have to pay any more interest (rent). The interest payments he made during those ten years were just as if they had been payments for rent.

The reader may enjoy knowing that, in the event the owner of the house were receiving \$100 per month rent instead of \$80, he would have had to charge 6% interest, instead of 4%, when he sold the house, in order to bring his rent income from the still unsold part of the house up to equal the amount it was when he was renting out the whole house for \$100 per month. The reader can prove that, by substituting 6% in place of 4% in the above payment plans. That also is another indication that those interest payments were equivalent to rent payments.

The same principle will apply when a person buys an automobile on the installment plan. He buys a portion of the car and pays rent for the use of the unpaid portion. The fact that the payment is called interest instead of rent does not change the matter. So when a buyer pays an interest charge that is really a rent charge for the use of the unpaid part of the car, it is a just interest charge. We assume it is not excessive.

A farmer could buy livestock, farm machinery, or land and be charged an interest (rent) charge on any unpaid portion. Such an interest charge would be a just charge, because he would be paying it as rent for the use of the unpaid part of those items. He would not be paying for the use of money.

If a person borrows money to buy a house, a car, farm machinery, etc., he really does not buy those items; the person or banker from whom he borrows the money is the one who is the real buyer. Then the person or banker agrees to sell the item to the borrower under the condition that the borrower will pay for it on the installment plan. The borrower will become the owner when the loan is repaid. The borrower agrees to pay interest (rent) on the unpaid portion until the balance is paid.

Again, such an interest charge is just, because the borrower is paying the equivalent of rent for the use of the part of the item he does not yet own. He is not paying for the use of money.

Thus we can conclude that interest charges are just, when made as rent for the use of an unpaid part of an item in the process of being purchased and which is being used by the one making the purchase.

### **EXAMPLES OF UNJUST INTEREST CHARGES**

1. If counterfeit money were loaned out at interest, the interest charge would be unjust, no matter for what purpose the loan was made because the counterfeiter would be stealing from the borrower and all holders of bona fide media of exchange. Stealing is an unjust practice.

2. If inflationary money or inflationary banks' credit money were loaned out with interest; the interest charge would be unjust because the inflationary money or the inflationary bank credit money is not bona fide money. It is, in effect, legal counterfeit money.
3. When Federal Reserve notes or bank credit money are created in order to be loaned to a governmental body, with interest, the charge for interest is unjust because it is not necessary for a governmental body to borrow bank credit or Federal Reserve notes, and because if it does, it cannot (by itself) pay back the principal and the interest.

Let us explain that statement. When a governmental body borrows "money," it gives as security for the loan its agreement or promise that it will levy a tax on the people within its jurisdiction, sufficient to repay the loan with interest. When the governmental body issues tax credit certificates, it also levies a tax that will be paid with those tax credit certificates, but no tax will have to be levied to pay interest. The tax credit certificates can be used as "money" without interest.

The tax credit certificates and the bonds or notes given as security for a loan are both equally backed by the taxing power of the governmental body. If the bankers are willing to accept that backing for their loans, the non bankers will also accept the tax credit certificates when they understand all the advantages.

When the federal government wishes to issue tax credit certificates, it may do so in the form of United States notes and/ or coins. But state or local governmental bodies should issue only tax credit certificates.

We also said that the governmental body, even by using its power to tax, cannot, by itself, repay the principal of the loan with interest. How can that be? We all know of cases where a governmental body paid off its loans. Yes, that is true. But it could only do that because some other governmental body or private corporations or private persons had borrowed other "money" which was used to pay off the loan with interest. In other words, there was bigger debt, governmental or non-governmental, within the country when the loan was paid with interest, than there was at the time the loan was first made. Perhaps the easiest way to explain that point is to start with a government in a country where all of its money was destroyed or had lost all of its value.

Let us say the government borrowed from a foreign country, \$1,000,000. The money could be gold coins, gold certificates, or bank credit money. The government borrowed the \$1,000,000 at 3% interest. It levied a tax sufficient so that it could pay back, after one year, the \$1,000,000 of principal, plus \$30,000 for the interest.

When the year was up and the people tried to pay their taxes, they could give to the government only \$1,000,000. They could not pay the extra \$30,000 simply because there were no extra \$30,000 worth of gold coins or gold certificates or bank credit money to be found within the whole country. Only \$1,000,000 was borrowed and only that \$1,000,000 existed within the whole country.

