

THE MONEY SCAM



≠ Money

“The Lord watches over the strangers [nonresidents]; He relieves the fatherless and widow; But the way of the wicked He turns upside down.”
[Psalm 146:9, Bible, NKJV]

DEDICATION

*"Give me control of a nation's money and I care not who makes the laws."
[Mayer Amschel Rothschild, *The Creature from Jekyll Island*, p. 218]*

*"The money power preys upon the nation in times of peace, and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes. I have two great enemies: the Southern Army in front of me, and the financial institutions in the rear. Of the two, the one in my rear is my greatest foe."
[Abraham Lincoln, 1864]*

*"The division of the United States into two federations of equal force was decided long before the Civil War by the high financial power of Europe. These bankers were afraid that the United States, if they remained in one block and as one nation, would attain economical and financial independence, which would upset their financial domination over the world. The voice of the Rothschilds predominated. They foresaw the tremendous booty if they could substitute two feeble democracies, indebted to the financiers, to the vigorous Republic, confident and self-providing. Therefore they started their emissaries in order to exploit the question of slavery and thus dig an abyss between the two parts of the Republic."
[German Chancellor Otto von Bismarck, 1876]*

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1 *"The idols of the nations are silver and gold,*
2 *The work of men's hands.*
3 *They have mouths, but they do not speak;*
4 *Eyes they have, but they do not see [evil];*
5 *They have ears, but they do not hear [evil];*
6 *Nor is there any breath in their mouths.*
7 *Those who make them are like them;*
8 *So is everyone who trusts in them."*
9 *[Psalm 135:15-18, Bible, NKJV]*

10 *"Getting treasures by a lying tongue is the fleeting fantasy of those who seek death."*
11 *[Prov. 21:6, Bible, NKJV]*

12 *"For the love of money [and even government "benefits", which are payments] is the root of all evil: which*
13 *while some coveted after, they have erred from the faith, and pierced themselves through with many*
14 *sorrows.* *But thou, O man of God, flee these things; and follow after righteousness, godliness, faith, love,*
15 *patience, meekness. Fight the good fight of faith, lay hold on eternal life, whereunto thou art also called, and hast*
16 *professed a good profession before many witnesses."*
17 *[1 Timothy 6:5-12, Bible, NKJV]*

18 **1 Introduction**

19 A subject not often studied by the average American, and especially in public schools, is the subject and history of money.
20 This is an important subject because it touches everyone in society and jurisdiction over creating and regulating its use is the
21 main purpose of government.

22 This memorandum of law will examine the nature, history, and evolution of our money system and it will prove with credible
23 evidence that:

- 24 1. The United States of America republic does not presently have lawful money in circulation.
- 25 2. America has not had lawful money since 1933.
- 26 3. There is no legal definition for what the word "dollar" means as printed on a Federal Reserve Note.
- 27 4. We have three types of currency in place at this time:
 - 28 4.1. Lawful money minted under the authority of the United States of America Money Act, 1 Stat. 246-251. This money
 - 29 is no longer printed or minted.
 - 30 4.2. Gold and silver coins issued by the U.S. Mint that are minted pursuant to 31 U.S.C. §5112. These coins are not
 - 31 lawful money because they are not in compliance with the United States of America Money Act, 1 Stat. 246-251,
 - 32 which has never been repealed.
 - 33 4.3. Private scrip issued by the mint and borrowed from Federal Reserve that has never been approved for "private use"
 - 34 and may only be used internally within the U.S. government under the authority of the Federal Reserve Act.
- 35 5. The fact that America does not have lawful money is the direct result of the following factors:
 - 36 5.1. The United States Government, via the U.S. Mint, refuses to fulfill its constitutional duty to mint money issued
 - 37 under the authority of and in compliance with the United States of America Money Act, 1 Stat. 246-251. This act
 - 38 has never been repealed and therefore MUST be obeyed by the U.S. Congress.
 - 39 5.2. A state of national emergency is in existence and has been in existence since March 9, 1933, when the Emergency
 - 40 Banking Relief Act, 48 Stat. 1, was enacted. The President refuses his constitutional duty to remove this national
 - 41 emergency and return to a lawful money system.
 - 42 5.3. Presidential Proclamation 4074 prevents Federal Reserve Notes from being redeemed in lawful currency (silver
 - 43 coin) as required by 12 U.S.C. §411. This proclamation was issued under the authority of 12 U.S.C. §95b, which
 - 44 unconstitutionally delegates lawmaking powers to the President.
- 45 6. Which of the three monetary systems you wish to use is entirely up to you.

46 **2 Authorities on "deceit in commerce" and "just weights and measures"**

47 This section describes authorities for just weights, measures, and trade from various authoritative sources. The Bible says
48 that the love of money, not money itself, is the root of ALL evil.

49 *"The love of [your] money is the root of all [government] evil."*
50 *[1 Tim. 6:10, Bible, NKJV]*

1 The Bible also concludes that dishonest commerce was the reason that Satan himself was cast out of God's presence. Satan
2 is therefore the root of all evil because he loved money:

3 "By the abundance of your [Satan's] trading [commerce]
4 You became filled with violence within,
5 And you sinned;
6 Therefore I cast you as a profane thing
7 Out of the mountain of God;
8 And I destroyed you, O covering cherub,
9 From the midst of the fiery stones.
10 [Eze. 28:16, Bible, NKJV]

11 Ayn Rand put it best, when she said in her book [Atlas Shrugged](#) about the subject of money, and the [requirement for consent](#),
12 honesty, and integrity by government in any and every endeavor:

13 "[Money is the barometer of a society's virtue](#). When you see that trading [or religious ministry, for that matter]
14 is done, not by consent, but by [government] compulsion [or regulation]--when you see that in order to produce,
15 you need to obtain permission from men [in the [IRS](#)] who produce nothing--when you see that money is flowing
16 to those who deal, not in goods, but in [political] favors--when you see that men get richer by graft and by pull
17 ["[extortion under the color of law](#)"] than by work, and your laws don't protect you against them [the government],
18 but protect them [the government] against you--when you see corruption being rewarded [by a [corrupted federal](#)
19 [judiciary](#)] and honesty [and hard work, and personal responsibility] becoming a self-sacrifice--you may know
20 that your society is doomed! Money is so noble a medium that it does not compete with guns and it does not
21 make terms with brutality. It will not permit a country to survive as half-property, half-loot.

22 "Whenever destroyers [the [IRS](#), the [Federal Reserve](#), and the [Dept of Justice](#)] appear among men, they start by
23 destroying money, for money is men's protection and the base of a moral existence. Destroyers [in the [Federal](#)
24 [Reserve](#)] seize gold and leave to its owners a counterfeit pile of [fiat] paper. This kills all objective standards and
25 delivers men into the arbitrary power of an arbitrary setter of values [a [corrupted government](#), in this case]. Gold
26 was [and continues to be] an objective value, an equivalent of wealth produced. Paper is a mortgage on wealth
27 that does not exist, backed by a gun aimed [by a tyrant judge with a [conflict of interest](#)] at those who are expected
28 to produce it. Paper [Federal Reserve Notes] is a check drawn by legal looters upon an account which is not
29 theirs: upon the virtue of the victims. Watch for the day when it becomes, marked: 'Account overdrawn.'

30 "When you have made evil [government looting through constructive fraud, obfuscation and complication of the
31 tax laws, and through socialist/humanist tax system [that rewards and subsidizes laziness, irresponsibility, and](#)
32 [government dependency and punishes and taxes success](#)] the means of survival, do not expect men to remain
33 good. Do not expect them to stay moral and lose their lives for the purpose of becoming the fodder of the immoral
34 [government parasites]. Do not expect them to produce, when production is punished and [government] looting
35 rewarded. Do not ask, 'Who is destroying the world?' You are [by doing NOTHING to correct the corruption or
36 by accepting ANY of the stolen loot in the form of a government handout/bribe]."
37 [[Atlas Shrugged](#), Ayn Rand, p. 387]

38 By making the above statement, Ms. Rand is emphasizing that there is no more important area where government honesty
39 and integrity is necessary than in the way government handles money and [commerce](#). A government that mishandles or
40 covets money and steals it is a bad government that is intent on destroying, not protecting the society that it is constitutionally
41 tasked with protecting.

42 "The king [or public servant] establishes the land by [justice](#); but he who receives bribes [or stolen LOOT]
43 overthrows it."
44 [[Prov. 29:4](#), Bible, NKJV]

45 "Getting treasures [stolen loot] by a lying tongue
46 Is the fleeting fantasy of those who seek death.
47 The violence of the wicked will destroy them,
48 Because they refuse to do justice."
49 [[Prov. 21:6-7](#), Bible, NKJV]

50 **God says in the Bible that deceit in commerce, and by implication taxation as well, is a hateful abomination to the**
51 **Lord.** What God hates, we are also supposed to hate as Christians, and notice the thing that is being hated is not a person,
52 but an evil and unlawful behavior that violates [God's laws](#) and/or [man's laws](#). Below is an explanation of precisely why God
53 hates deceit in commerce so vehemently and why ultimately, those who openly and willfully practice it are going to HELL,
54 based on commentary relating to the [Prov. 11:1](#), [10:10](#), [20:23](#) found in the Bible:

1 "As religion towards God is a branch of universal righteousness (he is not an honest man that is not devout), so
2 **righteousness towards men is a branch of true religion, for he is not a godly man that is not honest**, nor can he
3 expect that his devotion should be accepted; for,

4 **1. Nothing is more offensive to God than deceit in commerce. A false balance is here put for all manner of**
5 **unjust and fraudulent practices [of our public dis-servants] in dealing with any person [within the public],**
6 **which are all an abomination to the Lord, and render those abominable [hated] to him that allow themselves**
7 **in the use of such accursed arts of thriving. It is an affront to justice, which God is the patron of, as well as a**
8 **wrong to our neighbour, whom God is the protector of. Men [in the IRS and the Congress] make light of such**
9 **frauds, and think there is no sin in that which there is money to be got by, and, while it passes undiscovered,**
10 **they cannot blame themselves for it; a blot is no blot till it is hit, Hos. 12:7, 8. But they are not the less an**
11 **abomination to God, who will be the avenger of those that are defrauded by their brethren.**

12 **2. Nothing is more pleasing to God than fair and honest dealing, nor more necessary to make us and our**
13 **devotions acceptable to him: A just weight is his delight.** He himself goes by a just weight, and holds the scale
14 of judgment with an even hand, and therefore is pleased with those that are herein followers of him.

15 **A [false] balance, [whether it be in the federal courtroom or at the IRS or in the marketplace,] cheats, under**
16 **pretence of doing right most exactly, and therefore is the greater abomination to God.'**
17 **[Matthew Henry's Commentary on the Whole Bible; Henry, M., 1996, c1991, under Prov. 11:1]**

18 Daniel Webster, an early statesman of America, also had the following to say about a monetary system that is not based on
19 substance, when he said:

20 *It would be to our everlasting reproach, it would be placing us below the general level of the intelligence of*
21 *civilized states, to admit that we cannot contrive means to enjoy the benefits of bank circulation, and of avoiding,*
22 *at the same time, its dangers. Indeed, Sir, no contrivance is necessary. It is contrivance and the love of*
23 *contrivance, that spoil all. We are destroying ourselves by a remedy which no evil called for. We are ruining*
24 *perfect health by nostrums and quackery. We have lived hitherto under a well constructed, practical, and*
25 *beneficial system; a system not surpassed by any in the world; and it seems to me to be presuming largely indeed,*
26 *on the credulity and self denial of the people, to rush with such sudden and impetuous haste into new schemes*
27 *and new theories, to overturn and annihilate all that we have so long found useful.*

28 *Our system has hitherto been one in which paper has been circulating on the strength of a specie basis; that is to*
29 *say, when every bank-note was convertible into specie at the will of the holder. This has been our guard against*
30 *excess. While banks are bound to redeem their bills by paying gold and silver on demand, and are at all times*
31 *able to do this, the currency is safe and convenient. Such a currency is not paper money, in its odious sense. It is*
32 *not like the Continental paper of Revolutionary times; it is not like the worthless bills of banks which have*
33 *suspended specie payments. On the contrary, it is the representative of gold and silver, and convertible into gold*
34 *and silver on demand, and therefore answers the purposes of gold and silver; and so long as its credit is in this*
35 *way sustained, it is the cheapest, the best, and the most convenient circulating medium. **I have already endeavored***
36 **to warn the country against irredeemable paper; against the paper of banks which do not pay specie for their**
37 **own notes; against that miserable, abominable, and fraudulent policy, which attempts to give value to any**
38 **paper, of any bank, one single moment longer than such paper is redeemable on demand in gold and silver. I**
39 **wish most solemnly and earnestly to repeat that warning.** *I see danger of that state of things ahead. I see*
40 *imminent danger that a portion of the State banks will stop specie payments. The late measure of the Secretary,*
41 *and the infatuation with which it seems to be supported, tend directly and strongly to that result. Under pretence,*
42 *then, of a design to return to a currency which shall be all specie, we are likely to have a currency in which there*
43 *shall be no specie at all. We are in danger of being overwhelmed with irredeemable paper, mere paper,*
44 *representing not gold nor silver; no, Sir, representing nothing but broken promises, bad faith, bankrupt*
45 *corporations, cheated creditors, and ruined people. This, I fear, Sir, may be the consequence, already alarmingly*
46 *near, of this attempt, unwise if it be real, and grossly fraudulent if it be only pretended, of establishing an*
47 *exclusively hard-money currency.*

48 *But, Sir, if this shock could be avoided, and if we could reach the object of an exclusive metallic circulation, we*
49 *should find in that very success serious and insurmountable inconveniences. We require neither irredeemable*
50 *paper, nor yet exclusively hard money. We require a mixed system. We require specie, and we require, too, good*
51 *bank paper, founded on specie, representing specie, and convertible into specie on demand. We require, in short,*
52 *just such a currency as we have long enjoyed, and the advantages of which we seem now, with unaccountable*
53 *rashness, about to throw away.*

54 *[A Redeemable Paper Currency, Speech by Daniel Webster, Feb. 22, 1834;*

55 *SOURCE: [http://famguardian.org/Subjects/MoneyBanking/Money/ARedeemablePaperCurrency-18340222-](http://famguardian.org/Subjects/MoneyBanking/Money/ARedeemablePaperCurrency-18340222-DanielWebster.pdf)*
56 *[DanielWebster.pdf](http://famguardian.org/Subjects/MoneyBanking/Money/ARedeemablePaperCurrency-18340222-DanielWebster.pdf)]*

57 **3 What is "Money"?**

58 The legal definition of money found in Black's Law Dictionary reads as follows:

The Money Scam

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1 *Money. In usual and ordinary acceptance it means coins and paper currency used as circulating medium*

2 *of exchange, and **does not embrace notes, bonds, evidences of debt, or other personal or real estate.** Lane v.*
3 *Railey, 280 Ky. 319, 133 S.W.2d. 74, 79, 81. See also Currency; Current money; Flat money; Legal tender; Near*
4 *money; Scrip; Wampum.*

5 *A medium of exchange authorized or adopted by a domestic or foreign government as a part of its currency.*
6 *U.C.C. 1-201(24).*

7 *Public money. Revenue received from federal, state, and local governments from taxes, fees, fines, etc. See*
8 *Revenue.*
9 *[Black's Law Dictionary, Fifth Edition, pp. 906-907, 1979, ISBN 0-8299-2045-5]*

10 Money is defined in the United States Constitution as follows:

11 *United States Constitution*
12 *Article 1, Section 10, Clause 1*

13 ***No State shall** enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin*
14 *Money; emit Bills of Credit; make any Thing but gold and silver Coin as Tender in Payment of Debts; **pass any***
15 *Bill of Attainder, ex post facto Law, **Law impairing the Obligation of Contracts,** or grant any Title of Nobility."*

16 The power of Congress to coin money is found in Article 1, Section 8, Clause 5 of the U.S. Constitution:

17 *U.S. Constitution*
18 *Article 1, Section 8, Clause 5*

19 *The Congress shall have Power To . . .*

20 *To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures*

21 The first definition of money appeared in the United States of America Money Act, April 2, 1792, 1 Stat. 246.

22 The current authority for the U.S. mint to produce coins is found in 31 U.S.C. §5112.

23 The most complete and authoritative study of constitutional money ever published is found in the following document:

24 *Pieces of Eight*, Second Revision, Edwin Vieira; ISBN-10-0967175917, 2002
<http://www.edwinvieira.com/>

25 **4 Money as debt**

26 The Constitution authorizes Congress to borrow money:

27 *United States Constitution*
28 *Article 1, Section 8, Clause 2*

29 *The Congress shall have Power. . .*

30 *To borrow Money on the credit of the United States;*

31 The U.S. Supreme Court confirmed in the Legal Tender Cases that obligations of the United States may also become "money", when it held the following. You can read this case later in section 17.9:

32 *Congress, as the legislature of a sovereign nation, being expressly empowered by the constitution 'to lay and*
33 *collect taxes, to pay the debts and provide for the common defense and general welfare of the United States,' and*
34 *'to borrow money on the credit of the United States,' and 'to coin money and regulate the value thereof and of*
35 *foreign coin;'* and being clearly authorized, as incidental to the exercise of those great powers, to emit bills of
36 *credit to charter national banks, and *450 to provide a national currency for the whole people, in the form of*
37 *coin, treasury notes, and national bank bills; and **the power to make the notes of the government a legal tender***
38 ***in payment of private debts being one of the powers belonging to sovereignty in other civilized nations, and not***
39 ***expressly withheld from congress by the constitution; we are irresistibly impelled to the conclusion that the***

1 impressing upon the treasury notes of the United States the quality of being a legal tender in payment of private
2 debts is an appropriate means, conducive and plainly adapted to the execution of the undoubted powers of
3 Congress, consistent with the letter and spirit of the constitution, and therefore within the meaning of that
4 instrument, 'necessary and proper for carrying into execution the powers vested by this constitution in the
5 government of the United States.'

6 [Legal Tender Cases, 110 U.S. 421, 449-450 (1884); SOURCE Section 17.9 later]

7 The trouble with our present debt-based currency system is that when the U.S. government issues obligations such as Federal
8 Reserve Notes, these notes become “money” and the government is no longer operating in a “public”, but rather a “private”
9 capacity. This was confirmed by the U.S. Supreme Court when it said:

10 "What, then, is meant by the doctrine that contracts are made with reference to the taxing power resident in the
11 State, and in subordination to it? Is it meant that when a person lends money to a State, or to a municipal division
12 of the State having the power of taxation, there is in the contract a tacit reservation of a right in the debtor to
13 raise contributions out of the money promised to be paid before payment? **That cannot be, because if it could,**
14 **the contract (in the language of Alexander Hamilton) would 'involve two contradictory things: an obligation**
15 **to do, and a right not to do; an obligation to pay a certain sum, and a right to retain it in the shape of a tax. It**
16 **is against the rules, both of law and of reason, to admit by implication in the construction of a contract a**

17 **principle which goes in destruction of it.' The truth is, States and cities,**
18 **when they borrow money and contract to repay it**
19 **with interest, are not acting as sovereignties.** They come
20 down to the level of ordinary individuals. Their contracts have the same meaning as that of similar contracts
21 between private persons. Hence, instead of there being in the undertaking of a State or city to pay, a reservation
22 of a sovereign right to withhold payment, the contract should be regarded as an assurance that such a right
23 will not be exercised. A promise to pay, **with a reserved right to deny or change**
24 **the effect of the promise, is an absurdity."**

25 Is, then, property, which consists in the promise of a State, or of a municipality of a State, beyond the reach of
26 taxation? We do not affirm that it is. A State may undoubtedly tax any of its creditors within its jurisdiction for
27 the debt due to him, and regulate the amount of the tax by the rate of interest the debt bears, if its promise be left
28 unchanged. A tax thus laid impairs no obligation assumed. It leaves the contract untouched. But until payment of
29 the debt or interest has been made, as stipulated, we think no act of State sovereignty can work an exoneration
30 from what has been promised to the [446] creditor; namely, payment to him, without a violation of the
31 Constitution. 'The true rule of every case of property founded on contract with the government is this: It must
32 first be reduced into possession, and then it will become subject, in common with other similar property, to the
33 right of the government to raise contributions upon it. It may be said that the government may fulfil this
34 principle by paying the interest with one hand, and taking back the amount of the tax with the other. But to
35 this the answer is, that, to comply truly with the rule, the tax must be upon all the money of the community,
36 not upon the particular portion of it which is paid to the public creditors, and it ought besides to be so regulated
37 as not to include a lien of the tax upon the fund. The creditor should be no otherwise acted upon than as every
38 other possessor of money; and, consequently, the money he receives from the public **can then only**
39 **be a fit subject of taxation when it is entirely separated' (from the**
40 **contract), 'and thrown undistinguished into the common mass.'** 3
41 Hamilton, Works, 514 et seq. Thus only can contracts with the State be allowed to have the same meaning as
42 all other similar contracts have.

43 [Murray v. City of Charleston, 96 U.S. 432 (1877)]

44 By simply printing more Federal Reserve Notes, then, the government is effectively borrowing from those people who hold
45 money already in circulation by increasing the supply of money and diluting the corresponding value of existing money. In
46 other words, when the U.S. Government prints more and more money, as it must do as it keeps borrowing more and more
47 money from the privately owned Federal Reserve Banks, it essentially is debasing the currency that is in circulation by
48 inflating the money supply. The U.S. Government steals the wealth of the American People by creating inflation so that in
49 real terms, money in circulation today, is worth less (it buys less) than the same amount of money in circulation ten years
50 ago.

51 In that sense, there is at least an implied contract to repay those it has borrowed value against, which means that in relation
52 to all those holding “cash” at the time that the supply of money was increased by issuing more, then the government is acting
53 in a private and not public capacity and a mere private creditor with a fiduciary duty to repay the money. Here are some
54 court opinions on this subject, in fact:

1 “A claim against the United States is a right to demand money from the United States.¹ Such claims are sometimes
2 spoken of as gratuitous in that they cannot be enforced by suit without statutory consent.² **The general rule of**
3 **non-liability of the United States does not mean that a citizen cannot be protected against the wrongful**
4 **governmental acts that affect the citizen or his or her property.**³ **If, for example, money or property of an**
5 **innocent person goes into the federal treasury by fraud to which a government agent was a party, the United**
6 **States cannot [lawfully] hold the money or property against the claim of the injured party.**⁴”
7 [*American Jurisprudence 2d, United States, §45 (1999)*]

8
9
10 “When the Government has illegally received money which is the property of an innocent citizen and when this
11 money has gone into the Treasury of the United States, there arises an implied contract on the part of the
12 Government to make restitution to the rightful owner under the Tucker Act and this court has jurisdiction to
13 entertain the suit.
14 [90 Ct.Cl. at 613, 31 F.Supp. at 769.](#)”
15 [*Gordon v. U. S., 227 Ct.Cl. 328, 649 F.2d. 837 (Ct.Cl., 1981)*]

16 California Civil Code
17 Section 2224

18 “One who gains a thing by fraud, accident, mistake, undue influence, the violation of a trust, or other wrongful
19 act, is, unless he or she has some other and better right thereto, an involuntary trustee of the thing gained, for the
20 benefit of the person who would otherwise have had it.”

21
22 “***The United States, we have held, cannot, as against the claim of an innocent party, hold his money which has***
23 ***gone into its treasury by means of the fraud of its agent. While here the money was taken through mistake***
24 ***without element of fraud, the unjust retention is immoral and amounts in law to a fraud of the taxpayer's rights.***
25 ***What was said in the State Bank Case applies with equal force to this situation. ‘An action will lie whenever***
26 ***the defendant has received money which is the property of the plaintiff, and which the defendant is obligated***
27 ***by natural justice and equity to refund. The form of the indebtedness or the mode in which it was incurred is***
28 ***immaterial.***“
29 [*Bull v. United States, 295 U.S. 247, 261, 55 S.Ct. 695, 700, 79 L.Ed. 1421*]

30 The Legal Tender Cases holding earlier occurred at a time when promissory notes issued by the government that were the
31 subject of the case were still redeemable in gold or silver. Redeemability ended officially by Executive fiat in 1971 through
32 President Nixon’s Presidential Proclamation 4074. Since the enactment of the Federal Reserve Act in 1913, the U.S. Supreme
33 Court has very deliberately and systematically never since ruled on or heard any cases that would address any of the following
34 important questions. We allege that if the Supreme Court had accepted their Constitutional duty to address the following
35 questions since the Federal Reserve Act was enacted in 1913, the Federal Reserve would have been declared unconstitutional
36 long ago:

- 37 1. In what way does an end to redeemability of obligations of the United States in gold and silver change the holding in the
38 Legal Tender Cases, 110 U.S. 421, 449-450 (1884)? Redeemability ended by Executive Fiat with Presidential
39 Proclamation 4074 in 1971. A contrived and continuing state of national emergency is the only justification for the
40 Presidential Proclamation and the stoppage of redeemability. The nature of that emergency is described later in section
41 6.7.
42 2. How can a state of contrived national emergency lawfully be maintained as a justification to suspend redeemability? The
43 U.S. Supreme Court has ruled previously that NO NATIONAL EMERGENCY justifies a suspension of the Constitution.

¹ United States ex rel. Angarica v. Bayard, 127 U.S. 251, 32 L.Ed. 159, 8 S.Ct. 1156, 4 A.F.T.R. 4628 (holding that a claim against the Secretary of State for money awarded under a treaty is a claim against the United States); Hobbs v. McLean, 117 U.S. 567, 29 L.Ed. 940, 6 S.Ct. 870; Manning v. Leighton, 65 Vt. 84, 26 A. 258, motion dismd 66 Vt. 56, 28 A. 630 and (disapproved on other grounds by Button’s Estate v. Anderson, 112 Vt. 531, 28 A.2d. 404, 143 A.L.R. 195).

² Blagge v. Balch, 162 U.S. 439, 40 L.Ed. 1032, 16 S.Ct. 853.

³ Wilson v. Shaw, 204 U.S. 24, 51 L.Ed. 351, 27 S.Ct. 233.

⁴ Bull v. United States, 295 U.S. 247, 79 L.Ed. 1421, 55 S.Ct. 695, 35-1 U.S.T.C. ¶ 9346, 15 A.F.T.R. 1069; United States v. State Bank, 96 U.S. 30, 96 Otto 30, 24 L.Ed. 647.

1 Emergency does not create power. Emergency does not increase granted power or remove or diminish the
2 restrictions imposed upon power granted or reserved. The Constitution was adopted in a period of grave
3 emergency. Its grants of power to the federal government and its limitations of the power of the States were
4 determined in the light of emergency, and they are not altered by emergency. What power was thus granted and
5 what limitations were thus imposed are questions [290 U.S. 398, 426] which have always been, and always will
6 be, the subject of close examination under our constitutional system.

7 While emergency does not create power, emergency may furnish the occasion for the exercise of power. 'Although
8 an emergency may not call into life a power which has never lived, nevertheless emergency may afford a reason
9 for the exertion of a living power already enjoyed.' Wilson v. New, [243 U.S. 332, 348](#), 37 S.Ct. 298, 302, L.R.A.
10 1917E, 938, Ann.Cas. 1918A, 1024.
11 [Home Bldg. & Loan Ass'n v. Blaisdell, [290 U.S. 398](#) (1934)]

- 12 3. Can Congress lawfully substitute its power to mint money under Constitution Article 1, Section 8, Clause 5 with its
13 power to borrow money in Article 1, Section 8, Clause 2? We allege that they can't, nor can they lawfully end or delegate
14 an end to redeemability under 12 U.S.C. §95b without engaging in abuse of their authority over money to effect THEFT
15 on a grand scale.
- 16 4. Can Congress lawfully delegate its exclusive authority to mint money under Constitution Article 1, Section 8, Clause 5
17 to a private, for profit consortium of banks as it did with the Federal Reserve Act in 1913? If they can't, why isn't the
18 Federal Reserve declared by the U.S. Supreme Court to be unconstitutional?
- 19 5. Because Federal Reserve Notes are obligations/debt of the United States, is the government operating in a *private* rather
20 than *public* capacity towards all those who are adversely affected when these notes were printed without any backing?
21 Is there an implied waiver of sovereign immunity by the government towards all those who are adversely affected?

22 “A claim against the United States is a right to demand money from the United States.⁵ Such claims are sometimes
23 spoken of as gratuitous in that they cannot be enforced by suit without statutory consent.⁶ **The general rule of**
24 **non-liability of the United States does not mean that a citizen cannot be protected against the wrongful**
25 **governmental acts that affect the citizen or his or her property.**⁷ **If, for example, money or property of an**
26 **innocent person goes into the federal treasury by fraud to which a government agent was a party, the United**
27 **States cannot [lawfully] hold the money or property against the claim of the injured party.**⁸”
28 [American Jurisprudence 2d, United States, §45 (1999)]

30 “When the Government has illegally received money which is the property of an innocent citizen and when this
31 money has gone into the Treasury of the United States, there arises an implied contract on the part of the
32 Government to make restitution to the rightful owner under the Tucker Act and this court has jurisdiction to
33 entertain the suit.
34 [90 Ct.Cl. at 613, 31 F.Supp. at 769.](#)”
35 [[Gordon v. U. S., 227 Ct.Cl. 328, 649 F.2d. 837 \(Ct.Cl., 1981\)](#)]

37 California Civil Code
38 Section 2224

39 “One who gains a thing by fraud, accident, mistake, undue influence, the violation of a trust, or other wrongful
40 act, is, unless he or she has some other and better right thereto, an involuntary trustee of the thing gained, for the
41 benefit of the person who would otherwise have had it.”

43 ***“The United States, we have held, cannot, as against the claim of an innocent party, hold his money which has***
44 ***gone into its treasury by means of the fraud of its agent. While here the money was taken through mistake***
45 ***without element of fraud, the unjust retention is immoral and amounts in law to a fraud of the taxpayer's rights.***
46 ***What was said in the State Bank Case applies with equal force to this situation. ‘An action will lie whenever***
47 ***the defendant has received money which is the property of the plaintiff, and which the defendant is obligated***

⁵ United States ex rel. Angarica v. Bayard, 127 U.S. 251, 32 L.Ed. 159, 8 S.Ct. 1156, 4 A.F.T.R. 4628 (holding that a claim against the Secretary of State for money awarded under a treaty is a claim against the United States); Hobbs v. McLean, 117 U.S. 567, 29 L.Ed. 940, 6 S.Ct. 870; Manning v. Leighton, 65 Vt. 84, 26 A 258, motion dismd 66 Vt. 56, 28 A. 630 and (disapproved on other grounds by Button's Estate v. Anderson, 112 Vt. 531, 28 A.2d. 404, 143 A.L.R. 195).

⁶ Blagge v. Balch, 162 U.S. 439, 40 L.Ed. 1032, 16 S.Ct. 853.

⁷ Wilson v. Shaw, 204 U.S. 24, 51 L.Ed. 351, 27 S.Ct. 233.

⁸ Bull v. United States, 295 U.S. 247, 79 L.Ed. 1421, 55 S.Ct. 695, 35-1 U.S.T.C. ¶ 9346, 15 A.F.T.R. 1069; United States v. State Bank, 96 U.S. 30, 96 Otto 30, 24 L.Ed. 647.

1 *by natural justice and equity to refund. The form of the indebtedness or the mode in which it was incurred is*
2 *immaterial.*“

3 [*Bull v. United States, 295 U.S. 247, 261, 55 S.Ct. 695, 700, 79 L.Ed. 1421*]

4 6. Which of the following describes newly issued obligations of the U.S. such as Federal Reserve Notes that are not
5 redeemable in anything of substance?

6 6.1. A “tax”?

7 6.2. Theft?

8 As more notes are produced, the real, inflation-adjusted value of existing notes is decreased, thereby facilitating either
9 TAXATION or THEFT from those who already hold Federal Reserve Notes. The only one who benefits by printing
10 more money and causing inflation, is the U.S. Government because their fixed debt obligations are repaid with Federal
11 reserve Notes whose purchasing power is less than when the currency-debt obligations were issued.

12 A number of documentaries and books have been written about the scandal created by the willful and treasonous refusal of
13 federal courts to address the above questions and all the evil consequences that result. Below is a sampling of a few that we
14 have found so far:

15 1. *Debt Virus*, Jacques Jaikaran, 1992, Library of Congress #91-70030. Excellent. This book caused such a stir that the
16 government went after the author and now he is in jail on trumped up charges.

17 http://www.amazon.com/exec/obidos/ASIN/0944435351/qid=1025446637/sr=8-1/ref=sr_8_1/103-6377460-6400628

18 2. *Web of Debt*, Ellen Hodgson Brown.

19 <http://www.webofdebt.com/>

20 3. *Money Masters Video Documentary*, Form #11.511, Bill Stills. Video documentary on the Federal Reserve and
21 corruption of our money system.

22 <http://www.themoneymasters.com/>

23 4. *The Creature from Jekyll Island, Form #11.508, G. Edward Griffin*. Documentary about the history of the formation
24 of the Federal Reserve.

25 <http://realityzone.stores.yahoo.net/>

26 5. *Secrets of the Federal Reserve*, Form #11.510, Eustace Mullins, 1991. Free book about the Federal Reserve.

27 <http://famguardian.org/PublishedAuthors/Indiv/MullinsEustice/SecretsOfFedReserve/TOC.htm>

28 The purpose of having a substance backed currency redeemable in specie (substance) is to regulate and limit the quantity of
29 government debt to ensure a stable, closed system of spending and taxing. Here is the way one monetary expert describes it:

30 “...Gold has the same role to play in the monetary system as the fly-wheel regulator does in an engine, the brake
31 does in a train, and circuit-breakers do in an electrical network. Gold is the regulator of the quantity of debt in
32 the economy that can be safely created and carried. It is also safeguarding quality by rejecting toxic debt before
33 it can start metastasis. Debt-based currency utterly lacks safeguards limiting quantity and vouching for quality
34 of debt. Debt-based currency is an invitation to disaster, that of the toppling of the Tower of Babel. Its effects are
35 far from being instantaneous. There is a threshold and there is a critical mass involved. We have long since
36 crossed that threshold and passed that critical mass. By no rational calculus can the outstanding debt be expected
37 to be repaid without inflationary or deflationary adventures, even if further increase were stopped dead in its
38 track. The discussion of the present financial crisis by academia and media avoids all reference to this fact. Under
39 the gold standard a fast-breeder of debt was unthinkable, and debt was retired in an orderly manner.”

40 [*“The Gold Standard Strikes Back.....With A 36-Year Lag”, Professor Antal Fekete essay*]

41 The redeemability of money in substance was officially ended in 1971. Using Professor Fekete’s metaphors, with the
42 regulator of debt now disabled, the brakes discarded, and the circuit breakers removed, it is now understandable, as the last
43 and final act of our financial drama plays out, why we now find ourselves buried beneath unbearable and unpayable quantities
44 of toxic debt.

45 Removing gold from the international monetary system in 1971 allowed the U.S. to then begin issuing U.S. dollars in
46 increasingly excessive amounts as the U.S. was no longer constrained by gold to maintain any semblance of fiscal restraint
47 or discipline.

48 While consequences may be delayed they cannot be avoided. It’s been 38 years since the U.S. removed gold and silver from
49 the international monetary system. As a consequence, the debt-based system now implemented world-wide is beginning to
50 collapse. Someday, it will collapse completely.

1 The current economic crisis is now moving quickly towards resolution. How and when it will end is as uncertain as that it
2 will. Systemic death is never easy and the banker's paper money, like the fatal virus it is, is now everywhere. Its end will
3 not be easy.

4 Severe climate change, food shortages, and the possibility of a pandemic are taking their place beside the ever-present
5 possibility of military conflict. The collapse of the financial system will not be the only crisis that confronts humanity in the
6 near future. Don't be left holding worthless paper when the music stops at the cake walk! Don't be like the seven foolish
7 virgins spoken of in Matt. 25:1-13 (of the Bible) who had no oil for their lamp when the bridegroom called. The oil spoken
8 of in that parable is GOLD.

9 **5 How Banks Create Money**

10 It is well recognized by banking textbooks and experts that banks engage in a practice known as "deposit creation," which in
11 essence is simply the creation of credit by bookkeeping entry. As the Federal Reserve Bank of Chicago has so aptly stated in
12 its publication, [Modern Money Mechanics, Form #11.509](#):

13 *"The actual process of money creation takes place in the banks. As noted earlier, checkable liabilities of banks
14 are money. These liabilities are customers' accounts. They increase when the customers deposit currency and
15 checks and when the proceeds of loans made by the banks are credited to borrowers' accounts.*

16 *"In the absence of legal reserve requirements, banks can build up deposits by increasing loans and investments
17 so long as they keep enough currency on hand to redeem whatever amounts the holders of deposits want to convert
18 into currency."*

19 [[Modern Money Mechanics, Form #11.509, Federal Reserve Bank of Chicago](#);

20 SOURCE: <http://fanguardian.org/Subjects/MoneyBanking/Money/ModernMoneyMechanics/mmm2.htm>]

21 Thus, banks simply extend credit when loans are made. The "currency" for which these and all others loans in America can
22 be redeemed is known as the Federal Reserve Note ("FRN").

23 The creation of money within banks is regulated by the Federal Reserve Board. See:

Federal Reserve Website

<http://www.federalreserve.gov/>

24 All banks which participate in the Federal Reserve System are called "national banks". Title 12 of the U.S. Code regulates
25 the activities of all national banks. The following provisions make these national banks into "agents of the U.S. government":

26 [TITLE 12 > CHAPTER 2 > SUBCHAPTER IV > § 90](#)

27 [§ 90. Depositaries of public moneys and financial agents of Government](#)

28 **All national banking associations, designated for that purpose by the Secretary of the Treasury, shall be**
29 **depositaries of public money, under such regulations as may be prescribed by the Secretary; and they may also**
30 **be employed as financial agents of the Government; and they shall perform all such reasonable duties, as**
31 **depositaries of public money and financial agents of the Government, as may be required of them.** The
32 Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the
33 deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money
34 deposited with them, and for the faithful performance of their duties as financial agents of the Government:
35 Provided, That the Secretary shall, on or before the 1st of January of each year, make a public statement of the
36 securities required during that year for such deposits. And every association so designated as receiver or
37 depositary of the public money shall take and receive at par all of the national currency bills, by whatever
38 association issued, which have been paid into the Government for internal revenue, or for loans or stocks:
39 Provided, That the Secretary of the Treasury shall distribute the deposits herein provided for, as far as
40 practicable, equitably between the different States and sections.

41 Any national banking association may, upon the deposit with it of any funds by any State or political subdivision
42 thereof or any agency or other governmental instrumentality of one or more States or political subdivisions
43 thereof, including any officer, employee, or agent thereof in his official capacity, give security for the safekeeping
44 and prompt payment of the funds so deposited to the same extent and of the same kind as is authorized by the law
45 of the State in which such association is located in the case of other banking institutions in the State.

46 Any national banking association may, upon the deposit with it of any funds by any federally recognized Indian
47 tribe, or any officer, employee, or agent thereof in his or her official capacity, give security for the safekeeping

1 and prompt payment of the funds so deposited by the deposit of United States bonds and otherwise as may be
2 prescribed by the Secretary of the Treasury for public funds under the first paragraph of this section.

3 Notwithstanding the Federal Property and Administrative Services Act of 1949, as amended, the Secretary may
4 select associations as financial agents in accordance with any process the Secretary deems appropriate and their
5 reasonable duties may include the provision of electronic benefit transfer services (including State-administered
6 benefits with the consent of the States), as defined by the Secretary.

7 Even among banks that are not "national banks", those which accept FDIC insurance also become agents of the U.S.
8 government. See 31 C.F.R. §202.2.

9 [Code of Federal Regulations]
10 [Title 31, Volume 2]
11 [Revised as of July 1, 2006]

12 TITLE 31--MONEY AND FINANCE: TREASURY
13 CHAPTER II--FISCAL SERVICE, DEPARTMENT OF THE TREASURY
14 PART 202 DEPOSITARIES AND FINANCIAL AGENTS OF THE FEDERAL GOVERNMENT \I\
15 --Table of Contents
16 Sec. 202.2 Designations.

17 (a) Financial institutions of the following classes **are designated as Depositories and Financial Agents of the**
18 **Government** if they meet the eligibility requirements stated in paragraph (b) of this section:

19 (1) Financial institutions insured by the Federal Deposit Insurance Corporation.

20 (2) Credit unions insured by the National Credit Union Administration.

21 (3) Banks, savings banks, savings and loan, building and loan, and homestead associations, credit unions
22 created under the laws of any State, the deposits or accounts of which are insured by a State or agency thereof
23 or by a corporation chartered by a State for the sole purpose of insuring deposits or accounts of such financial
24 institutions, United States branches of foreign banking corporations authorized by the State in which they are
25 located to transact commercial banking business, and Federal branches of foreign banking corporations, the
26 establishment of which has been approved by the Comptroller of the Currency.

27 (b) In order to be eligible for designation, a financial institution is required to possess, under its charter and
28 the regulations issued by its chartering authority, either general or specific authority to perform the services
29 outlined in Sec. 202.3(b). A financial institution is required also to possess the authority to pledge collateral to
30 secure public funds.

31 [44 F.R. 53066, Sept. 11, 1979, as amended at 46 F.R. 28152, May 26, 1981; 62 F.R. 45521, Aug. 27, 1997]

32 Those who deposit money in national banks, when they sign the signature card, become agents of the bank and indirectly also
33 become agents of the government.

34 The reserves held by Federal Reserve Banks have been described by the government in its work titled [A Primer on Money,](#)
35 [Form #11.501](#) to be "backed" by nothing:

36 "Today, the American people use coins, currency (paper money), and commercial bank demand deposits
37 (checkbook money)." *Id.*, at 17.

38 "The private commercial banks issue 'checkbook money.' * * *

39 "Imagine there is only one bank in the country and that it has two private depositors, each with \$50 in his checking
40 account. Total bank demand deposits would then be \$100. Suppose John Jones asked for a \$50 loan from the
41 bank, and the bank approved the loan. The bank would then lend the money to Mr. Jones by simply opening a
42 checking account for him and depositing \$50 in it. This is what ordinarily happens when anyone-- business or
43 private individual-- borrows from a bank. The bank deposits the amount of the loan in the relevant checking
44 account.

45 "In making the loan to Mr. Jones, the bank did not reduce anyone's previous bank balance. It simply credited the
46 Jones account with \$50. The total amount held in bank demand deposits now becomes \$150. The bank has,
47 therefore, issued \$50 in 'checkbook money.'