The only way enough money would exist with which to repay the loan, with interest, would be for the government or someone else within the country to borrow more money. Thus we see, whenever a nation borrows the "money" which is used as a medium of exchange, that nation can never get out of debt. In fact, the debt will have to be increased in order to have enough money just to pay the interest charges. As the years go by, the debt and interest charges will become a very great burden.

Therefore, if any governmental body anywhere in the world needs a medium of exchange, its officials should issue tax credit certificates. These tax credit certificates are a bona fide medium of exchange

(money). If honest and informed officials create the bona fide medium of exchange to be used in their country, they will never put their country in debt. The country will not have to pay any interest for the use of their medium of exchange. The country will not be dependent upon or obligated to any money lenders, domestic or foreign.

4. Money (medium of exchange) need not be borrowed, with or without interest, on goods that are about to be offered for sale. If enough money (medium of exchange) does not exist so that the goods can be sold, then the owner or possessor of the goods should issue certificates of credit for those goods. Those certificates of credit are a bona fide medium of exchange. Goods being offered for sale are the proper items for which a medium of exchange is created. Therefore, certificates of credit should not be borrowed against such goods, but should, if necessary, be issued as a claim against them.
5. It would seem unjust to charge interest (rent) when money is loaned to a person for the purpose of buying a consumable item, such as food or fuel. Such items should be sold, traded, or given to the person, but not, in effect, rented to him. In fact, such items cannot really be rented because they cannot be returned. They are consumed and disappear at the moment they are “used.” Therefore, no charge for rent or interest can be justly made for the use of them.

If you loan a person money to buy food, you are, in effect, buying the food and then “loaning” the food to him. But such an exchange is really a trade for a similar amount of food, which he expects to return at a later date. Justice requires that he return the same amount that you gave him, no more and no less.

## **CHAPTER 14      CONCLUSION**

From the available information it seems that a document was first used as a medium of exchange when the goldsmith accepted gold for the purpose of storing it in his safe (strongbox) for safekeeping. He would issue a note, a certificate of credit, on which he wrote that he promised to pay, on demand, to the bearer of that note or certificate of credit, the gold which he received at the time he issued his promise to pay. The note or certificate was written evidence of a just claim for the gold he held in his possession. That certificate of credit was a bona fide medium of exchange.

We have a right to assume that he charged a fee for the safekeeping of the gold until it was demanded by the bearer of the note. That was a just charge for the service of safekeeping the gold. It was not an interest charge for the use of his note.

The next step in the development of the use of a note or certificate of credit in our money system came when the goldsmith gave to those who wished to borrow gold from him his certificate of credit. On it were written words stating that he promised to pay, on demand, to the bearer of the certificate, a certain amount of his gold. He had the gold in his safe (strongbox). He was keeping it for the bearer of the certificate. He had a right, with justice, to charge a fee for the safekeeping of that gold. He had a right to charge a fee according to the amount of gold that he was safekeeping and for the length of time he had to keep it. That might have been the basis for the interest charges, a development which came later. But such safekeeping charges would have been just because they were not interest charges paid for the use of the note or certificate, but were fees paid for the safekeeping of the gold for which the certificate was evidence of a claim. That certificate of credit could also serve as a bona fide medium of exchange because it was evidence of a just claim for gold the goldsmith had in his possession.

The goldsmith learned from experience that his certificates kept circulating as a medium of exchange. Seldom did anyone bring those certificates back to him in order to demand the gold. So he had loaned out certificates in an amount equal in value to the value of all the gold he had in his possession.

The next step probably was as follows: A good man came to him to borrow some of his certificates for a good purpose. The goldsmith had plenty of gold in his safe but claims, certificates of credit, for all of it were in circulation and could be brought in at anytime to claim all the gold he had. However, through some years of experience he learned that such a thing never happened. He reasoned that he could write out his certificates stating that he promised to pay, on demand, an amount of gold beyond what he had in his possession. So he did it.

He decided that he would charge the same fee for this non-bona fide certificate or note that he charged for the safekeeping of the gold for which he issued his previous bona fide certificates. Such a fee was an unjust (interest) charge for the "use" of the non-bona fide certificate. The non-bona fide certificate appeared the same, had the same words and the same signature written on it as the previous bona fide certificates. The interest charge was an amount equal to the amount of the fee he charged for the safekeeping of the gold for which he issued his bona fide certificates. The interest charge was unjust because the goldsmith charged a fee for the safekeeping of gold, when there was no gold for him to safekeep, so to speak. He was not honest when he issued this certificate; therefore, the certificate was a non-bona fide medium of exchange.