1 "The natural question to ask is, Where does the bank get the additional \$50 to issue and lend to Mr. Jones? The
2 answer, as will become clear in the next chapter, is that the bank did not 'get' the money at all. Money has been
3 created," *Id.* at 19-20.

4 "All money used in this country and in most countries of the world is of two types. One is 'printing press money,'
5 which is money printed by the Government. The other type of money in use is 'pen-and-ink money.' Pen-and-ink
6 money is created by the private commercial banks each time a bank makes a loan, buys a U.S. Government
7 security, or buys any other asset. Printing press money is engraved on special paper and with special inks; and
8 it costs about eight one-thousandths of 1 cent per bill, whether a \$1 bill or a \$10,000 bill. Pen-and-ink money is
9 created by a private banker simply by making ink marks on the books of the bank. However, in recent years many
10 of the banks have installed electronic office machines which make the entries in the banks' books; so someday
11 we may come to refer to bank-created money as 'office machine money' or perhaps 'Univac money,'" *Id.*, at 48-49.

12 "In the first place, one of the major functions of the private commercial banks is to create money. A large portion
13 of bank profits come from the fact that the banks do create money. And, as we have pointed out, banks create
14 money without cost to themselves, in the process of lending or investing in securities such as Government bonds.
15 Bank profits come from interest on the money lent and invested, while the cost of creating money is negligible.
16 (Banks do incur costs, of course, from bookkeeping to loan officers' salaries.) The power to create money has
17 been delegated, or loaned, by Congress to the private banks for their free use. There is no charge," *Id.*, at 89.

18 "Since I had also seen reports that the member banks of the Federal Reserve System had a certain number of
19 millions of dollars in 'cash reserves' on deposit with the Federal Reserve bank, I then asked if I might be allowed
20 to see these cash reserves. This time my question was met with some looks of surprise; the bank officials then
21 patiently explained to me that there were no cash reserves. The cash, in truth, does not exist and never has existed.
22 What are called cash reserves are simply bookkeeping credits entered into the ledgers of the Federal Reserve
23 banks. These credits are first created by the Federal Reserve and then passed along through the banking system.

24 "On another occasion, in the spring of 1960, I paid a visit to the Federal Reserve Bank of Richmond, along with
25 several other Members of Congress, and in the course of the visit asked the President of that bank if I could see
26 the cash reserves which the member banks had on deposit with that bank. Here the answer was in substance the
27 same. There is no cash in the so-called cash reserves. In other words, the cash making up the banks' 'cash reserves'
28 with the Federal Reserve bank is just a myth," *Id.*, at 38.

29 *[A Primer on Money, Form #11.501, U.S. Government Printing Office, 1964;*
30 *SOURCE: <http://famguardian.org/Subjects/MoneyBanking/Money/patman-primer-on-money.pdf>]*

31 Mr. Russell Munk, an official employed at the United States Treasury Department, has declared that common banking
32 practices today involve mere extensions of credit via loans:

33 "If the money supply is to be increased, money must be created. The Federal Reserve Board (or 'the Fed' as it is
34 often called) has several ways of allowing money to be created, but the actual creation of money always involves
35 the extension of credit by private commercial banks."

36 "In both the goldsmiths' practice and in modern banking, new money is created by offering loans to customers. A
37 private commercial bank which has just received extra reserves from the Fed (by borrowing reserves for example)
38 can make roughly six dollars in loans for every one dollar in reserves it obtains from the Fed. How does it get six
39 dollars from one dollar? It simply makes book entries for its loan customers saying 'you have a deposit of six
40 dollars with us.'
41 *[Russel Munk, United States Dept. of Treasury]*

42 But national banks are prohibited by law from loaning their own money or deposits; see 12 U.S.C. §83(a)

43 [TITLE 12](#) > [CHAPTER 2](#) > [SUBCHAPTER IV](#) > § 83
44 [§ 83. Loans by bank on its own stock](#)

45 (a) General prohibition

46 **No national bank shall make any loan or discount on the security of the shares of its own capital stock.**

47 (b) Exclusion

48 *For purposes of this section, a national bank shall not be deemed to be making a loan or discount on the security*
49 *of the shares of its own capital stock if it acquires the stock to prevent loss upon a debt previously contracted for*
50 *in good faith.*

1 For a confirmation of the above, see also Citizens' Nat. Bank of Cameron v. Good Roads Gravel Co., 236 S.W. 153, 161
2 (Texas App. 1922); National Bank of Commerce of Kansas City v. Atkinson, 55 F. 465, 471 (D.Kan. 1893); Bowen v.
3 Needles Nat. Bank, 94 F. 925, 927 (9th Cir. 1899); Merchants' Bank of Valdosta v. Baird, 160 F. 642, 645 (8th Cir. 1908);
4 First Nat. Bank of Tallapoosa v. Monroe, 69 S.E. 1123, 1124 (Ga. 1911); American Express Co. v. Citizens' State Bank, 194
5 N.W. 427, 429 (Wis. 1923); Howard & Foster Co. v. Citizens' Nat. Bank of Union, 130 S.E. 758, 759 (S.C. 1925); Farmers'
6 & Miners' Bank v. Bluefield Nat. Bank, 11 F.2d. 83, 85 (4th Cir. 1926); Best v. State Bank of Bruce, 221 N.W. 379, 380
7 (Wis. 1928); Norton Grocery Co. v. People's Nat. Bank of Abingdon, 144 S.E. 501, 503 (Va.App. 1928); Federal Intermediate
8 Credit Bank v. L'Herisson, 33 F.2d. 841 (8th Cir. 1929); First Nat. Bank of Amarillo v. Slaton Ind. School Dist., 58 S.W.2d.
9 870, 875 (Texas App. 1933); and Ferguson v. Five Points National Bank of Miami, 187 So.2d. 45, 47 (Fla. App. 1966).

10 If banks cannot loan their own funds, then what exactly DO they loan? They create money out of nothing using a book
11 keeping entry and the amount they create is regulated by the Federal Reserve. They are allowed to loan out 90% of the
12 amount they have on deposit and must keep ten percent in reserve. The percentage of reserves that national banks must
13 maintain determines how much money they can loan out. Money creation occurs when: 1. Federal Reserve Banks buy
14 government securities; 2. Banks loan money amounting to 90% of their deposits. Every purchase of government securities
15 and every loan increases the money in circulation. This process is described in the following document:

Modern Money Mechanics, Form #11.509, Federal Reserve Bank of Chicago
<http://famguardian.org/Subjects/MoneyBanking/Money/ModernMoneyMechanics/mmm2.htm>

16 Of course, this story of bank lending is usually supplemented by the money multiplier theory that is consistent
17 with what is known as [fractional reserve banking](#). In a fractional reserve system, only a fraction of a bank's
18 deposits needs to be held in cash or in a commercial bank's deposit account at the [central bank](#). The magnitude of
19 this fraction is specified by the [reserve requirement](#), the reciprocal of which indicates the multiple of reserves that
20 banks are able to lend out. If the reserve requirement is 10% (i.e., 0.1) then the multiplier is 10, meaning banks
21 are able to lend out 10 times more than their reserves.

22 **6 Historical Monetary Events**

23 The following subsections document the historical evolution of money in the United States. If you would like a history of
24 the U.S. Mint specifically, you can find it at:

History of the Mint, U.S. Mint
<http://usmint.gov/historianscorner/index.cfm?action=history>

25

6.1 Summary of Major Monetary Events

The table below summarizes major legislative events:

Table 1: Summary of Major Monetary Events

#	Year	Date	Reference.	Act Title	Description
1	1792	4/2/1792	1 Stat. 246	United States of America Money Act	The first definition of money. This is where a “dollar” is defined by law relationship to gold and silver. It was based on the Spanish milled dollar popular in the colonies at that time. See: http://famguardian.org/Subjects/MoneyBanking/Money/USAMoneyAct/money_law.htm
2	1900	03/14/1900	31 Stat. 45	Gold Standard Act	The Gold Standard Act fixes the value of the dollar against gold and the United States goes off the bimetallism standard.
3	1908	05/18/1908	35 Stat. 164		Congressional legislation adds the motto “In God We Trust” to all gold and silver coins. H.R. 17296
4	1913	12/23/1913	38 Stat. 251-275	Federal Reserve Act	Establishes the Federal Reserve
5	1933	03/09/1933	48 Stat. 1	Emergency Banking Relief Act	All "U.S. citizens" must turn in gold
6	1933	04/05/1933		Executive Order 6102	All "U.S. citizens" must turn in gold
7	1933	03/12/1933	48 Stat. 31, 41	Emergency Farm Mortgage Act	Amended Gold Reserve Act to devalue dollar, Jan 31, 1934.
8	1933	06/03/1933	48 Stat. 112	House Joint Resolution 192	Officially suspended redeemability of dollars in gold.
9	1934	01/30/1934	48 Stat. 337	Gold Reserve Act	Delegated to president power to define Gold and silver dollars. Made illegal to own gold bullion, and enforced by IRS Withdraws gold coins from circulation, provides for the devaluation of the dollar’s gold content, and creates the Exchange Stabilization Fund.
10	1934	01/31/1934		Presidential Proclamation 2072	Devalued dollar from \$20.67/ounce to \$35/ounce
11	1945	07/31/1945	59 Stat. 512	Bretton Woods Agreement Act	Plan to make U.S. dollar central currency of world. Established IMF, World Bank, etc.
12	1955	07/11/1955		Public Law 140 (H.R. 619)	Public Law 140 (H.R. 619) provides that all United States currency shall bear the inscription <i>In God We Trust</i> .
13	1963	06/07/1963	28 F.R. 5605	Executive Order 11110	President Kennedy prepared to issue non-debt silver-based certificates. Was assassinated probably because of this
14	1965	07/23/1965	79 Stat. 254	Coinage Act of 1965	First change in coinage in 173 years. President Johnson approves the Coinage Act of 1965, which removes silver from circulating coins and authorizes that clad coins be used instead for the half dollar, quarter dollar, and dimes. (Third piece of major legislation since the establishment of the Mint in 1792)

#	Year	Date	Reference.	Act Title	Description
15	1967	06/24/1967	81 Stat. 77	Silver Certificate Act	One year after passing act, U.S. government would end its pledge to redeem silver certificates in silver coin or bullion, thus ending the silver constitutional dollar standard that prevailed since 1704.
16	1968	03/18/1968	82 Stat. 50	Gold Reserve Requirements Elimination Act, Public Law 90-269	Congressional legislation eliminates the requirement that 25% of U.S. currency be backed in gold freeing \$10.4 billion in gold reserves to meet international demands.
17	1970	12/31/1970	84 Stat. 1760	Bank Holding Company Act Amendment	Congress changed all coinage into unconstitutional clad coins consisting of layers of copper and cladding
18	1971	08/17/1971	36 F.R. 15724	Presidential Proclamation 4074	U.S. went off silver standard. International can still redeem dollars for gold.
19	1972	03/31/1972	86 Stat. 116	Par Value Modification Act	Congress altered international exchange rates.
20	1973	09/21/1973	87 Stat. 352	Par Value Modification Act Amendment	Congress again altered international exchange rates
21	1977	10/28/1977	91 Stat. 1227, 1229		H.J.R.-192 amended so that it would not apply to obligations after October 28, 1977. See <i>Trostel v. American Life & Cas. Ins. Co.</i> , 168 F.3d. 1105 (C.A.8 (Iowa), 1999). Codified as amended at 31 U.S.C. §5118(d)(2). Also known as Pub.L. No. 95-147, § 4(c).
22	1982	09/13/1982	96 Stat. 877	Enactment of Title 31 of U.S. Code Into Law	This law had a list of repealed laws at the end. The United States of America Money Act was not included.
23	1985	07/9/1985	99 Stat. 113-117	Statue of Liberty Ellis Island Commemorative Coin Act	First authorized the minting of the current American Liberty Silver Dollar 1 ounce coins.
24	1985	12/17/198	99 Stat. 1177	Gold Bullion Coin Act of 1985	Put the mint in the business of manufacturing gold coins again.

1 If you would like to read each of the above acts, they are available in downloadable PDF form at the link below:

Legislative History of Money in the United States
<http://famguardian.org/Subjects/MoneyBanking/Money/LegHistory/LegHistoryMoney.htm>

2 If you would like to read a more thorough and exhaustive treatment of all the corruption that has occurred within our government since its founding, of which corruption
3 of our money system is only a part, please see the following resource on our website:

Highlights of American Legal and Political History CD, Form #11.202
<http://sedm.org/ItemInfo/Disks/HOALPH/HOALPH.htm>

4

1

2

6.2 1792: United States of America Money Act

3

The following subsections contain excerpts from the United States of America Money Act of 1792, 1 Stat. 246-251. This act in its entirety is included in section 17.10. This act has NEVER been repealed or modified and is still in full force today. Consult section 17.5 to confirm that the enactment of Title 31 of the U.S. Code did not repeal this act.

6

The United States of America Money Act established the value of one “dollar” as follows:

7

DOLLARS OR UNITS--each to be of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four sixteenth parts of a grain of pure, or four hundred and sixteen grains of standard silver.

8

10

At the time of enactment of the United States of America Money Act, the Spanish Milled Dollar, mined and minted primarily in Mexico, was the main type of money in use within the colonies. This coin was also called by the following names at the time by the colonists:

11

13

1. “Piece of Eight” because they represented 8 Spanish “Reales”.

14

2. “Pillar Dollar”.

15

The Spanish Milled Dollar was considered legal tender at the U.S. Mint as late as 1857. Each Reale was called a “bit”. The colonists commonly cut the coins into pieces to make change. Hence, ¼ of a Reale was called “two bits”, a phrase still in use today. The coin looked like the following:

16

17

Figure 1: Spanish Milled Dollar, 8 Reales, 1740

18



19

Figure 2: Spanish Milled Dollar, 8 Reales, 1796

20



1

2 The conversion between “grain” as used in the act and the “ounce” as used today is as follows:

3 $1 \text{ grain} = 0.002\,285\,714\,285\,7 \text{ ounce}$

4 $1 \text{ ounce} = 437.5 \text{ grain}$

5 For confirmation of the above, see:

http://www.onlineconversion.com/weight_all.htm

6 Therefore, a “dollar” in the first money act is defined as follows:

7 371.25 Grains

8 0.8486 Ounces

9 The United States of America Money Act has never been repealed. And yet, the U.S. Mint currently offers a one ounce coin,
 10 and the face value of this coin is “one dollar”, but it does not satisfy the United States of America Money Act. Obviously,
 11 such coins are numismatic only and do not constitute REAL money as lawfully defined.

12 **Figure 3: U.S. Mint Silver Eagle, \$1, 2008**



13

14 The Silver Eagle would be valued at \$1.18 under the original United States of America Money Act of 1792. The minting of
 15 the Silver Eagle was authorized by Statue of Liberty Ellis Island Commemorative Coin Act, 99 Stat. 113-117. If we examine
 16 section 202(g) of that act at 99 Stat. 116, we find the following language clearly identifying the above coin as
 17 “commemorative”. Then it also identifies in section 202(h) of said act that “the coins issued under this title shall be legal
 18 tender as provided in section 5103 of title 31, United States Code.”.

19 *TITLE II-LIBERTY COINS*
 20 *SHORT TITLE*
 21 *SEC. 201. This title may be cited as the "Liberty Coin Act" .*
 22 *MINTING OF SILVER COINS*

1 SEC. 202. Section 5112 of title 31, United States Code, is amended by striking out subsections (e) and (f) and
2 inserting in lieu thereof the following new subsections :

3 "(e) Notwithstanding any other provision of law, the Secretary shall mint and issue, in quantities sufficient to
4 meet public demand, coins which-

5 "(1) are 40 .6 millimeters in diameter and weigh 31 .103 grams;

6 "(2) contain .999 fine silver;

7 "(3) have a design-

8 "(A) symbolic of Liberty on the obverse side ; and

9 "(B) of an eagle on the reverse side ;

10 "(4) have inscriptions of the year of minting or issuance, and the words `Liberty', `In God We Trust', `United
11 States of America', `1 Oz. Fine Silver', `E Pluribus Unum', and `One Dollar' ; and

12 "(5) have reeded edges .

13 "(f) The Secretary shall sell the coins minted under subsection (e) to the public at a price equal to the market
14 value of the bullion at the time of sale, plus the cost of minting, marketing, and distributing such coins (including
15 labor, materials, dyes, use of machinery, and overhead expenses) .

16 "**(g) For purposes of section 5132(a)(1) of this title, all coins minted under subsection (e) of this section shall**
17 **be considered to be numismatic items.**

18 "**(h) The coins issued under this title shall be legal tender as provided in section 5103 of title 31, United States**
19 **Code ."**

20 If we then examine 31 U.S.C. §5103, we see that the Silver Eagle coins are included as legal tender.

21 [TITLE 31](#) > [SUBTITLE IV](#) > [CHAPTER 51](#) > [SUBCHAPTER I](#) > § 5103
22 [§ 5103. Legal tender](#)

23 *United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks
24 and national banks) are legal tender for all debts, public charges, taxes, and dues. Foreign gold or silver coins
25 are not legal tender for debts.*

26 Apparently, “legal tender” and “money” as legally defined in the constitution are NOT equivalent.

27 **6.2.1 Mint established at the seat of government.**

28 Section I. Be it enacted by the Senate and House of Representatives of the United States of American in Congress assembled,
29 and it is hereby enacted and declared, That a mint for the purpose of a national coinage be, and the same is established, to be
30 situate and carried on at the seat of the government of the United States . . .

31 **Figure 4: Original U.S. Mint**



1
2 The U.S. Mint

3 The place where people brought their gold and silver to make U.S. dollars. You needed 371.25 grains of pure silver or
4 24.75 grains of pure gold to mint one dollar. (A grain is a monetary unit)

5 The date of July 18, 1792 marks the birth of our Philadelphia Mint. Tradition has it that owing to a lack of bullion, the first
6 coins to be struck at the Mint - silver half dimes - were wrought from sterling teaspoons donated by President Washington.
7 It is said that, a year later, Washington contributed "an excellent copper tea-kettle as well as two pair of tongs" to begin the
8 manufacture of cents and half cents.

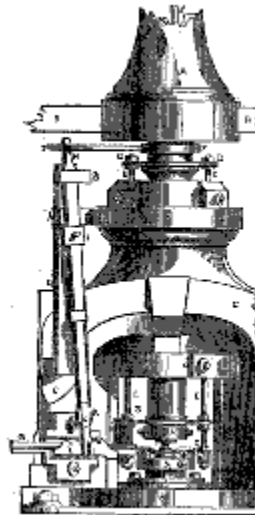
9 **6.2.2 Species of the coins to be struck.**

10 Section 9. And be it further enacted, That there shall be from time to time struck and coined at the said mint, coins of gold,
11 silver, and copper, of the following denominations, values and descriptions, viz.

- 12 • EAGLES--each to be of the value of ten dollars or units, and to contain two hundred and forty-seven grains and four
13 eighths of a grain of pure, or two hundred and seventy grains of standard gold.
- 14 • HALF EAGLES--each to be of the value of five dollars, and to contain one hundred and twenty-three grains and
15 six eighths of a grain of pure, or one hundred and thirty-five grains of standard gold.
- 16 • QUARTER EAGLES--each to be of the value of two dollars and a half dollar, and to contain sixty-one grains and
17 seven eighths of a grain of pure, or sixty-seven grains and four eighths of a grain of standard gold.
- 18 • DOLLARS OR UNITS--each to be of the value of a Spanish milled dollar as the same is now current, and to contain
19 three hundred and seventy-one grains and four sixteenth parts of a grain of pure, or four hundred and sixteen grains
20 of standard silver.
- 21 • HALF DOLLARS--each to be of half the value of the dollar or unit, and to contain one hundred and eighty-five
22 grains and ten sixteenth parts of a grain of pure, or two hundred and eight grains of standard silver.
- 23 • QUARTER DOLLAR--each to be of one fourth the value of the dollar or unit, and to contain ninety-two grains and
24 thirteen sixteenth parts of a grain of pure, or one hundred and four grains of standard silver.
- 25 • DISMES--each to be of the value of one tenth of a dollar or unit, and to contain thirty-seven grains and two sixteenth
26 parts of a grain of pure, or forty-one grains and three fifths parts of a grain of standard silver.
- 27 • HALF DISMES--each to be of the value of one twentieth of a dollar, and to contain eighteen grains and nine
28 sixteenth parts of a grain of pure, or twenty grains and four fifths parts of a grain of standard silver.

- CENTS--each to be of the value of the one hundredth part of a dollar, and to contain eleven penny-weights of copper.
- HALF CENTS--each to be of the value of half a cent, and to contain five penny-weights and a half a penny-weight of copper.

Figure 5: Minting Machine



Minting Machine

Two of these (presses) had arrived from England on September 21, 1792, supposedly from the Boulton and Watt Mint at Soho near Birmingham. "These presses were put into operation in the beginning of October, and were used for striking the half dimes of which Washington makes mention in his Annual Address to Congress on the 6th of November, 1792 . ." Sylvester Sage Crosby, *The United States Coinage of 1793. -- Cents and Half Cents.* (Boston: Published by the author, 1897)

6.2.3 Of what devices.

Section 10. And be it further enacted, That, upon the said coins respectively, there shall be the following devices and legends, namely: Upon one side of each of the said coins there shall be an impression emblematic of liberty, with an inscription of the word Liberty, and the year of the coinage; and upon the reverse of each of the gold and silver coins there shall be the figure or representation of an eagle, with this inscription, "UNITED STATES OF AMERICA" and upon the reverse of each of the copper coins, there shall be an inscription which shall express the denomination of the piece, namely, cent or half cent, as the case may require.

6.2.4 Proportional value of gold and silver.

Section 11. And be it further enacted, That the proportional value of gold and silver in all coins which shall by law be current as money within the United States, shall be fifteen to one, according to quantity in weight, of pure gold or pure silver; that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments, with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals.

6.2.5 Standard for gold coins, and alloy how to be regulated.

Section 12. And be it further enacted, That the standard for all gold coins of the United States shall be eleven parts fine to one part alloy; and accordingly that eleven parts fine to one part alloy; and accordingly that eleven parts in twelve of the entire weight of each of the said coins shall consist of pure gold, and the remaining one twelfth part of alloy; and the said alloy shall be composed of silver and copper, in such proportions not exceeding one half silver as shall be found convenient; to be regulated by the director of the mint, for the time being, with the approbation of the President of the United States, until further provision shall be made by law. And to the end that the necessary information may be had in order to the making of such further provision, it shall be the duty of the director of the mint, at the expiration of a year commencing the operations

1 of the said mint, to report to Congress the practice thereof during the said year, touching the composition of the alloy of the
2 said gold coins, the reasons for such practice, and the experiments and observations which shall have been made concerning
3 the effects of different proportions of silver and copper in the said alloy.

4 **6.2.6 Standard for silver coins--alloy how to be regulated.**

5 Section 13. And be it further enacted, That the standard for all silver coins of the United States, shall be one thousand four
6 hundred and eighty-five parts fine to one hundred and seventy-nine parts alloy; and accordingly that one thousand four
7 hundred and eighty-five parts in one thousand six hundred and sixty-four parts of the entire weight of each of the said coins
8 shall consist of pure silver, and the remaining one hundred and seventy-nine parts of alloy; which alloy shall be wholly of
9 copper.

10 **6.2.7 Penalty of Death for de-basing the coins.**

11 Section 19. And be it further enacted, That if any of the gold or silver coins which shall be struck or coined at the said mint
12 shall be debased or made worse as to the proportion of the fine gold or fine silver therein contained, or shall be of less weight
13 or value than the same out to be pursuant to the directions of this act, through the default or with the connivance of any of the
14 officers or persons who shall be employed at the said mint, for the purpose of profit or gain, or otherwise with a fraudulent
15 intent, and if any of the said officers or persons shall embezzle any of the metals which shall at any time be committed to
16 their charge for the purpose of being coined, or any of the coins which shall be struck or coined at the said mint, every such
17 officer or person who shall commit any or either of the said offenses, shall be deemed guilty of felony, and shall suffer death.

18 **6.2.8 Money of account to be expressed in dollars, etc.**

19 Section 20. And be if further enacted, That the money of account of the United States shall be expressed in dollars, or units,
20 dimes or tenths, cents or hundredths, and the milles or thousandths, a dime being the tenth part of a dollar, a cent the hundredth
21 part of a dollar, a mille the thousandth part of a dollar, and that all accounts in the public offices and all proceedings in the
22 courts of the United States shall be kept and had in conformity to this regulation.

23 **Figure 6: USA Half Disme, 1792**



24

1 **6.3 1793-1913: Money Before the Federal Reserve**

2 During much of the 17th and 18th centuries, the Spanish Dollar coin served as the unofficial national currency of the American
3 colonies. To make change the dollar was actually cut into eight pieces or "bits." Thus came the terms "pieces of eight" from
4 these early times and "two bits" from our time.

5 **6.3.1 Colonial and Continental Currency**

6 The Massachusetts Bay Colony issued the first paper money in the colonies in 1690. Other colonies soon followed suit to
7 meet the high demand for money fueled by trade between the colonies and the scarcity of coin (which was the common form
8 of money up to this date). Some of this early money was readily accepted, but some was not redeemed in gold or silver as
9 promised and thus depreciated rapidly. These currencies, however, set a precedent for the first national currency which was
10 issued during the War for Independence.

11 To finance the Revolutionary War, the Continental Congress in 1775 authorized the limited issuance of paper currency. These
12 notes, called Continentals, were denominated in dollars and backed by the "anticipation" of future tax revenues, with no
13 backing in silver or gold. They could be redeemed only upon the independence of the colonies.

14 **Figure 7: Continental One Third Dollar, 1776**



15
16 **Figure 8: Continental Currency, 65 dollars**



1

2 Continentals were an interesting expression of the new nation's sovereignty, as they did not feature pictures of the crown or
3 King of England. In fact, some were printed from plates engraved by Paul Revere to read "The United Colonies" and bore
4 pictures of colonial minutemen.

5 Without solid backing and with rising inflation, the Continentals soon became worthless, thus the expression "not worth a
6 Continental." Or, as George Washington put it, "A wagonload of currency will hardly purchase a wagonload of provisions."

7 In 1777 after the Declaration of Independence was signed, the first notes bearing the words "The United States" were issued
8 and signed by well-known revolutionary figures to give them credibility.

9 The remnant of this experience was a deep distrust of paper money which was not issued again by the federal authorities until
10 the Civil War when the Federal government first issued paper money. The Continental was significant, however, in that it
11 marked the first time that the worth of U.S. currency lay in its purchasing power and not in its intrinsic value.

12 **6.3.2 Gold and Silver Certificates**

13 The economy was in turmoil in the late 19th century. The government, in a move to increase its reserve of precious metals,
14 offered certificates in exchange for deposits of silver and gold.

15 Gold certificates, colorful and vivid, were first issued in 1863 and put into general circulation in 1882. They are among the
16 most attractive of all currency issues, with the reverse a brilliant golden orange, symbolic of the gold coin they represent. In
17 1933, when the country faced a severe depression and a banking crisis, the public began to demand gold.

18 Runs developed on both Federal Reserve Banks (which had been established under the Federal Reserve Act in 1913) and
19 commercial banks. In order to deal with this crisis, only Federal Reserve Banks were permitted to hold gold. In 1934, Federal
20 Reserve Banks were required to turn over all gold coin, bullion, and certificates to the U.S. Treasury in return for a new type
21 of gold certificate. These were never put into circulation and the last ones were printed in January 1935. In 1964, private
22 citizens could once again hold gold certificates issued before January 30, 1934, but they could no longer be redeemed in gold.
23 This changed in 1974, and private U.S. citizens could once again hold gold legally.

1 Silver certificates were first issued in exchange for silver dollars in 1878. They offered many varieties of design and subject
2 matter including inventors, military heroes, a Sioux Indian, and the famous Educational series of 1896. An 1886 \$1 silver
3 certificate is also the only piece of U.S. paper currency to bear the portrait of a woman--Martha Washington.

4 For many years silver certificates were the major type of currency in circulation. However, in the early 1960s when the price
5 of silver jumped to over \$1.29 an ounce it was evident that further increases would make it profitable for holders of silver
6 coins to sell them in the open market. To avert this crisis, Congress eliminated silver certificates in 1963, and empowered the
7 Federal Reserve to issue \$1 and \$2 Federal Reserve Notes for the first time.

8 **Figure 9: Silver Certificate, series 1878, \$100**



9
10 **Figure 10: Series 1880 \$1,000 Note**



11
12 **Figure 11: Gold Certificate, 1882, \$500**



1

2 **6.3.3 National Bank, 1863-1921**

3 President Abraham Lincoln, urged by the Secretary of the Treasury, convinced Congress to pass the [National Banking Act](#)
 4 [in 1863](#) which established a national banking system and a uniform national currency to be issued by the new "national
 5 banks." The banks were required to purchase U.S. government securities as backing for their National Bank Notes. In 1865
 6 a 10-percent tax was levied on State Bank notes eliminating the profit in issuing them and basically taxing them out of
 7 existence.

8 Although United States Notes were still widely accepted as a medium of exchange, most paper currency circulating between
 9 the Civil War and World War I consisted of National Bank Notes. They were issued from 1863 through 1932. From 1863 to
 10 1877 National Bank Notes were printed by private bank note companies under contract to the Federal government. The
 11 Federal government took over printing them in 1877.

12 **Figure 12: National Bank Currency, 1919-1921, \$50**



13

6.4 1913: Federal Reserve Act

The Federal Reserve Act of 1913, 38 Stat. 251 Chapter 6, was intended to provide a system of up to a maximum of twelve reserve banks as an adjunct to the previously existing but independent National Banks which were banks of issue. The various Federal Reserve banks were organized and created by the pre-existing National Banks in a reserve district as the stockholders of the Federal reserve bank which was created in their district. A primary function of the Federal reserve banks was to act as a reserve bank for the member banks in each district, and as such there was no need for the Federal reserve banks of issue. But under Federal Reserve Act, 38 Stat. 268-269, Section 18, the various Federal reserve banks could issue circulating notes of the same tenor and under nearly identical terms and conditions as the circulating notes of the national banks.

In 1913 a major change in paper currency occurred with the passage of the Federal Reserve Act aimed at resolving some long-standing money and banking problems which had led to bank failures, business bankruptcies, and general economic contractions. The Act created the Federal Reserve System as the nation's central bank to regulate the flow of money and credit for economic stability and growth. In 1914, Federal Reserve Notes, which comprise more than 99 percent of today's paper money, were issued by Federal Reserve Banks as direct obligations of the Federal Reserve System. They replaced National Bank Notes as the dominant form of paper money.

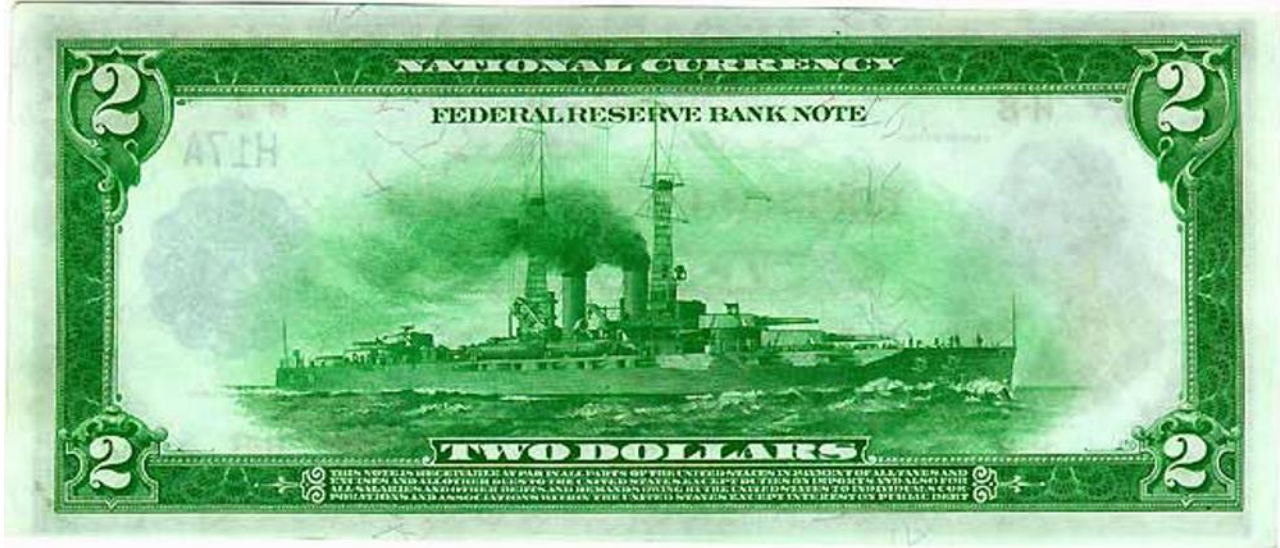
Federal Reserve Notes were issued in denominations ranging from \$1 to \$10,000. The \$100 note has been the largest denomination printed since 1946, and in 1969 all notes greater than \$100 were retired because of declining demand.

The design of Federal Reserve Notes has changed little over the years. In 1929, the size of the notes was reduced; in 1955, the inscription "In God We Trust" was added; and in 1966, the Latin wording on the Treasury seal was replaced by an English translation. In 1929, it was also decided that all currency would have a portrait on the front, and denominations under \$100 would have buildings or monuments on the back. Higher denominations had the denomination on the back.

Federal Reserve notes, which comprise more than 99 percent of today's paper currency, were first issued by Federal Reserve Banks in 1914. The Federal Reserve System was established by the Federal Reserve Act of 1913, which, in part, called for the creation of an independent central bank to furnish an elastic money supply that would expand and contract in response to the economy's changing demand for money. Such flexibility in the financial system acts as a stabilizing influence on prices and credit in the economy.

Below is a "National Currency" note issued pursuant to Federal Reserve Act, Section 18:

Figure 13: Federal Reserve Bank Note, 1918, \$2



The above is an example of a note authorized by the Federal Reserve Act to be issued by a Federal “reserve bank” as a note of general circulation. Most likely, you’ve never seen one before. A “reserve bank” is a bank in which the reserves of other national banks in the region are deposited. Below are some more examples of “National Currency”. The \$20 bill below says “SECURED BY UNITED STATES BONDS DEPOSITED WITH THE TREASURER OF THE UNITED STATES OF AMERICA”. This note therefore is no longer redeemable in gold, nor does it say it is “legal tender”.

Figure 14: Federal Reserve Bank Note, 1915, \$20



1
2
3
4
5
6
7

Next, we examine an early “Federal Reserve Note”, series 1918. This note is NOT “legal tender”, but it is a note. Nowhere does it say “legal tender for all debts”.

Figure 15: Series 1918 Blue Seal Federal Reserve Note, \$10,000



1

2 The Federal Reserve Act, 38 Stat. 251, Chap. 6 does, in a sense, “authorize” the “issue” of a specific kind of a “Federal
 3 reserve note”. See Federal Reserve Act, 38 Stat. 265, Section 16, which state:

4 **Figure 16: Federal Reserve Act, 38 Stat. 265, Section 16**

<p>NOTE ISSUES.</p> <p>SEC. 16. Federal reserve notes, to be issued at the discretion of the Federal Reserve Board 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. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed 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.</p>	<p>Federal reserve notes.</p> <p>Issue authorized.</p> <p>Receivability.</p> <p>Redemption.</p>
---	---

5

6 Notice that the statute is specific in stating that the “Federal reserve notes” which are authorized under section 16 are the
 7 small “r” type as in the word “reserve”. Then, notice that those “Federal reserve notes” could be issued by the “Federal
 8 Reserve Board”, NOT by any bank per se; for a one singular purpose, namely, “for the purpose of making advances TO
 9 Federal reserve banks-and for no other purpose”.

10 That sounds as though the small “r” type of “Federal reserve notes” could be issued by a Federal reserve bank ONLY to a
 11 Federal reserve bank maybe in aid of a reserve requirement, but not for issuance by a Federal reserve bank as a note of general
 12 circulation. Certainly, by this section 16 there is no authority for the issuance of any Federal Reserve Notes as a note of
 13 general circulation.

14 As a guess, it is doubtful that any “Federal reserve notices” pursuant to section 16 have ever been created. IF some have been
 15 they would have been retained within the Federal reserve banks and the general public should never see them.

16 **6.5 1933: Executive End of Redeemability in Gold, Emergency Banking Relief Act**

17 Redeemability of our money ended on March 9, 1933 with the Emergency Banking Relief Act, 48 Stat. 1. Below is a 1934
 18 “Federal Reserve Note” issued after redeemability was ended. At this point, the National Banks have been disestablished in
 19 1921 and so the top of the note no longer says “National Currency”. The caption on the note says:

1 "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE, AND IS REDEEMABLE IN
2 LAWFUL MONEY AT THE UNITED STATES TREASURY, OR ANY FEDERAL RESERVE BANK."

3 Since Gold and Silver have been outlawed by this point, "lawful money" can only mean silver and not gold.

4 One particular thing which is little known among most Americans is that the Federal Reserve Act authorized the existence of
5 the Federal reserve banks for twenty years. Federal Reserve Act, 38 Stat. 254, Section 4. Twenty years later happened to
6 coincide with the beginnings of the depression of the nineteen thirties. That time also happens to be when "Federal Reserve
7 notes" were made a legal tender for the first time.

8 **Figure 17: Federal Reserve Note, 1934, \$500**



12

13 **6.6 1933: Legislative End of redeemability in Gold, H.J.R.-192**

14 On June 5, 1933, Congress enacted H.J.R.-192. To wit:

15 **Figure 18: H.J.R.-192, 48 Stat. 113**

“All coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, except that gold coins, when below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight.”

Coins and currencies as legal tender.

Abrased gold coins, according to weight.

Approved, June 5, 1933, 4.40 p.m.

Shown above is the last paragraph of a Resolution which purported to amend a statute known as the Agricultural Adjustment Act of 1933. And look to *Butler v. U.S.*, 296 U.S. 1 to find that the Agricultural Adjustment Act was declared unconstitutional and void. But for the purpose here let's study that one paragraph in some detail. A copy of H.J.R.-192 appears later in section 17.4.

What exactly was made a legal tender by way of H.J.R.-192? First off, we see in a parenthetical insertion the language of:

“including Federal Reserve notes and circulating notes of the Federal Reserve banks and national banking associations.”

None of those had ever been of a legal tender status before H.J.R.-192. As for the coins minted by the United States, they were already of a “lawful money” status and “legal tender” status as for coins was superfluous, except that what was stated in section 1 of H.J.R.-192 made it necessary. The gold coins, you might have heard, were recalled and withdrawn from general circulation, which reduced the overall money supply and exacerbated the depth and length of the depression.

Because the last paragraph of H.J.R.-192 specifically included all Federal Reserve notes “heretofore or hereafter—issued” those two Federal Reserve notes (series of 1914 and 1918) became capital “R” Reserve notes by way of a Resolution of Congress as expressed in H.J.R.-192, and that's when those two and all others like them became legal tender, in June of 1933.

Some people argue that H.J.R.-192 was subsequently repealed. Here is what one court said on that subject, as late as 1999:

“During the lease period public policy changed in regard to gold. Congress declared in 1933 that gold clauses were against public policy and were therefore dischargeable dollar for dollar in United States currency. Joint Resolution of June 5, 1933, 48 Stat. 112, 113 (1933) (formerly codified at 31 U.S.C. §463) (codified as amended at 31 U.S.C. §5118(d)(2)). More than forty years later the policy changed once more. On October 28, 1977, Congress amended the underlying statute to make gold clauses enforceable again if they were part of an obligation issued after October 27, 1977. Act of October 28, 1977, Pub.L. No. 95-147, § 4(c), 91 Stat. 1227, 1229 (codified as amended at 31 U.S.C. §5118(d)(2)).”
[*Trostel v. American Life & Cas. Ins. Co.*, 133 F.3d. 679 (C.A.8 (Iowa), 1998)]

Congressional policy regarding gold clauses has shifted over time. In a 1933 joint resolution, Congress declared gold clauses to be against public policy and provided that “dollar for dollar” payments in United States currency would discharge any obligation. Id. (citing Joint Resolution of June 5, 1933, 48 Stat. 112, 113 (1933) (codified as amended at 31 U.S.C. §5118(d)(2))). Congress reversed course in 1977 and amended the 1933 legislation so that it would not apply to obligations issued after October 27, 1977. Id. (citing Act of October 28, 1977, Pub.L. No. 95-147, § 4(c), 91 Stat. 1227, 1229 (codified as amended at 31 U.S.C. §5118(d)(2))). This 1977 amendment allowed gold clauses to be once again enforceable when part of a new obligation.
[*Trostel v. American Life & Cas. Ins. Co.*, 168 F.3d. 1105 (C.A.8 (Iowa), 1999)]

6.7 1972: Executive End of Redeemability of Silver

Redeemability of notes in silver ended officially in August 17, 1971 with Presidential Proclamation 4074. This was done under the authority of 12 U.S.C. §95b, which granted legislative authority to the President. This statute unlawfully and unconstitutionally delegated lawmaking powers to the President and violates the separation of powers doctrine. Article 2, Section 2 of the United States Constitution establishes the Office of President of the United States of America, but 12 U.S.C. §95b refers to the “President of the United States”, who is NOT the same person. The Constitution, in fact, never creates the office of “President of the United States”.

[TITLE 12 > CHAPTER 2 > SUBCHAPTER IV > § 95b](#)
[§ 95b. Ratification of acts of President and Secretary of the Treasury under section 95a](#)

1 The actions, regulations, rules, licenses, orders and proclamations heretofore or hereafter taken, promulgated,
2 made, or issued by the President of the United States or the Secretary of the Treasury since March 4, 1933,
3 pursuant to the authority conferred by section 95a of this title, are approved and confirmed.

4 Following release of Senate Document 93-549 in 1973, Congress repealed all declared states of emergency *except* for the
5 Emergency Banking Relief Act of 1933, 48 Stat. 1 and the powers under 12 U.S.C. §95b. If you would like to read Senate
6 Document 93-549, see:

Senate Document 93-549
<http://famguardian.org/Subjects/LawAndGovt/Articles/SenateReport93-549.htm>

7 The reason Congress didn't repeal 12 U.S.C. §95b is that this event would compel the government to FINALLY return to a
8 lawful money system and back all of our money with gold and silver after ending all emergencies and they don't ever want
9 to do that because:

- 10 1. They don't have enough gold and silver to redeem all the fraudulent currency in circulation at this time.
- 11 2. They would have to surrender their ability to STEAL from the American People when they print money out of thin air
12 and counterfeit.
- 13 3. They would have to admit that they have foisted a FRAUD upon Americans in relation to the money system since 1933
14 when FDR started this mess with the Emergency Banking Relief Act.