But what happened? It worked just the way the goldsmith had expected. His non-bona fide certificate was used as a medium of exchange just as well as his bona fide certificates. The people could not tell the difference between the two. The goldsmith was considered a great benefactor in the community because of the abundance of his certificates which served as media of exchange. The people prospered. The people prospered because there was a good supply of the media of exchange in circulation, not because the media of exchange was non-bona fide. The people believed that all the certificates were bona fide. But the goldsmith was worried. He knew that his dishonest act might be exposed if too many people demanded their gold at one time. So what did he do? He decided to try to make his dishonest acts legal and respectable.

He went to the government officials and explained to them the great service that he was performing by his issuing so much of the media of exchange which gave the prosperity to the community. The government officials probably did not know that some of his notes or certificates were non-bona fide. All they knew was that they were having prosperity and the notes were redeemed with gold whenever anyone would demand his gold. The fact that the people were going more and more in debt was not considered important. It looked like going in debt was a good thing for the people in general.

In order to make his act of issuing non-bona fide notes legal, the goldsmith got the government to grant to him a charter to start a bank. He persuaded the government to set rules so that he could loan out, with interest, let us say, his notes in an amount up to ten times in value of the amount of the gold he possessed. If he then got caught with a shortage of gold, he could claim that what he had done was legal. The goldsmith, who now became the banker, explained that when he had in his bank \$1000 in gold and then loaned out \$10,000 worth of his notes which he said he would redeem with gold, he was loaning \$10,000 worth of bank credit with a 10% gold reserve.

(Note: The non-bona fide notes, which were promises to pay gold that he did not possess, were now called bank credit.)

The above is a brief description of some of the probable background events that have led us to our present banking and money system. The people, including government officials, should study the whole system.

At the present time, 1969, more than ninety percent of all the business in the United States is carried out with bank credit serving as the medium of exchange. All bank credit is issued as a loan, and some

person, corporation, or governmental body must go in debt to get it. Those debts cannot be paid off unless the people and/ or governmental bodies issue bona fide media of exchange.

If and when we learn what bona fide media of exchange are and start issuing and using them, they will gradually replace the present non-bona fide media of exchange. They will do it without any disruption in our economic system. There will be no tampering with the money system. No new laws will have to be passed regarding the banking system. The people will freely choose to use either a bona fide or a non-bona fide medium of exchange. Both will be available. If the people choose to use only the bona fide media of exchange, all debts resulting from the borrowing of the media of exchange will gradually be reduced in time to zero. All people, including banks, who loan out non-bona fide “money” will be, as their notes and bonds mature, repaid in full with a bona fide medium of exchange.

Debts which people made or will make when buying a house, farm, or an automobile will be the same as they are now. Such debts will be made and paid off in the same manner as is now done. Governmental bodies will gradually be able to pay off their interest-bearing debts.

Inflation and deflation will no longer exist. The banks will loan out only bona fide media of exchange. There will not be any balance of payments deficits or surpluses. Gold will not be used to interfere with the normal buying and selling of goods and services; gold will be given its rightful place as a useful commodity. People who then buy gold will have a use for it as a commodity, not as something with which to speculate or with which to exert pressure on or destroy an economic system or even a governmental administration.

For those persons who might enjoy using some type of test to determine what is a bona fide medium of exchange, the following suggestions are made:

First, we must remember that all the media of exchange now used in the United States are documents. To be bona fide the document which is used as a medium of exchange should do the following:

1. It must be able to be introduced into circulation in a country which has no media of exchange of any kind.
2. It must be able to be introduced into a country at a time when non-bona fide “money” (medium of exchange) is being used in that country.
3. It must be such that it can be introduced in a community even if there is no organized government in existence. Certificates of credit can be issued without a government participating in the process.
4. It must also be able to be issued by a governmental body without requiring the participation of any private persons or corporations. Tax credit certificates will fulfill that requisite.
5. When tax credit certificates are issued, they must be paid (not loaned) into circulation and a tax levied in an equal amount at the time they are issued. They also must be destroyed (at least in effect) when the issuing governmental body redeems them as payment for taxes.
6. When a certificate of credit is issued by a private person or corporation it may be sold, paid, or traded, but not loaned to persons, corporations or governmental bodies.
7. A bona fide medium of exchange must be evidence of a just claim for some goods or services for which it will be redeemed.
8. It must be issued by the possessor of the goods or services for which it will be redeemed.

Now, let us see if any of the media of exchange now used in the United States will fulfill the requirements of those tests.