15 In that sense, a national emergency which began in 1933 continues to this day to justify an ongoing violation of the
16 Constitution in regards to the requirements of our money system. Of this travesty of justice, American Jurisprudence legal
17 encyclopedia says:

18 ***"No emergency justifies the violation of any of the provisions of the United States Constitution."** An
19 emergency, however, while it cannot create power, increase granted power, or remove or diminish the restrictions
20 imposed upon the power granted or reserved, may allow the exercise of power already in existence, but not
21 exercised except during an emergency.⁹*

22 *The circumstances in which the executive branch may exercise extraordinary powers under the Constitution are
23 very narrow.¹¹ The danger must be immediate and impending, or the necessity urgent for the public service, such
24 as will not admit of delay, and where the action of the civil authority would be too late in providing the means
25 which the occasion calls for.¹² For example, there is no basis in the Constitution for the seizure of steel mills
26 during a wartime labor dispute, despite the President's claim that the war effort would be crippled if the mills
27 were shut down. ¹³"*
28 [16 Am.Jur.2d, Constitutional Law, §52]

29 The internal taxation within the states that violates the Constitution and stabilizes and sustains this national emergency were
30 also never intended by the Founding Fathers:

31 ***"Madison's Notes on the Constitutional Convention [see [Federalist Paper #45](#)] reveal clearly that the framers
32 of the Constitution believed for some time [and wrote this permanent requirement into the Constitution] that
33 the principal, if not sole, support of the new Federal Government would be derived from customs duties and
34 taxes connected with shipping and importations. Internal taxation would not be resorted to except
35 infrequently, and for special [emergency] reasons. The first resort to internal taxation, the enactment of internal
36 revenue laws in 1791 and in the following 10 years, was occasioned by the exigencies of the public credit. These***

⁹ As to the effect of emergencies on the operation of state constitutions, see § 59.

¹⁰ Veix v. Sixth Ward Building & Loan Ass'n of Newark, 310 U.S. 32, 60 S. Ct. 792, 84 L. Ed. 1061 (1940); Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 54 S. Ct. 231, 78 L. Ed. 413, 88 A.L.R. 1481 (1934).

The Constitution was adopted in a period of grave emergency and its grants of power to the Federal Government and its limitations of the power of the states were determined in the light of emergency, and are not altered by emergency. First Trust Co. of Lincoln v. Smith, 134 Neb. 84, 277 N.W. 762 (1938).

¹¹ Halperin v. Kissinger, 606 F.2d. 1192 (D.C. Cir. 1979), cert. granted, 446 U.S. 951, 100 S. Ct. 2915, 64 L. Ed. 2d 807 (1980) and aff'd in part, cert. dismissed in part, 452 U.S. 713, 101 S. Ct. 3132, 69 L. Ed. 2d 367 (1981), reh'g denied, 453 U.S. 928, 102 S. Ct. 892, 69 L. Ed. 2d 1024 (1981) and on remand to, 542 F. Supp. 829 (D.D.C. 1982) and on remand to, 578 F. Supp. 231 (D.D.C. 1984), aff'd in part, remanded in part, 807 F.2d. 180 (D.C. Cir. 1986), on remand to, 723 F. Supp. 1535 (D.D.C. 1989), related reference, 1991 WL 120167 (D.D.C. 1991), remanded, 1992 WL 394503 (D.C. Cir. 1992).

¹² Mitchell v. Harmony, 54 U.S. 115, 13 How. 115, 14 L. Ed. 75 (1851).

¹³ Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579, 72 S. Ct. 863, 96 L. Ed. 1153, 47 Ohio Op. 430, 47 Ohio Op. 460, 62 Ohio L. Abs. 417, 62 Ohio L. Abs. 473, 26 A.L.R.2d 1378 (1952).

1 first laws were repealed in 1802. Internal revenue laws were reenacted for the period 1813-17, when the effects
2 of the war of 1812 caused Congress to resort to internal taxation. From 1818 to 1861, however, the United States
3 had no internal revenue laws and the Federal Government was supported by the revenue from import duties and
4 the proceeds from the sale of public lands. In 1862 Congress once more levied internal revenue taxes. This time
5 the establishment of an internal revenue system, not exclusively dependent upon the supplies of foreign commerce,
6 was permanent."

7 [IRS publication of Regulations, Federal Register, Volume 37, page 20960 dated October 5, 1972]

8 This is the same FRAUD that Hitler pulled in order to take over Germany. He passed the German Emergency Powers law
9 and then FABRICATED an emergency as a justification to become a totalitarian dictator:

10 "If the public safety and order in the German Reich are seriously disturbed or endangered, the President of the
11 Reich may...suspend in whole or in part the fundamental rights established [including] inviolability of person,
12 inviolability of domicile, freedom of opinion and expression, freedom of assembly and association, secrecy in
13 communication and inviolability of property."
14 [German Emergency Power Law, Article 48]

15 Below is an example of a current in circulation "Federal Reserve Note" issued after that date. All mentions of redeemability
16 have been removed. The CAPITALS, in part, come from the fact that the words of "Federal" and "Reserve" and "Note" are
17 printed in an all capitals format. But the real teller comes from the "legal tender" line, which says:

18 "THIS NOTE IS LEGAL TENDER FOR ALL DEBTS PUBLIC AND PRIVATE"

19 Note that the phrase:

20 "AND IS REDEEMABLE IN LAWFUL MONEY AT THE UNITED STATES TREASURY, OR ANY FEDERAL
21 RESERVE BANK."

22 . . .has been removed from the bill, even though U.S. Law still says it is redeemable in lawful money:

23 [TITLE 12](#) > [CHAPTER 3](#) > [SUBCHAPTER XII](#) > Sec. 411.
24 Sec. 411. - Issuance to reserve banks; nature of obligation; redemption

25 Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System for
26 the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set
27 forth and for no other purpose, are authorized. **The said notes shall be obligations**
28 **of the United States** and shall be receivable by all national and member banks and Federal reserve
29 banks and for all taxes, customs, and other public dues. **They shall be redeemed in**
30 **lawful money on demand at the Treasury Department of the**
31 **United States, in the city of Washington, District of Columbia,**
32 **or at any Federal Reserve bank**

33 As we move here into the more modern era, notice one more thing from the last paragraph of H.J.R.-192. In the legal tender
34 line the wording is,

35 "Shall be legal tender for all debts, public and private—"

36 The line continues but it is only this portion we need, specifically the wording of "legal tender for all debts, public and
37 private".

38 If you look at the one recent \$100 bill later in section 6.7 next, you will find exactly those same words printed on the face.
39 From that it is suggested that you can know that it is a capital "R" type of "Federal Reserve note"; one issued into general
40 circulation without authority and further is not and was not of legal tender status when it was put into circulation.

41 Indeed, all "Federal Reserve notes" as presently in general circulation are defective in the same three particulars. Namely:

42 1. There is no authority for them to be in general circulation.

- 1 2. They are not a “note” at all in that there is no promise to pay anything. Redeemability is mandated by 12 U.S.C. §411
- 2 but Presidential fiat found in Presidential Proclamation 4074 has suspended redemption of the notes in silver because of
- 3 an ongoing national emergency. In law, they are a fraud because they attach no “consideration”.
- 4 3. They are not “legal tender for all debts, public and private” and haven’t been since 1982!

5 **Figure 19: Contemporary Federal Reserve Note, 1994, \$100**



6

7 **6.8 1982: Public Law 97-258, 96 Stat 877, Codification of Title 31**

8 In 1982 Congress re-codified Title 31, Money and Finance by way of a statute known as P.L. 97-258, 96 Stat. 877. In that

9 statute the legal tender status of United States coins and currencies was reassigned at Section 5103:

10 **Figure 20: 96 Stat. 980, P.L. 97-258, Section 5103**

§ 5103. Legal tender
United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts. Foreign gold or silver coins are not legal tender for debts.

11

12 The above is the exact text in the statute, and there are two things to be noticed. Namely:

- 13 1. The kind of “Federal reserve notes” as specified in section 5103 are the small “r” kind. Compare this section with Section
- 14 16 of the Federal Reserve Act, or see the codification at 12 U.S.C. §411.
- 15 2. The wording which specifies the extent of the legal tender status states, “legal tender for all debts.” It does not say
- 16 anything about “public and private” or public charges, taxes or et cetera. Compare with the language used in H.J.R.-192
- 17 Section 2.

18 It is suggested that the change in the wording from the old as in H.J.R.-192 to the new as in 96 Stat. 877, Section 5103, is a

19 major clue and point of evidence which distinguishes a “Federal Reserve note” from a “Federal reserve note”. One needs

20 only to read the legal tender statement as printed on the face of a “Federal Reserve note” to be able to know that the so-called

21 “note” is a fraud. If the legal tender statement says:

22 *“This note is legal tender for all debts, public and private”*

23 . . . then that so-called note is fraudulent. And especially so if the “note” shows a series of issue date after 1983! You also

24 know that the “note” in question is a “Federal Reserve note” because it is ONLY the “notes” issued under the terms of H.J.R.-

25 192 which used the language of “public and private” in the legal tender statement. All of those “notes” were Federal capital

26 “R” Reserve notes because it is ONLY the capital “R” Federal Reserve notes which were made a legal tender pursuant to

27 H.J.R.-192.

1 The U.S. Treasury maintains a website called “Legal Tender Status” and they agree with our conclusions by stating the
2 following:

3 **FAQs: Currency**
4 **Legal Tender Status**

5 *Question -* I thought that United States currency was legal tender for all debts. Some businesses or
6 governmental agencies say that they will only accept checks, money orders or credit cards as payment, and others will only
7 accept currency notes in denominations of \$20 or smaller. Isn't this illegal?

8 *Answer -* The pertinent portion of law that applies to your question is the **Coinage Act of 1965**, specifically Section 31
9 U.S.C. 5103, entitled "Legal tender," which states: "United States coins and currency (including Federal reserve notes and circulating
10 notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues."

11 This statute means that all United States money as identified above are a valid and legal offer of payment for debts when tendered to a
12 creditor. **There is, however, no Federal statute mandating that a private business, a person or an organization must accept**
13 **currency or coins as for payment for goods and/or services. Private businesses are free to develop their own policies on**
14 **whether or not to accept cash unless there is a State law which says otherwise. For example, a bus line may prohibit payment**
15 **of fares in pennies or dollar bills. In addition, movie theaters, convenience stores and gas stations may refuse to accept large**
16 **denomination currency (usually notes above \$20) as a matter of policy.**

17 [SOURCE: Legal Tender Status, United States Dept. of Treasury Website: [http://www.ustreas.gov/education/faq/currency/legal-](http://www.ustreas.gov/education/faq/currency/legal-tender.shtml)
18 [tender.shtml](http://www.ustreas.gov/education/faq/currency/legal-tender.shtml)]

19 The same statute (P.L. 97-258) which created section 5103 also contains a lengthy listing of laws and statute which were
20 expressly repealed. The repeals provision is at 96 Stat. 1068, Section 5, and in the tabular schedule one will find a date of 5
21 June 1933 near the bottom of page 1074 (96 Stat. 1074). The complete specification of that entry is: 5 June 1933, Chap. 48,
22 48 Stat. 113, and that particular “law” is also known as H.J.R.-192! See section 17.4 later.

23 In other words, 48 Stat. 113 is the second page of H.J.R.-192, which is the body of the resolution. Hence, H.J.R.-192 was
24 repealed and moved to Title 31 when it was codified. Specifically, the current status of H.J.R.-192 is now found at 31 U.S.C.
25 §5118(d)(2). And, concurrent with the repeal of H.J.R.-192 the legal tender status of all of those capital “R” Federal Reserve
26 notes was also repealed. Remember now, this was over twenty years ago, and it seems no one noticed!

27 **6.9 1985: Gold Bullion Coin Act of 1985, Pub.L. No 99-185. 00 Stat 1177 (Dec. 17, 1985)**

28 The Gold Bullion Coin Act of 1985, Pub. L. No. 99-185, 99 Stat. 1177 (Dec. 17, 1985), codified at [31 U.S.C. §5112\(a\)\(7\)](#)
29 through (a)(10), [31 U.S.C. §5112\(i\)](#), [31 U.S.C. §5116\(a\)\(3\)](#), and amending [31 U.S.C. §5118\(d\)](#) and [31 U.S.C. §5132\(a\)\(1\)](#),
30 has helped the [American Gold Eagle](#) to quickly become one of the world's leaders in [gold bullion coin](#). Produced from [gold](#)
31 mined in the [United States](#), American Eagles are imprinted with their gold content and [legal tender face value](#).

32 The act was passed by [United States Congress](#) pursuant to its exclusive power to [coin money](#) and set its value, set forth in
33 [Article I, Section 8, Clause 5](#) of the [United States Constitution](#). It was signed by [Ronald Reagan](#) on December 17, 1985. One
34 requirement is that all gold used in minting the coins would be from "newly mined domestic sources".

35 Both houses of Congress held hearings to consider legislation reflecting the Gold Commission’s recommendations for a
36 monetary specie coin without face value or legal tender status, calling it the American Eagle Gold Coin Act of 1982, (see
37 H.R. 6054, 97th Cong., 2nd Sess. (1982)) but the proposed legislation did not become law.

38 Both the Treasury Department and Congress concluded that the new coinage would be money well before it received legal
39 tender status in 1985. The Treasury Department acknowledged that the new coins were to “provide a form of money which
40 people can hold and use as an alternative to money expressed in terms of dollars.” Members of Congress explained that these
41 coins were intended as money, were non-commemorative, and were not to be taxed upon their exchange with Federal Reserve
42 notes.

43 Congress authorized America’s new monetary gold coins via the Gold Bullion Coin Act of 1985, and confirmed their
44 monetary character by providing for minting of gold coins in varying “dollar” face value denominations, that were given full
45 legal tender status, and were non-commemorative. See 31 U.S.C. §5103 (2005); 31 U.S.C. §5112(h) (2005); see also 31

1 U.S.C.S. §5112 (2005) (MB 2005), (see notes designating commemorative issuances); see also 31 U.S.C. §5112 (e) and (f)
2 (2005) . Because both Treasury and Congress concluded that the new coinage would be money before concluding it would
3 receive a face value and legal tender status, Congress’s assignment of legal tender status and face value to the new coinage
4 establishes a fortiori its monetary character. Six months before these gold coins were issued, Congress also passed the Liberty
5 Coin Act, wherein it provided for a non-commemorative silver coin, also given full legal tender status and “dollar” face value.

6 The legislative history of the Gold Bullion Coin Act of 1985 is contentious, but it fully incorporated the findings of the Gold
7 Commission and the hearings on the American Gold Eagle Coin Act of 1982. See 131 Cong. Rec. 32157-32160; 131 Cong.
8 Rec. 33577-33583 (1985). Among the reasons cited for the passage of the legislation were that:

9 *“[t]he clear intent of the Commission in its recommendation to the Congress was to create competition in these*
10 *two aspects of the monetary system: ... between forms of money, as in a dual monetary system with the parallel,*
11 *concurrent circulation of gold ounces and paper dollar—with the clear implication that without an exclusive*
12 *circulation of the one form or the other, there could evolve some greater implicit discipline on the monetary*
13 *authorities.”*

14 *[131 Cong. Rec. 33583 (1985) (emphasis added)]*

15 These coins were to provide an alternative to the “irredeemable paper money” known as the Federal Reserve note. See 131
16 Cong. Rec., House, Extension of Remarks, January 3, 1985, 469-470 (statement of Rep. Crane), Gold Commission Report,
17 Vol. II, at 244-247. There were statements that the new coinage would be a superior monetary alternative to the Federal
18 Reserve note, whose value fluctuates widely, while the specie coinage has maintained its value for centuries. See 131 Cong.
19 Rec. 1323 (1985) (statement of Rep. Crane); see also Senate Hearings, at 14-15, 26 (statement of Rep. Ron Paul).

20 Congress clearly stated in the legislative history and promulgated statutes establishing that the currently minted and
21 circulating gold Eagle and silver Liberty coins were non-commemorative, were intended to be money, were intended to be
22 used as money, and were placed on equal monetary footing with all other coin and currency of the United States as money
23 and as any possible “standard of value.” See 31 U.S.C. §5103 (2005); 31 U.S.C. §5112(h) (2005); see also 31 U.S.C.S. §5112
24 (2005) (MB 2005), (see notes designating commemorative issuances); see also 31 U.S.C. §5112 (e) and (f) (2005).

25 Before this new law could be passed that Representative Crane elaborated on and Congress asked for and received a report
26 by the Gold Commission. Here are some of his remarks about the new proposed legislation:

27 *“For decades now, but especially for the past 10 years, we have had a medium of exchange the Federal Reserve*
28 *note, which is fluctuating in its value. As Roger Sherman, a delegate to the Constitutional Convention, wrote, “If*
29 *what is used as a medium of exchange is fluctuating in its value, it is no better than unjust weights and measures*
30 ** * * which are condemned by the Laws of God and man.” With the issuance of new gold coins by the Treasury,*
31 *the Federal Reserve’s monopoly on money will be challenged. The “American Gold Eagle Coin Act of 1985”*
32 *represents a major step toward the eventual replacement of our present irredeemable paper money system with*
33 *a gold based system.”*

34 *[131 Cong. Rec., House, Extension of Remarks (statement of Rep. Crane), January 3, 1985, 469-470 (emphasis*
35 *added)]*

36 In the Gold Commission Report, The House Committee on Banking, Finance, and Urban Affairs actually admitted its
37 confusion as to what was or was not money. In fact, it was this very confusion among members of Congress that led the Gold
38 Commission to recommend to Congress specie coinage denominated by weight only, and without legal tender status and
39 without a “dollar” face value. The Gold Commission indicated that this confusion as to what was or was not money would
40 be eliminated by giving the new coinage legal tender status to affirm its monetary character.

41 *“The designation of the recommended gold piece as a “coin without legal tender status” is confusing, since the*
42 *term “coin” commonly implies legal tender status. Without legal tender status the “coin” is really a medallion,*
43 *and we already have a program to produce those.”*

44 *[Gold Commission Report, March 1982, Annex A, p. 305; SEDM Exhibit #06.008]*

45 *“In addition, with all the honest confusion in our economy and our own committee hearings over what is or is*
46 *not money, how can we consider a recommendation that we support the issuance of coins without legal tender*
47 *status, another monetary confusion.”*

48 *[Gold Commission Report, March 1982, Annex A, p. 306; SEDM Exhibit #06.008]*

49 The Gold Commission even rebuked the Internal Revenue Service for ignoring congressionally-set face value of U.S. specie
50 coinage for tax purposes:

1 *“One reform that might be accomplished immediately would be to direct the Internal Revenue Service to accept*
2 *all U.S. money at face value for both the assessment and collection of taxes. At the present time, the IRS accepts*
3 *pre-1965 silver coins at face value in the collection of taxes, but at market value in the assessment of taxes. This*
4 *policy is grossly unfair, has no basis in law, and should be immediately corrected.”*
5 *[Gold Commission Report, March 1982, Annex A, p. 266; SEDM Exhibit #06.008]*

6 The Gold Commission criticized the Treasury Department for failing to define the term “dollar” to the detriment of taxpayers:

7 *“The word “dollar” quite literally, is legally meaningless, and it has been meaningless for the past decade.*
8 *Federal Reserve notes are not “dollars;” they are notes denominated in “dollars.” But what a “dollar” is, no*
9 *one knows.”*

10 *“This absurdity at the basis of our monetary system must be corrected. It is of secondary importance whether we*
11 *define a ‘dollar’ as a weight of gold or as a weight of silver. What is important is that it be defined. The current*
12 *situation permits the Federal Reserve—and the Internal Revenue Service for that matter—to use the word any*
13 *way they please, just like the Red Queen in Alice in Wonderland.”*
14 *[Gold Commission Report, March 1982, Annex A, pp. 259-260; SEDM Exhibit #06.008]*

15 The case of *Ling Su Fan v. United States*, [218 U.S. 302](#) (1910), establishes the legal distinction of a coin bearing the "impress"
16 of the sovereign:

17 *“These limitations are due to the fact that public law gives to such coinage a value which does not attach as a*
18 *mere consequence of intrinsic value. Their quality as a [legal tender](#) is an attribute of law aside from their bullion*
19 *value. They bear, therefore, the impress of sovereign power which fixes value and authorizes their use in*
20 *exchange.”*
21 *[Ling Su Fan v. United States, 218 U.S. 302 (1910)]*

22 The case of *Thompson v. Butler*, [95 U.S. 694](#) (1877) also establishes that the law makes no legal distinction between the
23 values of coin and paper money used as [legal tender](#):

24 *“A coin dollar is worth no more for the purposes of tender in payment of an ordinary debt than a note dollar. The*
25 *law has not made the note a standard of value any more than coin. It is true that in the market, as an article of*
26 *merchandise, one is of greater value than the other; but as money, that is to say, as a medium of exchange, the*
27 *law knows no difference between them.”*
28 *[Thompson v. Butler, 95 U.S. 694 (1877)]*

29 **7 Historical Evolution of Money**

30 **7.1 Pre-Constitutional Concepts of Money**

31 The history of money is surely as old as the history of mankind, but no attempt shall be made here to elucidate that full history
32 other than to recount certain authoritative works of antiquity which without question affected the concepts of money in
33 western civilization and particularly in English speaking countries, especially the United States.

34 Gold and silver, particularly in coin form, have since time immemorial been the best medium of exchange ever devised. The
35 reason for this is that both are relatively scarce in comparison with other substances which might serve the purpose of a
36 medium of exchange between men, tribes, societies, and nations. In addition to scarcity, the fact that both are metals further
37 adds to their usefulness as money. A scarce metal is the most obvious form of money imaginable in that it is indestructible in
38 comparison to precious stones, agricultural commodities and especially paper, and this indestructibility gives to it long life
39 as a medium of exchange and thus it is capable of surviving all sorts of calamities, including changes in government. Further,
40 gold and silver are ideally suited for use as a medium of exchange in that both are easily divisible; by being divisible, a bar
41 of gold or silver can be divided into smaller units with relative ease. Therefore, gold and silver, being highly malleable
42 precious metals which consume relatively little space in storage are ideally suited as no other substance on this earth to be
43 used as money.

44 The value of gold and silver as a medium of exchange was quickly learned by man. The oldest known history book, the Bible,
45 is replete with references to gold and silver as money. The Bible discloses land being sold for gold and silver coin, trade and
46 commerce being conducted through the use of this medium, wars being fought to acquire this metal, taxes being exacted in
47 coin and, most importantly, tithes being paid in gold and silver coin. Judas betrayed Christ for the price of silver coins. While
48 mention of gold and silver as money in the Bible is everywhere, no reference to paper as money is to be found.

1 The history of virtually every ancient nation and empire reveals use of gold and silver coin as money. Some students of
2 monetary history assert the proposition that nations attain greatness in part through the use of gold and silver in pure form as
3 money. So long as ancient nations and states operated on a pure form of specie money, they retained the viability of their
4 societies as well as their trade and commerce. However, when such societies allowed the debasement of their coin by either
5 the national monarch or a private group, societal decay occurred, that nation quickly lost its strength and was either conquered
6 or otherwise destroyed and became a part of history.

7 Delving deeper, it is quite easy to see how an adverse change in an ancient and established monetary system presages social
8 destruction. Monarchs and rulers of ancient civilizations always sought to acquire wealth and power, and the ability to direct
9 economic activity. The method for doing such was always ready at hand: the monetary system. These rulers, princes and
10 monarchs would debase the coin coming through their treasuries by blending the precious metals with baser metals in order
11 to have more coins to spend. Operating under this unsound supposition, these unprincipled rulers would soon debase the
12 ancient monetary standard, and the result would always be social ruin.

13 Another method demonstrated in history through which monarchs attempted to gain wealth and power involved delegation
14 of certain powers over the national monetary system to certain private interests. The lifeblood of any nation is its monetary
15 system; however, whenever any nation's monetary system has been delivered into the hands of any private group, that private
16 group has always manipulated the monetary system for its own benefit at the expense of the rest of society. Social ruin is
17 always the natural and proximate result of such an unlawful delegation of monetary powers to a private group.

18 There are certain medieval monetary scholars of considerable note who established certain basic premises for any monetary
19 system, one of whom was Bishop Nicholas Oresme. Bishop Oresme wrote a book in Latin in the 14th century, *De Moneta*,
20 which discussed the basic parameters for any just and lawful monetary system. According to Oresme, "money" could only
21 be gold and silver coin, as it had always been in every society except those of a primitive nature. The basic premises of
22 Oresme's treatise were that the monarch should coin the money, but he could not, without certain limited and just reasons,
23 alter the coin, change its form or name, change the ratio of exchange between the precious metals, change the weight or
24 material of the coins, or otherwise unjustly profit by any method of changing the basic monetary unit of a society. To do any
25 of these, according to Oresme, was an act of tyranny:

26 *"I am of opinion that the main and final cause why the prince pretends to the power of altering the coinage is the*
27 *profit or gain which he can get from it.*

28 *"Therefore, from the moment when the prince unjustly usurps this essentially unjust privilege, it is impossible that*
29 *he can justly take profit from it. Besides, the amount of the prince's profit is necessarily that of the community's*
30 *loss. But whatever loss the prince inflicts on the community is injustice and the act of a tyrant and not of a king **
31 ** **

32 *"And so the prince would be at length able to draw to himself almost all the money or riches of his subjects and*
33 *reduce them to slavery. And this would be tyrannical, indeed true and absolute tyranny."*

34 Bishop Oresme is probably the least known monetary scholar in history. Nonetheless, the timeless, permanent monetary
35 maxims so ably demonstrated by Oresme are clearly embodied in the framework of the common law as regards money.

36 Insofar as the common law is concerned, there are many instances of English monarchs attempting to violate Oresme's
37 monetary principles. Some examples of these unfortunate endeavors quickly demonstrate the fallacy of any attempt to debase
38 coin. King Edward IV, during the time of his reign, determined that the English nation was plagued by various impure coins
39 of sundry weights. One of the outstanding achievements of Edward IV was to perfect the standard of coin of the realm, which
40 produced excellent results. Subsequently during the reigns of Henry VI and Henry VIII, these extravagant kings sought
41 monetary gain by debasement of the coin of the realm, which attempts produced adverse results not only for the nation but
42 for the monarchs themselves as well. When Queen Elizabeth succeeded her father, Henry VIII, she restored Edward's ancient
43 standard and thereafter during her reign resisted the advice of her ministers to engage in debasement. Her efforts at monetary
44 order produced very favorable results.

45 Of particular importance to the subject of the American constitutional monetary standard are two periods during the 17th
46 century. One such period was in 1626. In 1625, after the death of King James I, Charles I assumed the throne and was faced
47 with a less than compliant Parliament. Needing money, Charles sought to engage in the old fashioned method of coin

1 debasement, but here he met stiff resistance. In September of 1626, Sir Robert Cotton addressed the Privy Council and
2 expressed his opposition to any attempt to debase the coin:

3 *"And wealth in every Kingdom is one of the essential Marks of their Greatness: And that is best expressed in the*
4 *Measure and Purity of their Monies. Hence was it, that so long as the Roman Empire (a Pattern of best*
5 *Government) held up their Glory and Greatness, they ever maintained, with little or no change, the Standard of*
6 *their Coin. But after the loose times of Commodus had led in Need by Excess, and so that Shift of Changing the*
7 *Standard, the Majesty of that Empire fell by degrees. And as Vopiscus saith, the steps by which that State*
8 *descended, were visibly known most by the gradual Alteration of their coin; and there is no surer symptom of a*
9 *Consumption in State, than the Corruption in Money.*

10 *"To avoid the Trick of Permutation, Coin was devised as a Rate and Measure of Merchandize and Manufactures;*
11 *which if mutable, no Man can tell either what he hath, or what he oweth; no Contract can be certain; and so all*
12 *Commerce, both publick and private, destroyed; and Men again enforced to Permutation with things not subject*
13 *to Wit or Fraud.*

14 *"Experience hath taught us, that the enfeebling of Coin is but a shift for a while, as Drink to one in a Dropsie, to*
15 *make him swell the more; But the State was never thoroughly cured, as we saw by Henry the Eighth's time and*
16 *the late Queens, until the Coin was made rich again."*

17 As a result of the study made in 1626 concerning debasement, a report was issued which stated that debasement served no
18 purpose other than injustice and the decision was made against any attempt to debase. The argument against debasement was
19 cogently stated as follows:

20 *"The Measures in a Kingdom ought to be constant: It is the Justice and Honour of the King; for if they be altered,*
21 *all Men at that instant are deceived in their precedent Contracts, either for Lands or Money, and the King most*
22 *of all; for no Man knoweth then, either what he hath or what he oweth."*

23 Thus having his efforts to debase denied to him, Charles sought other methods for raising revenue to finance his wars upon
24 the continent. The expedient upon which he chose was forced loans made by seizing coin in the Tower of London. Five
25 Knights were incarcerated for their refusal to acknowledge the forced loans. This brought controversy with the Parliament,
26 the net result of which was the Petition of Right of 1628, which denied to the King the inherent right to make forced loans.
27 The Petition was the final straw that caused Charles to disband Parliament for 12 years during which he conducted his personal
28 rule of England. When Parliament was finally reconvened in 1640, the "Long Parliament" produced the Grand Remonstrance.
29 The implacability of Charles eventually led to the Civil War, which ended in rule by Oliver Cromwell. The moral of the
30 story here is that attempts to debase the coin and make forced loans eventually can cause the ultimate destruction of society,
31 civil war.

32 The second period of the 17th century of importance to this issue is that shortly after the Glorious Revolution of 1688 when
33 William and Mary assumed the English throne. By 1691, there was a great debate concerning the alleged need to once again
34 debase the coin of the realm. Between 1691 and 1695, John Locke, whose writings had considerable impact upon our founding
35 fathers, wrote three treatises against the proposal to debase the coin of the realm by the small percentage of 5%. In these
36 treatises, Locke made the following cogent arguments:

37 *"For an ounce of silver, whether in pence, groats, or crownpieces, stivers, or ducatoons, or in bullion, is, and*
38 *always eternally will be, of equal value to any other ounce of silver, under what stamp or denomination soever.*

39 *"All then that can be done in this great mystery of raising money, is only to alter the denomination, and call that*
40 *a crown now, which before, by the law, was but a part of a crown.*

41 *"The quantity of silver, that is in each piece, or species of coin, being that which makes its real and intrinsic*
42 *value, the due proportions of silver ought to be kept in each species, according to the respective rate, set on each*
43 *of them by law. And when this is ever varied from, it is but a trick to serve some present occasion, but is always*
44 *with loss to the country where the trick is played * * * For it not being the denomination, but the quantity of*
45 *silver, that gives the value to any coin.*

46 *"Silver, i.e. the quantity of pure silver, separable from the alloy, makes the real value of money. If it does not,*
47 *coin copper with the same stamp and denomination and see whether it will be of the same value. I suspect your*
48 *stamp will make it of no more worth than the copper money of Ireland is, which is its weight in copper and no*
49 *more.*

1 *"The stamp was a warranty of the public that, under such a denomination, they should receive a piece of such a*
2 *weight, and such a fineness; that is, they should receive so much silver. And this is the reason why the*
3 *counterfeiting the stamp is made the highest crime, and has the weight of treason laid upon it; because the stamp*
4 *is the public voucher of the intrinsic value. The royal authority gives the stamp, the law allows and confirms the*
5 *denomination, and both together give, as it were, the public faith, as a security, that sums of money contracted*
6 *for under such denominations shall be of such a value, that is, shall have in them so much silver; for it is silver,*
7 *and not names, that pays debts, and purchases commodities.*

8 *"Money is the measure of commerce, and of the rate of every thing, and therefore ought to be kept (as all other*
9 *measures) as steady and invariable as may be.*

10 *"It is the interest of every country, that all the current money of it should be of one and the same metal; that the*
11 *several species should be of the same alloy, and none of a baser mixture; and that the standard, once thus settled,*
12 *should be inviolably and immutably kept to perpetuity. For whenever that is altered, upon what pretence soever,*
13 *the public will lose by it."*

14 As a result of the debate concerning the proposal to debase coin, Parliament refused to adopt it. Some 23 years later,
15 Parliament enacted in January, 1718, a resolution that stated there shall not be any alteration made to the ancient coin standard
16 of England.

17 One of the most significant expositions of the common law of England, and therefore the heritage of American law, consists
18 of Sir William Blackstone's [Commentaries on the Laws of England](#). In Blackstone's exhaustive treatment of the common law,
19 he aptly stated the [common law concerning money](#):

20 *"Money is an universal medium, or common standard, by comparison with which the value of all merchandize*
21 *may be ascertained: or it is sign, which represents the respective values of all commodities. Metals are well*
22 *calculated for this sign, because they are durable and are capable of many subdivisions: and a precious metal is*
23 *still better calculated for this purpose, because it is the most portable. A metal is also the most proper for a*
24 *common measure, because it can easily be reduced to the same standard in all nations: and every particular*
25 *nation fixes on it its own impression, that the weight and standard (wherein consists the intrinsic value) may both*
26 *be known by inspection only.*

27 *"The coining of money is in all states the act of the sovereign power; for the reason just mentioned, that its value*
28 *may be known on inspection. And with respect to coinage in general, there are three things to be considered*
29 *therein; the materials, the impression, and the denomination.*

30 *"With regard to the materials, Sir Edward Coke lays it down, that the money of England must either be of gold*
31 *or silver; and none other was ever issued by the royal authority till 1762, when copper farthings and halfpence*
32 *were coined by King Charles the Second * * * But this copper coin is not upon the same footing with the other in*
33 *many respects * * **

34 *"As to the impression, the stamping thereof is the unquestionable prerogative of the crown * * **

35 *"The denomination, or the value for which the coin is to pass current, is likewise in the breast of the king * * * In*
36 *order to fix the value, the weight and the fineness of the metal are to be taken into consideration together. When*
37 *a given weight of gold or silver is of a given fineness, it is then of the true standard, and called sterling metal * **
38 ** And of this sterling metal all the coin of the kingdom must be made, by the statute 25 Edw. III c. 13 (Coinage,*
39 *1351). So that the king's prerogative seemeth not to extend to the debasing or inhancing the value of the coin,*
40 *below or above the sterling value * * * The king may also, by his proclamation, legitimate foreign coin, and make*
41 *it current here; declaring at what value it shall be taken in payments. But this, I apprehend, ought to be by*
42 *comparison with the standard of our own coin; otherwise the consent of parliament will be necessary."*

43 From the above authorities of Bishop Oresme, Sir Robert Cotton, John Locke and Blackstone the basic parameters of a just
44 monetary system can be discovered as well as a concise summary of the common law of money. History and these authorities
45 demonstrate that gold and silver coin was always money and these substances alone were money and will always be; and the
46 common law sanctioned no other medium of exchange other than gold and silver coin of the standard as determined by
47 Edward. Further, debasement of the specie coin of any nation is unjust and unlawful, and was expressly forbidden by the
48 common law. Thus, the refined essence of the common law was that gold and silver alone were money, and the coins so
49 minted had to conform to the ancient and established standard coin of the realm; further, this standard was immutable and
50 could not be debased.¹⁴

¹⁴ For a more definitive treatment of this subject and period of time, reference is made to "The Gold Clause Cases in the Light of History," 23 Georgetown Law Journal 359 (1935), and Edwin Vieira's fine work, Pieces of Eight, The Monetary Powers and Disabilities of the United States Constitution.

7.2 Colonial Monetary Experiments

The actions of Charles I in dismissing Parliament in 1628 and thereafter conducting his personal rule of England for 12 years was a primary cause of the exodus of English citizens to the New World, America, in the early 17th century. However, conditions then in this country were primitive to say the least, and the colonies were controlled by English governors and the monopolistic privileges granted by the Crown to particular court favorites. Trade with the mother country, England, was especially one sided to the detriment of the colonies and their citizens, and this created a shortage of a medium of exchange, especially gold and silver coin. Barter was extensively used to consummate trade, and agricultural products such as tobacco, cattle, land, wampum and other items were used as a substitute "legal tender."

The first paper money experiment in colonial America occurred in 1690 when Massachusetts, anticipating a need to pay soldiers sent to war in Canada, made the first emission of paper money. After the soldiers returned from this unsuccessful invasion attempt, they received their pay in this scrip; see [Craig v. Missouri](#), 29 U.S. 410 (1830). The direct result of this improvident experiment brought Gresham's Law ("bad money drives out good money") into operation and such specie as existed in the colony soon departed for use in England. Notwithstanding the apparent adverse effects of paper emissions, the supposed short term benefit was noticed by other colonies and over succeeding years, they repeated the same experiment. In May, 1703, South Carolina engaged in this same expedient. Thereafter, New Hampshire followed in 1709, Connecticut in June, 1709, New York in November, 1709, Rhode Island in July, 1710, Pennsylvania in March, 1723, and Maryland in 1733. The remainder of the colonies, particularly Virginia, seems to have escaped the urge of the dreadful expedient of paper money. ¹⁵ George Bancroft noted that the colonies, once addicted to use of paper money, continued with further emissions which only proved to be disastrous.

During the period when many of the colonies were emitting a paper currency, the value of the notes of one colony constantly fluctuated against the value of all other colonial notes. This uncertainty in value was directly proportional to the number and amount of the emissions made by any particular colony; the results were certain and caused the destruction of trade and commerce as well as confidence in the medium of exchange. This was aptly demonstrated by the example of Rhode Island. In 1743, Rhode Island issued "bills of credit" wherein 27 shillings in paper denomination were alleged to equal one ounce of silver. But in 1751, the Rhode Island General Assembly devalued these bills to the point where, at law, 54 shillings in paper were exchangeable for one ounce of silver. Undeterred by the ill effects of devaluation, the Assembly thereafter made the exchange rate equal 64 shillings of paper for an ounce of silver. Not only did the colonies violate the express dictates of Oresme and the common law by making paper be money and not gold and silver, but they further violated the law against debasement and debased their paper.

In 1751, one of our founding fathers, Roger Sherman, the very man who made Article 1, § 10, cl. 1 a prominent part of our Constitution, was engaged in business in Connecticut. While so employed, he extended credit to a merchant from Rhode Island, who later attempted to discharge his liability to Sherman with Rhode Island paper money. Sherman refused, and a legal controversy thereafter ensued. While Roger Sherman plead in this suit that the law required specie payment, the Rhode Island merchant defended himself on the basis of custom of the people. The decision in the case was in favor of the Rhode Island merchant.

Sherman was incensed at the verdict and decided, in the great tradition of Oresme, Cotton, Locke and Blackstone, to espouse his views in book form. In 1752, Sherman wrote a short treatise entitled [A Caveat Against Injustice, or An Inquiry Into the Evil Consequences of a Fluctuating Medium of Exchange](#). This treatise of Roger Sherman, in addition to its value in noting the injustice and inequity of a fluctuating medium of exchange, is of immense value in determining the true intent and meaning of Art. 1, § 10. He demonstrated that the viability of commerce was dependent upon traders and businessmen exchanging their goods and commodities for currency of intrinsic value. Such businessmen had surrendered property of specific value in order to accumulate the commodities they were selling. At the time of sale, the contract price of the goods sold included the cost of such goods as well as a return for the labors of the businessman. If the currency utilized to effect this commercial exchange was without intrinsic value, or its intrinsic value was being deflated by actions of a sovereign government, the businessman was being unfairly and unjustly deprived of his property and labor. Sherman concluded:

¹⁵ See George Bancroft's excellent treatment in *A Plea for the Constitution, Wounded in the House of Its Guardians*.

1 *"But if what is us'd as a Medium of Exchange is fluctuating in its Value it is no better than unjust Weights and*
2 *Measures, both which are condemn'd by the Laws of GOD and Man, and therefore the longest and most universal*
3 *Custom could never make the Use of such a Medium either lawful or reasonable.*

4 *"And instead of having our Properties defended and secured to us by the Protection of the Government under*
5 *which we live; we should be always exposed to have them taken from us by Fraud at the Pleasure of our*
6 *Government, who have no Right of Jurisdiction over us.*

7 *"But so long as we part with our most valuable Commodities for such Bills of credit as are no Profit; but rather*
8 *a Cheat, Vexation and Snare to us, and become a Medium whereby we are continually cheating and wronging*
9 *one another in our Dealings and Commerce * * * we shall spend a great Part of our labour and Substance for*
10 *that which will not profit us."*¹⁶

11 While Roger Sherman had concisely stated the reasons and need for a stable currency of specie, he was denied the opportunity
12 to remedy this vicious problem until he attended the Constitutional Convention in 1787.

13 In 1755, war with France, who was attempting to settle the basin of the Mississippi River, commenced in the colonies. To aid
14 the war effort and to acquire the necessary resources for it, the colonies used the expedient of paper money. The cessation of
15 this conflict came in 1763, but thereafter the paper money dread continued and the "need" for paper money was exacerbated
16 with the advent of the Revolutionary War.

17 In varying degrees prior to the Revolutionary War, the colonies attempted to redress the problems caused by paper money.
18 Massachusetts declared that lawful money was only gold and silver. Others, however, either ceased emissions or reduced
19 their total amount; see Bancroft's *Plea*. But by 1775, relations with England had become so hostile that this impending conflict
20 caused the colonies, in a compulsion of monetary insanity, to reach for the old expedient, more paper money.

21 **7.3 The Period of the Revolution and the Articles of Confederation**

22 With the advent of the Revolutionary War, the colonial governments as well as the Continental Congress sought the services
23 of a bandit commonly referred to as paper money. Be it in times of war or peace, the tool of paper money allows any entity,
24 either government or a private group or consortium, to obtain real resources or wealth of extraordinary value for the mere
25 cost of printing paper. With the services of paper money willingly enlisted by the Revolutionary governments, these
26 governments exchanged their bills of credit, which promised redemption in specie at some future date, for war materiel,
27 supplies and men. But as time passed and the paper emissions became greater, it became apparent that these governments
28 could not possibly honor the promise to redeem these notes for value.

29 During the War, all of the colonies emitted bills of credit, and most declared the same to be a legal tender, the States claiming
30 unto themselves the right to declare any thing, especially paper, a legal tender. As the Continental Congress did not possess
31 the power to declare a legal tender, it was compelled to enlist the aid of the sovereign States, which thereafter declared the
32 Continental Notes, along with their own notes, a legal tender for debts.¹⁷ As time and the war passed, more and more paper
33 notes were put into circulation and the constant increase in this quantity caused the decline in value of all outstanding notes.
34 This process is commonly referred to as "inflation."