Our coins are sold into circulation, no tax is levied when they are issued, and they are not redeemed

when used as payment for taxes. That is enough to make them non-bona fide.

The United States notes were paid into circulation but no tax was levied for which they would be redeemed. Thus, they are not bona fide tax credit certificates.

The Federal Reserve notes are all loaned into circulation. They are not issued as a claim for goods or services for which they would be redeemed. They, therefore, do not fulfill the requirements of bona fide certificates of credit.

Bank credit or bank credit money is also loaned into circulation and is not issued as a claim for goods or services for which it will be redeemed. It too, does not fulfill the requirements of bona fide certificates of credit.

Does that not appear as though all of our media of exchange are non-bona fide? It is not surprising then, if a top official of the Federal Reserve banking system says that the United States is in a serious money crisis. What else can we expect, when all of our media of exchange are non-bona fide.

As we analyze the documents which serve as bona fide media of exchange, we conclude there are only two groups of documents which fulfill all the requirements of bona fide media of exchange: in the one group we have tax credit certificates, and in the other group we have certificates of credit.

These two groups of media of exchange will serve, with justice, in any country in the world (where people can read), all the needs of buying and selling. Countries that are poor can issue them just as easily as the more wealthy countries. Poor countries as well as rich countries do not have to borrow their media of exchange. They can issue and introduce bona fide media of exchange at any time. In the United States, United States notes and coins can, if done right, be issued as tax credit certificates because that is what they are supposed to be. We can call them notes or coins but they have their present value only because they must be and they are accepted in payment for federal taxes.

### **WHAT CAN WE DO?**

What can we do to have bona fide media of exchange? The first thing we can do is to fully inform ourselves so that we know what a bona fide medium of exchange is. The next thing to do is to inform others, so that a large number of people will also understand what a bona fide medium of exchange is. When a large number of people know what bona fide money and other bona fide media of exchange are and that the medium of exchange need not be borrowed, and when they know who in justice has the right to issue it, then we will have a good start on the road to using bona fide media of exchange.

One thing that all of us can do is to use as few Federal Reserve notes as is practical. When cashing a check at a bank, instead of accepting Federal Reserve notes, ask for United States notes and coins. Most of the time you may not be able to get many United States notes because there are not many in circulation, but you can almost always get coins. The treasury department is authorized to mint as many coins as are necessary. No new law is necessary. The government also makes a big profit on all the coins made and sold.

(An AP report given in the Sheboygan (Wisconsin) Press of July 16, 1968, said the government made the following profit from the issuing of the U.S. coins:

- 1960-52 million
- 1965-113 million
- 1966-650 million
- 1967-834 million)

The more profit the government makes on selling coins, the fewer taxes it will have to levy. Also, the fewer Federal Reserve notes that are used, the fewer taxes the government will have to levy for the purpose of paying the interest for the “use” of those Federal Reserve notes.

The coins, as they are now issued, are not bona fide money, but they are the next best thing we have to being bona fide money. So we should use them, because we do not have to borrow them. It is possible that if a large number of coins were used, some government officials might decide to make the coins and issue them in such a manner that they will be bona fide money.

When you use coins to pay your bills, it is not necessary for you to count out the coins as individual coins. When you cash a check for \$100, just ask for \$50 in quarters and \$50 in dimes. The banker will give you five rolls (\$10 in each roll) of quarters and ten (\$5 in each roll) rolls of dimes. When you go to the grocery store to buy \$8 worth of groceries, you may give the clerk a \$10 roll of quarters in place of a \$10 bill. She will give you \$2 in change. If you go to a gasoline station to buy \$4 worth of gasoline, you may give the attendant a \$5 roll of dimes. He will give you the \$1 change. That is the idea we can use when we pay all of our expenses.

The above is what all of us can do, but some of us can do more. Those of us who are producing or selling goods can issue certificates of credit and use them in the same manner that we would use borrowed money. Those of us who hold positions on a governmental body can, if our governmental body is in need of money and is considering borrowing it, advise it not to borrow, but to issue tax credit certificates. These tax credit certificates, if issued as given in Chapters 2 and 10, will serve the same purpose as borrowed money. They will be a bona fide medium of exchange and no interest will have to be paid for their use.

One final thing which all of us can do is to cooperate with those who issue bona fide money, tax credit certificates, and certificates of credit. Use them gladly. Tell others of the advantages of using bona fide media of exchange.

Pocket size book is 4.25 by 7 inches (108 by 178 mm.) closed and is 125 pages.