35 Christopher Collier's book, *Roger Sherman's Connecticut*, ably recounts the general inflation of this period and the specific
36 monetary difficulties caused to Sherman by these paper emissions:

37 *"One hundred dollars printed in September of 1777 was worth only twentyfour a year later and but four in 1779.*
38 *By March 1780 it took \$3732 to buy what could have been bought for \$100 in late 1777. Sherman had run up a*
39 *bill of \$99 at the barber's; he owed for eight bottles of wine at \$58 each and two barrels of 'cyder' at \$100 apiece;*
40 *'washing for self and servant \$639; for 15 weeks 4 days board self and waiter, \$8330; 1 pair silk hose, \$300;*
41 *mending watch, \$210; 1 pair leather breeches, \$420."*

¹⁶ Further discussions of the disastrous and ruinous effects of bills of credit can be found in *Craig v. Missouri*, supra, and *Townsend v. Townsend*, 7 Tenn. 1 (1821), among many others.

¹⁷ See Vieira's Pieces of Eight.

1 Not only did Sherman suffer the extraordinary ravages of inflation, he had an extremely hard time obtaining payment from
2 the government of Connecticut as its representative to the Continental Congress. This lack of payment occurred
3 notwithstanding the constant paper emissions of Connecticut.

4 Other accounts of inflation during this War disclosed that in January, 1781, it took \$100 in paper to acquire one dollar in
5 specie coin. But by May of the same year, the exchange rate exceeded 500 to 1, and later all paper currency became entirely
6 worthless, hence the phrase "not worth a Continental." It is almost certain that the members of the Continental Congress,
7 many of whom attended the Convention of 1787, were as wise and intelligent as any subsequent Congress of the United
8 States, but these gentlemen were unable to make any laws which would effectively repeal the operation of natural economic
9 laws, particularly Gresham's. When the Revolutionary War ended, the state and national governments had obtained all the
10 resources necessary for the War merely by tendering paper. The real cost of the War, in terms of wealth, was borne by those
11 who were forced to part with their property for paper which eventually became worthless. It was through the tool of a paper
12 money that the governments of the Revolutionary War obtained all resources for the War without surrendering corresponding
13 value in exchange. The people who lost their wealth and property as a result of being forced to part with their property did
14 not receive fair compensation.

15 Paper money was not only the instrument of theft, its vicious nature permeated the whole of society. In 1789, Peletiah Webster
16 aptly described the entire social damage resulting from the experiments in paper money:

17 *"Paper money polluted the equity of our laws, turned them into engines of oppression, corrupted the justice of*
18 *our public administration, destroyed the fortunes of thousands who had confidence in it, enervated the trade,*
19 *husbandry and manufactures of our country, and went far to destroy the morality of our people."*

20 Between the end of the War and the time of the Philadelphia Convention of 1787, our young nation suffered economic distress
21 as a result of continuing paper emissions. However, the Congress under the Articles of Confederation did attempt to render
22 some order out of chaos. In common circulation in our country at that time was the Spanish Milled Silver Dollar, and due to
23 its universal use, accounts were kept in this "dollar" unit. On July 6, 1785, Congress declared that the money unit of the
24 United States was a "dollar;" see [29 Journals of the Continental Congress 499](#). On [April 8, 1786](#), Congress went further and
25 declared:

26 *"Congress by their Act of the 6th July last resolved, that the Money Unit of the United States should be a Dollar,*
27 *but did not determine what number of grains of Fine Silver should constitute the Dollar.*

28 *"We have concluded that Congress by their Act aforesaid, intended the common Dollars that are Current in the*
29 *United States, and we have made our calculations accordingly * * **

30 *"The Money Unit or Dollar will contain three hundred and seventy five and sixty four hundredths of a Grain of*
31 *fine Silver. A Dollar containing this number of Grains of fine Silver, will be worth as much as the New Spanish*
32 *Dollars."*¹⁸

33 Thus, prior to the Convention of 1787, Congress had made a factual determination that the common money or currency in
34 use by the people of our country was the Spanish Milled Silver Dollar, and further that experiments, tests and analyses of
35 these coins revealed that they contained 375.64 grains of pure silver. Many members of Congress were also delegates to the
36 Philadelphia Constitutional Convention of 1787 and it was based upon the factual findings made by Congress previously that
37 the word "dollar" as mentioned in the Constitution had meaning.

38 **7.4 The Constitutional Convention of 1787**

39 In May, 1787, pursuant to a Congressional plan to revise and amend the Articles of Confederation, delegates from the various
40 states met in Philadelphia. The union of the States created by the Articles had been imperfect and therefore a better
41 organization of unity among them was needed. However, a substantial problem confronting all the States at that time was
42 economic and was caused by the monetary system, therefore it was essential that the best monetary system possible also
43 result from the work of the Convention.

¹⁸ [30 Journals of the Continental Congress 162](#).

1 The best source of information available concerning the secret debates of the [Convention is James Madison's notes](#). Insofar
2 as the monetary provisions of the Constitution are concerned, Madison's notes reveal that on Thursday, [August 16, 1787](#), the
3 Convention was discussing the proposed Constitution's provisions contained in Article 1, § 8, wherein Congress was to be
4 given the power to "emit bills on the credit of the United States." Gouverneur Morris on this date moved to strike this proposed
5 phrase from the Constitution. In response, Mr. Elseworth stated that he "thought this a favorable moment to shut and bar the
6 door against paper money." He further stated, "the mischiefs of the various experiments which had been made were now fresh
7 in the public mind and had excited the disgust of all the respectable part of America. By withholding the power from the new
8 government, more friends of influence would be gained to it than by almost anything else. Paper money can in no case be
9 necessary. Give the government credit, and other resources will offer. The power may do harm, never good." Mr. Wilson
10 commented that, "it will have a most salutary influence on the credit of the United States to remove the possibility of paper
11 money." Mr. Read noted that he "thought the words, if not struck out, would be as alarming as the mark of the Beast in
12 Revelations." Even more emphatically voiced was Mr. Langdon's remark that he "would rather reject the whole plan than
13 retain the three words, 'and emit bills'." The motion to strike these words from the Constitution carried by a vote of nine states
14 in favor and two opposed.

15 On Tuesday, [August 28, 1787](#), the Convention was discussing the provisions contained in Article 1, § 10 of the Constitution.
16 Mr. Roger Sherman and Mr. Wilson moved to amend the proposed Article 1, § 10 to include the words "nor emit bills of
17 credit, nor make anything but gold and silver coin a tender in payment of debts." The discussion concerning this proposed
18 amendment concerned only the portion regarding "emit bills of credit." In support of his motion, Mr. Sherman stated that he
19 "thought this a favorable crisis for crushing paper money," reasoning that "if the consent of the Legislature could authorize
20 emissions of it, the friends of paper money would make every exertion to get into the Legislature in order to license it." The
21 voting concerning the power to emit bills of credit was eight states in favor and two opposed. The remainder of the proposed
22 amendment concerning gold and silver coin passed with no opposition.

23 The work of the Convention was completed on September 17, 1787, and the end result was the Constitution of the United
24 States of America. In reference to the much needed revision of the monetary system, Congress had been granted the power
25 to "coin money and regulate the value thereof," virtually the identical powers in reference to the currency which it possessed
26 under the Articles, which did not include the power to declare a legal tender. Further, certain binding, absolute and
27 uncircumventable prohibitions had been placed upon the States in Article 1, § 10, cl. 1, one of which limited the legal tender
28 power of the States to gold and silver coin. The chief architect of the monetary powers and disabilities contained in the U.S.
29 Constitution was none other than Roger Sherman, who had so ably expressed his opinion of paper money 35 years earlier
30 and resoundingly condemned it. At the convention, virtually all the delegates held views identical with Sherman, and they
31 were certain that paper money had been permanently prohibited by the "Supreme Law of the Land." The intent of the drafters
32 of the Constitution was to grant to Congress the power to coin gold and silver which could be the only legal tender pursuant
33 to Article 1, § 10. Thus the Constitution was deliberately designed to insure gold and silver coin as the "money of the realm."

34 The proposed Constitution was thereafter submitted to the states for ratification. In Maryland, a delegate to the Convention,
35 a lawyer named Luther Martin who was probably one of the few men to oppose prohibitions upon paper currency, summarized
36 the work of the Convention:

37 *"By our original articles of confederation, the Congress have a power to borrow money and emit bills of credit,*
38 *on the credit of the United States; agreeably to which, was the report on this system as made by the committee of*
39 *detail. When we came to this part of the report, a motion was made to strike out the words 'to emit bills of credit.'*
40 *Against the motion we urged, that it would be improper to deprive the Congress of that power. But, Sir, a majority*
41 *of the convention, being wise beyond every event, and being willing to risk any political evil, rather than admit*
42 *the idea of a paper emission, in any possible event, refused to trust this authority to a government, to which they*
43 *were lavishing the most unlimited powers of taxation, and they erased that clause from the system.*

44 *"By the tenth section every State is prohibited from emitting bills of credit. As it was reported by the committee*
45 *of detail, the States were only prohibited from emitting them without the consent of Congress; but the convention*
46 *was so smitten with the paper money dread, that they insisted the prohibition should be absolute. It was my*
47 *opinion, Sir, that the States ought not to be totally deprived of the right to emit bills of credit, and that, as we had*
48 *not given an authority to the general government for that purpose, it was the more necessary to retain it in the*
49 *States. I therefore thought it my duty to vote against this part of the system."*

50 Thus, it is clear from both the proponents of the constitutional ban upon paper money and one of its most ardent foes that the
51 clear design of the Constitution in reference to monetary powers was an absolute prohibition upon any paper money.

1 In New York, debate concerning ratification of the Constitution was heated. There, Alexander Hamilton, James Madison and
2 John Jay came to the defense of the proposed Constitution by publication of a series of articles concerning the Constitution
3 in New York newspapers. This series, now known as the *Federalist Papers*, contains virtually the best source of information
4 concerning the interpretation of our Constitution. In [Article number 44](#), written by Madison, the following comments were
5 made regarding the intent of Article 1, § 10:

6 *"The extension of the prohibition to bills of credit must give pleasure to every citizen in proportion to his love of*
7 *justice and his knowledge of the true springs of public prosperity. The loss which America has sustained since*
8 *the peace, from the pestilent effects of paper money on the necessary confidence between man and man, on the*
9 *industry and morals of the people, and on the character of republican government, constitutes an enormous debt*
10 *against the States chargeable with this unadvised measure which must long remain unsatisfied, or rather an*
11 *accumulation of guilt which can be expiated no otherwise than by a voluntary sacrifice on the altar of justice of*
12 *the power which has been the instrument of it. In addition to these persuasive considerations, it may be observed*
13 *that the same reasons which show the necessity of denying to the States the power of regulating coin prove with*
14 *equal force that they ought not to be at liberty to substitute a paper medium in the place of coin. Had every State*
15 *a right to regulate the value of its coin, there must be as many different currencies as States, and thus the*
16 *intercourse among them would be impeded; retrospective alterations in its value might be made, and thus citizens*
17 *of other States be injured, and animosities be kindled among the States themselves. The subjects of foreign powers*
18 *might suffer from the same cause, and hence the Union be discredited and embroiled by the indiscretion of a*
19 *single member. No one of these mischiefs is less incident to a power in the States to emit paper money than to*
20 *coin gold or silver. The power to make anything but gold and silver a tender in payment of debts is withdrawn*
21 *from the States on the same principle with that of issuing a paper currency."*

22 The success of the *Federalist* was evident in the fact that the proponents of the Constitution were successful in securing
23 ratification in New York.

24 The adoption of the U.S. Constitution in 1789 paved the way for the intended "more perfect union." An analysis of the method
25 of construction of the constitutional provisions in reference to the currency powers thereof and of the contemporaneous
26 expressions of these provisions leads to the unmistakable conclusion that the Constitution designed a monetary system based
27 upon gold and silver coin, and the standard so built was enduring, perfect and immutable. The influence of Oresme, Cotton,
28 Locke and Blackstone is easily perceived.

29 **7.5 Period I: The Civil War**

30 After the adoption of the U.S. Constitution, establishment of the three great departments thereof and the construction of a
31 political order in harmony with that great document, Congress embarked upon the task of providing monetary order to the
32 affairs of the young nation. One of the first monetary tasks undertaken by the new Congress was obtaining from Alexander
33 Hamilton his "[Report on the Subject of a Mint](#)." ¹⁹ Therein, Hamilton relied upon the previously mentioned Congressional
34 resolutions of 1785 and 1786, and determined as a matter of fact that the Spanish Milled Silver Dollar was by accepted custom
35 the monetary unit of the United States. Hamilton proffered the suggestion that such a "dollar" was in fact equal to 371.25
36 grains of pure silver and he suggested an exchange ratio, established by the market, between gold and silver as 1 to 15. Based
37 upon Hamilton's Report, Congress adopted "The Coinage Act of 1792," [1 Stat. 246](#), which found that a "dollar" was equal to
38 371.25 grains of pure silver. This Act of Congress, therefore, immutably set the value of a "dollar" at 371.25 grains of pure
39 silver, and Congress, in accordance with the principles of Oresme, Cotton, Locke and Blackstone, lacked all power to ever
40 debase this standard.

41 The generation of men who drafted the U.S. Constitution and the generation immediately following were acutely aware of
42 the precise monetary powers and disabilities embodied in our national charter. The men who sat in the state courts and the
43 United States Supreme Court up to the outbreak of the Civil War demonstrated these principles in the decisions they wrote.
44 Insofar as the U.S. Supreme Court is concerned, these principles can be found by examining certain of the opinions rendered
45 during this period, among which include the following:

46 *Calder v. Bull*, 3 U.S. (3 Dall.) 386, 390 (1798):

47 *"The prohibitions not to make anything but gold and silver coin a tender in payment of debts, and not to pass any*
48 *law impairing the obligations of contracts, were inserted to secure private rights."*

¹⁹ 2 Debates and Proceedings in the Congress of the United States, Appendix at 2059.

1 Sturges v. Crowninshield, 17 U.S. (4 Wheat.) 122 (1819):

2 *"It was notorious that the States had emitted paper money, and made it a tender; had compelled creditors to*
3 *receive payment of debts due to them in various articles of property of inadequate value; had allowed debts to be*
4 *paid by installments, and prohibited a recovery of the interest. All these evils, so destructive of public and private*
5 *faith, and so embarrassing to commerce, the convention intended, doubtless, to prevent in future. The language*
6 *employed speaks only of paper money and tender laws, by a particular description," 4 Wheat. at 133.*

7 *"That the prevailing evil of the times, which produced this clause in the constitution, was the practice of emitting*
8 *paper money, of making property which was useless to the creditor a discharge of his debt, and of changing the*
9 *time of payment by authorizing distant installments. Laws of this description, not insolvent laws, constituted, it is*
10 *said, the mischief to be remedied," 4 Wheat. at 199.*

11 *"We are told they were such as grew out of the general distress following the war in which our independence was*
12 *established. To relieve this distress, paper money was issued, worthless lands and other property of no use to the*
13 *creditor were made a tender in payment of debts; and the time of payment, stipulated in the contract, was extended*
14 *by law. These were the peculiar evils of the day. So much mischief was done, and so much more was apprehended,*
15 *that general distrust prevailed, and all confidence between man and man was destroyed.*

16 *"Was the general prohibition intended to prevent paper money? We are not allowed to say so because it is*
17 *expressly provided that no states shall 'emit bills of credit;' neither could these words be intended to restrain the*
18 *states from enabling debtors to discharge their debts by the tender of property of no real value to the creditor*
19 *because for that subject also particular provision is made. Nothing but gold and silver coin can be made a tender*
20 *in payment of debts," 4 Wheat. at 204.*

21 Ogden v. Saunders, 25 U.S. (12 Wheat.) 213 (1827):

22 *"It declares that 'no state shall coin money, emit bills of credit, make anything but gold and silver coin a tender*
23 *in payment of debts.' These prohibitions, associated with the powers granted to Congress 'to coin money, and to*
24 *regulate the value thereof, and of foreign coin' most obviously constitute members of the same family, being upon*
25 *the same subject and governed by the same policy.*

26 *"This policy was to provide a fixed and uniform standard of value throughout the United States, by which the*
27 *commercial and other dealings between the citizens thereof, or between them and foreigners, as well as the*
28 *monied transactions of the government, should be regulated. For it might well be asked, why vest in Congress the*
29 *power to establish a uniform standard of value by the means pointed out, if the states might use the same means,*
30 *and thus defeat the uniformity of the standard and, consequently, the standard itself? And why establish a*
31 *standard at all, for the government of the various contracts which might be entered into, if those contracts might*
32 *afterwards be discharged by a different standard, or by that which is not money, under the authority of tender*
33 *laws," 12 Wheat. at 265.*

34 *"The prohibition in the constitution to make anything but gold or silver coin a tender in payment of debts is*
35 *express and universal. The framers of the constitution regarded it as an evil to be repelled without modification;*
36 *they have, therefore, left nothing to be inferred or deduced from construction on this subject," 12 Wheat. at 288.*

37 *"The next in order is, or 'make anything but gold and silver a tender in payment of debts;' this is founded upon*
38 *the same principles of public and national policy as the prohibition to coin money and emit bills of credit, and is*
39 *so considered in the commentary on this clause in the number of the Federalist I have referred to. It is there said,*
40 *the power to make anything but gold and silver a tender in payment of debts, is withdrawn from the states, on the*
41 *same principles with that of issuing a paper currency. All these prohibitions, therefore, relate to powers of a*
42 *public nature, and are general and universal in their application and inseparably connected with national policy,"*
43 *12 Wheat. at 306.*

44 *"The prohibition is not, that no state shall pass any law, but that even if a law does exist, the 'state shall not make*
45 *anything but gold and silver coin a legal tender.' The language plainly imports that the prohibited tender shall*
46 *not be made a legal tender, whether a law of the state exists or not. The whole subject of tender, except in gold*
47 *and silver, is withdrawn from the states," 12 Wheat. at 328.*

48 *"The second class of prohibited laws comprehends those whose operation consists in their action on individuals.*
49 *These are laws which make anything but gold and silver coin a tender in payment of debts, * * **

50 *"In all these cases, whether the thing prohibited be the exercise of mere political power, or legislative action on*
51 *individuals, the prohibition is complete and total. There is no exception from it. Legislation of every description*
52 *is comprehended within it," 12 Wheat. at 335.*

53 Craig v. Missouri, 29 U.S. (4 Peters) 410 (1830):

1 "At a very early period of our colonial history the attempt to supply the want of the precious metals by a paper
2 medium was made to a considerable extent, and the bills emitted for this purpose have been frequently
3 denominated bills of credit. During the war of our revolution we were driven to this expedient, and necessity
4 compelled us to use it to a most fearful extent. The term has acquired an appropriate meaning; and 'bills of credit'
5 signify a paper medium, intended to circulate between individuals and between government and individuals, for
6 the ordinary purposes of society. Such a medium has been always liable to considerable fluctuation. Its value is
7 continually changing; and these changes, often great and sudden, expose individuals to immense loss, are the
8 sources of ruinous speculations, and destroy all confidence between man and man. To cut up this mischief by the
9 roots, a mischief which was felt through the United States, and which deeply affected the interest and prosperity
10 of all, the people declared in their Constitution that no State should emit bills of credit. If the prohibition means
11 anything, if the words are not empty sounds, it must comprehend the emission of any paper medium by a State
12 government for the purpose of commons circulation," 4 Peters, at 431-32.

13 "The Constitution, therefore, considers the emission of bills of credit and enactment of tender laws as distinct
14 operations, independent of each other which may be separately performed. Both are forbidden," 4 Peters, at 434.

15 "Congress emitted bills of credit to a large amount and did not, perhaps could not, make them a legal tender.
16 This power resided in the States," 4 Peters, at 435.

17 Dissenting opinion of J. Johnson:

18 "The great end and object of this restriction on the power of the States, will furnish the best definition of the terms
19 under the consideration. The whole was intended to exclude everything from use as a circulating medium except
20 gold and silver, and to give to the United States the exclusive control over the coining and valuing of the metallic
21 medium. That the real dollar may represent property, and not the shadow of it," 4 Peters, at 442-43.

22 [Briscoe v. Bank of the Commonwealth of Kentucky](#), 36 U.S. (11 Peters) 257 (1837):

23 "If the Legislature of a State attempt to make the notes of any bank a tender, the act will be unconstitutional * *
24 *, " 11 Peters, at 316.

25 "They acted upon known facts and not theories, and meant, by prohibiting the States from emitting bills of credit,
26 to prohibit any issue in any form, to pass as paper currency or paper money, whose basis was the credit, or funds
27 or debts, or promises of the states * * * They knew that whatever paper currency is not directly and immediately,
28 at the mere will of the holder, redeemable in gold and silver, is, and forever must be liable to constant
29 depreciation," 11 Peters, at 339.

30 [United States v. Marigold](#), 50 U.S. (9 How.) 560, 567-68 (1850):

31 "They appertain rather to the execution of an important trust invested by the Constitution, and to the obligation
32 to fulfill that trust on the part of the government, namely, the trust and the duty of creating and maintaining a
33 uniform and pure metallic standard of value throughout the Union. The power of coining money and of regulating
34 its value was delegated to Congress by the Constitution for the very purpose, as assigned by the framers of that
35 instrument, of creating and preserving the uniformity and purity of such standard of value * * *

36 "If the medium which the government was authorized to create and establish could immediately be expelled, and
37 substituted by one it had neither created, estimated, nor authorized one possessing no intrinsic value then the
38 power conferred by the Constitution would be useless wholly fruitless of every end it was designed to accomplish.
39 Whatever functions Congress are, by the Constitution, authorized to perform, they are, when the public good
40 requires it, bound to perform; and on this principle, having emitted a circulating medium, a standard of value
41 indispensable for the purposes of the community, and for the action of the government itself, they are accordingly
42 authorized and bound in duty to prevent its debasement and expulsion, and the destruction of the general
43 confidence and convenience, by the influx and substitution of a spurious coin in lieu of the constitutional
44 currency."

45 Thus, from diverse pronouncements and opinions of the United States Supreme Court, a steady allegiance to the original and
46 true intent of our founding fathers in reference to the monetary provisions of the U.S. Constitution can be discerned. In none
47 of these various decisions is there any reference or allusion to any power of the States to enforce a tender in anything but gold
48 and silver coin; further, there was no mention of any power in the federal government to permit, sanction or even compel the
49 States to violate the constraint of Article 1, § 10, cl. 1 as such was an absolute and mandatory provision. Further, it was
50 considered heresy to intimate any power in the federal government to issue any paper money. The adherence of the Supreme
51 Court to the intent of the framers must surely have had a beneficial effect upon our nation.

52 Not only was the Supreme Court a guardian of the true intent of the framers during this period of time, the high courts of the
53 various States of our Union were also as well. During the time prior to the Civil War, these state courts rendered opinions in

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1 many cases regarding the monetary provisions of the U.S. Constitution and all these decisions had one common theme:
2 nothing but gold and silver coin could be a tender in payment of debts. Notwithstanding the imaginative schemes of men and
3 governments calculated to find a way to circumvent Article 1, § 10, these state courts held fast and maintained their allegiance
4 to the Constitution. The following cases are indicative of the decisions made by these courts:

5 **7.5.1 Alabama:**

6 *Carter and Carter v. Penn*, 4 Ala. 140, 141 (1842):

7 *"But the notes of the Banks which are not redeemable in coin, on demand, cannot, with any propriety be regarded*
8 *as such; in fact, the best Bank paper passes as money by consent only, and it cannot be otherwise so long as the*
9 *inhibition of the Federal Constitution upon the rights of the States to dispense with gold and silver coin as the*
10 *only lawful tender continues in force."*

11 **7.5.2 Arkansas:**

12 *Dillard v. Evans*, 4 Ark. 175, 177 (1842):

13 *"Bank issues are not, in the constitutional sense of the term, lawful money or legal coin. Gold and silver alone*
14 *are a legal tender in payment of debts; and the only true constitutional currency known to the laws."*

15 *Bone v. Torry*, 16 Ark. 83, 87 (1855):

16 *"The judgment was for dollars, and the payment, so far as the facts are before us, could only have been made in*
17 *gold or silver, the constitutional coin."*

18 **7.5.3 Connecticut:**

19 *Foquet v. Hoadley*, 3 Conn. 534, 536 (1821):

20 "A promissory note, payable in money, cannot be discharged, by the act of the debtor, without the cooperation of the creditor,
21 unless in gold and silver coin. Const. U.S. art. 1 sec. 10. Bank notes are not a legal tender, if the creditor objects to receive
22 them."

23 **7.5.4 Indiana:**

24 *State v. Beackmo*, 8 Blackf. 246 (Ind. 1846):

25 *"But the constitution here interposes, and declares that a 'just compensation' shall be made for the property so*
26 *appropriated that the injured party may have his damages assessed by a jury of the country; and it will not be*
27 *disputed that when they are so assessed, they become a 'debt' in the constitutional sense of the word, and being*
28 *so, the constitution of the United States restrains the state from enforcing their payment in any thing but gold and*
29 *silver," 8 Blackf., at 249-50.*

30 *"And we think we hazard nothing in saying, that a law authorizing compulsory payment for real estate or damage*
31 *thereto, when appropriated by the State or its authority, in any thing but gold and silver, would not make adequate*
32 *provision for a just compensation * * * Nothing short of gold and silver, the value of which is comparatively*
33 *certain and changeless, and with which, better than with any thing else, can at any time be commanded what the*
34 *possessor may desire, can adequately compensate a proprietor for what he is compelled to surrender to the public*
35 *use," 8 Blackf., at 251.*

36 *Prather v. State Bank*, 3 Ind. 356 (1852):

37 *"No clerk, nor sheriff, nor constable, as such, has a right, under the constitution and law, to receive payment of*
38 *a judgment in anything but the legal currency of the country. Griffin v. Thompson, 2 How. 244."*

39 **7.5.5 Kentucky:**

40 *McChord v. Ford*, 19 Ky. 166, 167 (1826):

1 *"But as bank notes are not money, it also follows that this note cannot intend bank notes, but gold or silver."*

2 *Sinclair v. Piercy*, 28 Ky. 63, 64 (1830):

3 *"The result from an examination of all the cases is, that money in its strict legal sense, means gold or silver coin,*
4 *and that an obligation for money alone can not be satisfied with anything else."*

5 *Pryor v. Commonwealth*, 32 Ky. 298 (1834):

6 *"Yet, that its true technical import is lawful money of the United States, in other words, gold or silver coin, and*
7 *when used in judicial proceedings it is always to be taken in this technical sense."*

8 **7.5.6 Mississippi:**

9 *Gasquet v. Warren*, 10 Miss. 514, 517 (1844):

10 *"It means that which in fact and law is money, which is gold or silver coin. This in law is money and nothing else*
11 *is."*

12 **7.5.7 Missouri:**

13 *Bailey v. Gentry*, 1 Mo. 164 (1822):

14 *"The 1st clause of the 10th section of the 1st article of the Constitution of the United States, provides that 'No*
15 *State shall make any thing but gold and silver coin a tender in payment of debts * * * "*

16 *"Construing the Constitution, then, to prohibit the States from passing laws, the effect of which would be to induce*
17 *the creditor to receive something else than gold and silver coin in payment of the debt due him, in order to avoid*
18 *an inconvenience that would result on his failure to do so, we are lead to the conclusion that the act under*
19 *consideration is repugnant to the provisions of the Constitution of the United States last referred to," 1 Mo., at*
20 *172-73.*

21 *Cockrill v. Kirkpatrick*, 9 Mo. 697, 701 (1846):

22 *"These terms import either, first, gold or silver coin, which is constitutional currency of the United States, the*
23 *'tender money' of the several states of the Union. * * * "*

24 *"But if the note was 'payable in the current money of Missouri,' as the obligor subsequently stated, then all*
25 *necessity for construction is absolutely excluded, for the terms explain themselves, and can only mean 'tender*
26 *money,' gold or silver coin."*

27 **7.5.8 Pennsylvania:**

28 *Shelby v. Boyd*, 3 Yeats (Pa.) 321 (1801):

29 *"By the 10th section of the 1st article of the constitution of the United States, no state shall emit bills of credit, or*
30 *make any thing but gold and silver coin a tender in payment of debts," 3 Yeats, at 322.*

31 *"If the agreement had respected the continental bills of credit, and no legal tender had been pleaded, the court*
32 *would not suffer the paper emitted by Congress to be paid into court, but only its specie value when the agreement*
33 *was entered into * * * It does not appear to us, that the bills of credit offered to be paid into court, are a legal*
34 *tender, and therefore we cannot admit them to be brought into court," 3 Yeats, at 323.*

35 *Gray v. Donahoe*, 4 Watts (Pa.) 400 (1835):

36 *"No principle is better established nor more necessary to be maintained than that bank notes are not money in*
37 *the legal sense of the word. * * * Coins struck at the Mint or authorized by act of Congress are alone lawful*
38 *money. They possess a fixed and permanent value or, at least as nearly so as human affairs admit of. Bank notes*
39 *are merely promissory notes for the payment of money; ordinarily, it is true, convertible into coin on demand at*
40 *the bank where they are issued."*

1 **7.5.9 South Carolina:**

2 *Clarín v. Nesbitt*, 2 Nott. and McC. (11 S.C.) 519 (1820):

3 *"If Congress can create a legal tender, it must be by virtue of the 'power to coin money,' for no where in the*
4 *constitution is the power to make a legal tender expressly given to them, nor is there any other power directly*
5 *given, from which the power to make a legal tender can be incidentally deduced," 2 Nott. and McC., at 520.*

6 *"At common law, only gold and silver were a legal tender. * * * In this State, where the common law has been*
7 *expressly adopted, anterior to all legislative and constitutional provisions on the subject, gold and silver were*
8 *the only legal tenders," 2 Nott. and McC., at 521.*

9 *"From the passage of this act to the adoption of the constitution of the United States, the only legal tenders in this*
10 *State were gold and silver, and those were so by virtue of the common law. Prior to the adoption of the constitution*
11 *of the United States, the States, respectively, possessed and exercised jurisdiction over the 'legal tender,'" 2 Nott.*
12 *and McC., at 522.*

13 *"If Congress did not possess the power of creating a legal tender under the confederation, they do not possess*
14 *the power under the constitution, for the grant in both instruments is the same, 'to coin money.' The States have*
15 *been limited in their exercise of power over the legal tender to gold and silver, but it does not follow, because*
16 *power has been taken from the States, it has been given to Congress," 2 Nott. and McC., at 522-23.*

17 *"They have further said, that nothing but gold and silver coin shall be a legal tender for the payment of debts.*
18 *The language of the 10th sec. of the 1st article, is, 'no State shall make any thing but gold and silver coin a legal*
19 *tender in the payment of debts.' The language of the 5th clause of the 8th sec. of the 1st Article, is, 'congress shall*
20 *have power to coin money, and regulate the value thereof.' Construe the two sections together, and the*
21 *constitution appears to intend to limit the power of the States over the legal tender, to gold and silver, and to give*
22 *to congress the power of coining gold and silver. This construction is further supported by the two following*
23 *considerations:*

24 *1. One of the great objects which led to the adoption of the constitution, was the annihilation of a spurious*
25 *currency, which had for years afflicted the people of this country. Give to congress the power of making legal*
26 *tender, and you but change the hand from which the affliction is to proceed; so construe the constitution as to*
27 *restrict the legal tender to gold and silver, and one of the great objects for which it was ordained, is accomplished.*

28 *2. The constitution, no where gives to congress any control over contracts. It is indeed scrupulously avoided. If,*
29 *however, they derive the power of making a legal tender from the power of coining money, they indirectly obtain*
30 *that which was intended to be withheld," 2 Nott. and McC., at 523-24.*

31 *Lange v. Kohne*, 1 McCord (12 S.C. Law) 115, 116 (1821):

32 *"The note in question, however, is not payable in money, but in paper medium. That paper medium is not money,*
33 *appears from the 8th and 10th sections of the Constitution of the United States, which declare that Congress shall*
34 *coin money; and that no state shall coin money, emit bills of credit, or make any thing but gold and silver coin a*
35 *tender in payment of debts."*

36 **7.5.10 Tennessee:**

37 *Townsend v. Townsend*, 7 Tenn. 1 (1821):

38 *"First, then, let us take into consideration Art. 1, section 10, of the Constitution of the United States: 'No State*
39 *shall * * * emit bills of credit or make anything but gold and silver coin a tender in payment of debts. * * * ' The*
40 *first two sentences respect tender laws and paper money; the construction to be put on them should repress and*
41 *prevent the evils they were intended to obviate; and what these are, must be understood by the actual evils which*
42 *paper money and tender laws produced in the time of the colonial governments," 7 Tenn., at 2-3.*

43 *"One cause of depreciation is that the paper could not be remitted to foreign countries. No matter how small the*
44 *emission may be, it is not equal to gold and silver. He who exchanges it for gold and silver must give a greater*
45 *quantity of paper," 7 Tenn., at 5.*

46 *"With respect to the disorders produced by paper money and tender laws, both theory and experience present*
47 *them to view. Who will be so imprudent as to give credit to the citizens of a State that makes paper money a*
48 *tender, and where he can be told, take for a gold and silver debt depreciated paper, depreciating still more in the*
49 *moment it is paid? Who would trust the value of his property to the citizens of another State or of his own State,*
50 *who can be protected by law against the just demands of creditors by forcing them to receive depreciated paper,*
51 *or to be delayed of payment from year to year until the Legislature will no longer interfere?" 7 Tenn., at 6.*

1 "One of the most powerful remedies was the tenth clause of the first article, and particularly the two sentences
2 which we are now considering. They operated most efficaciously. The new course of thinking, which had been
3 inspired by the adoption of a constitution that was understood to prohibit all laws for the emission of paper
4 money, and for the making anything a tender but gold and silver, restored the confidence which was so essential
5 to the internal prosperity of nations," 7 Tenn., at 8.

6 "The framers of the Federal Constitution believed it to be of indispensable importance not to leave this power
7 any longer in the hands of the State Legislatures. Experience had demonstrated the baneful effects of its exercise.
8 The known disposition of man excluded the hope that it would not be used for the same pernicious purposes in
9 future. Under the smart of this experience, such were the feelings of the American people at the time, still suffering
10 under repeated emissions of depreciated paper, that not a dissenting voice was raised against the clause before
11 us. No state required it to be expunged, nor did any state propose an amendment. It was universally received
12 without an exception, and the effects of the clauses themselves were miraculous. Public and private confidence
13 took deep root. The people of America were reinstated in the admiration of the world. The precious metals flowed
14 in upon them. Paper money suddenly stopped in its career of depreciation and took a stand from which it never
15 departed; industry revived universally; and to us in America was given a notable proof, that whenever a nation
16 is virtuous and honest it will prosper both in wealth and character; and that whenever a contrary course is
17 pursued, such is the wise decree of providence, that prosperity of either kind will not long follow in her train," 7
18 Tenn., at 9.

19 *Lowry v. McGhee and McDermott*, 16 Tenn. 242 (1835):

20 "By the Constitution of the United States nothing can be a tender in payment of debt but gold and silver coin," 16
21 Tenn., at 244.

22 "The answer to this argument is that the Constitution of the United States is the supreme law, and that no law can
23 be valid which, in violation of that instrument, shall attempt to make anything but gold and silver coin a tender,"
24 16 Tenn., at 245.

25 "The constitution of the United States (art. 1, sec. 10) prohibits any state making 'anything but gold and silver
26 coin a tender in payment of debts;" 16 Tenn., at 246.

27 "This provision was inserted to prevent the existence of a spurious and worthless currency, and is of positive and
28 paramount obligation," 16 Tenn., at 246-47.

29 **7.5.11 Texas:**

30 *Ogden v. Slade*, 1 Tex. 13, 14 (1846):

31 "The note calls for four hundred dollars, lawful funds of the United States. What is the plain meaning of 'lawful
32 funds?' Gold and silver is the only lawful tender in the United States. It must therefore mean payment in gold or
33 silver. By equivalent, the parties must have meant such paper currency as passed at par with gold and silver."

34 **7.5.12 Vermont:**

35 *Wainright v. Webster*, 11 Ver. 576 (1839):

36 "No state is authorized to coin money, or pass any law whereby anything but gold and silver shall be made a
37 legal tender in payment of debt. * * * This conventional understanding that bank bills are to pass as money is
38 founded upon the solvency of the bank and upon the supposition that the bills are equivalent in value to specie
39 and are, at any time, convertible into specie at the option of the holder. Upon no other ground do bank bills, by
40 common consent, pass as money," 11 Ver., at 580.

41 "When, therefore, a bank stops payment, the bills thereof cease, by this conventional arrangement, to be the
42 representative of money," 11 Ver., at 581.

43 Thus, from a reading of decisions rendered by state courts and the U.S. Supreme Court, Article 1, § 10, cl. 1 of the U.S.
44 Constitution had a fixed and determined meaning. This understanding was not limited to the courts of our nation, and it was
45 clearly understood by both Congress and the Presidents of our nation. For example, during the debate on the question of
46 whether to renew the charter of the [Second Bank of the United States](#) (3 Stat. 266) in 1836, Senator Daniel Webster observed
47 regarding the monetary provisions of the Constitution:

48 "Currency, in a large and perhaps just sense, includes not only gold and silver and bank bills, but bills of exchange
49 also. It may include all that adjusts exchanges and settles balances in the operations of trade and business; but if

1 we understand by currency the legal money of the country, and that which constitutes a legal tender for debts,
2 and is the standard measure of value, then undoubtedly nothing is included but gold and silver. Most
3 unquestionably there is no legal tender, and there can be no legal tender in this country, under the authority of
4 this government or any other, but gold and silver, either the coinage of our own mints or foreign coins at rates
5 regulated by Congress. This is a constitutional principle, perfectly plain and of the highest importance. The States
6 are expressly prohibited from making anything but gold and silver a legal tender in payment of debts, and
7 although no such express prohibition is applied to Congress, yet, as Congress has no power granted to it in this
8 respect but to coin money and to regulate the value of foreign coins, it clearly has no power to substitute paper
9 or anything else for coin as a tender in payment of debts and in discharge of contracts. Congress has exercised
10 this power fully in both its branches; it has coined money, and still coins it; it has regulated the value of foreign
11 coins, and still regulates their value. The legal tender, therefore, the constitutional standard of value, is
12 established and can not be overthrown. To overthrow it would shake the whole system," 4 Webster's Works, 271.

13 Further, on December 5, 1836, President Jackson stated in his 8th Annual Address to Congress:

14 *"It is apparent from the whole context of the Constitution, as well as the history of the times which gave birth to*
15 *it, that it was the purpose of the Convention to establish a currency consisting of the precious metals. These, from*
16 *their peculiar properties which rendered them the standard of value in all other countries, were adopted in this*
17 *as well to establish its commercial standard in reference to foreign countries by a permanent rule as to exclude*
18 *the use of a mutable medium of exchange, such as of certain agricultural commodities recognized by the statutes*
19 *of some states as a tender for debts, or the still more pernicious expedient of a paper currency."*

20 Beyond the scope of this necessarily brief treatment of the monetary provisions of the U.S. Constitution is any consideration
21 of the development of banking in our country during this period. Excellent references for this separate topic are:

- 22 1. [A Short History of Paper Money and Banking](http://famguardian.org/Subjects/MoneyBanking/Money/a-short-history-of-paper-money.pdf), William Gouge, 1833, Form #11.504
23 <http://famguardian.org/Subjects/MoneyBanking/Money/a-short-history-of-paper-money.pdf>
- 24 2. [The Case for Gold](#), Dr. Ron Paul and Lewis Lehrman.

25 These sources disclose the evils caused to our young nation by private banking establishments, which were as injurious as
26 the paper money issued by colonial governments. Notwithstanding the adverse consequences caused by private note issuance
27 by banks, which then caused and now continue to cause financial ruin for Americans, the clear and unmistakable voice of
28 government of this period, be it from the courts, the legislative or executive branches, held gold and silver coin as the only
29 money, pursuant to the express commands of the Constitution.

30 **7.6 Period II: A Different Day. From the Civil War to 1933**

31 With the advent of the Civil War in 1861, the alluring call of the "Sirens" beckoning further experiments with that expedient
32 thief, paper money, was heard by both governments north and south of the MasonDixon line. For real and imagined reasons,
33 the southern States departed the Union, established the Confederacy and fired upon Fort Sumter. No sooner had the
34 Confederate Flag been flown from Montgomery than that illfated rebellious government reached for the ever ready tool of
35 wealth expropriation, paper money. It was through the services of paper money that the Confederacy obtained everything
36 necessary for war without surrendering anything of comparable value in exchange.

37 Insofar as the Union was concerned, it quickly learned that taxation and borrowing to meet war expenses would be extremely
38 unpolitical. But, there apparently were some extremely perceptive minds in Washington which perceived the real lessons of
39 the Revolutionary War. The Continental Notes of the Revolutionary War would not have become worthless if there had been
40 an appropriate mechanism for taxing the notes out of circulation for the purpose of maintaining their value. Realizing the
41 importance of this principle, Congress enacted such a vehicle in July, 1861, and passed the first national income tax act. Once
42 this legislation was in place, the Union, following the lead of the Confederacy, succumbed to the paper money call in early
43 1862.

44 Treasury Secretary Chase, later to become Chief Justice of the U.S. Supreme Court, began the call for paper money to meet
45 the exigent expenses of war. In Congress, the debate concerning this proposal was extremely heated.²⁰ Some Congressmen
46 condemned the act to make Treasury notes a legal tender as unconstitutional while others argued in its favor. In the end,
47 Congress, obviously as an act of desperation and expedience, passed the Legal Tender Act of 1862, [12 Stat. 345](#). With the
48 passage of this act, Congress ignored both the lessons of history and the plain intent of the framers of the U.S. Constitution.

²⁰ See Vieira's Pieces of Eight.

1 In the interim of 8 years from the passage of the first of the series of legal tender acts until the Supreme Court was finally
2 called upon to address this issue, the state courts of our nation were presented with the horns of a dilemma. Nowhere in any
3 judicial decision of the past, or even in any uttering from Congress or the Executive, was there the slightest indication of such
4 a Congressional power to declare paper Treasury notes a legal tender. Allegiance to the intent of the law as expounded by the
5 framers required a holding that the acts were unconstitutional; however, doing such would surely damage the cause of the
6 Union and its war effort.

7 An example of this problem faced by the state courts is clearly seen in the decisions of the Indiana Supreme Court. In *Reynolds*
8 *v. State Bank of Indiana*, 18 Ind. 467 (1862), the Court held the Legal Tender Act of 1862 constitutional, only after giving
9 every reason to rule against the act. In so holding, that court stated:

10 *"The convention which adopted the constitution not only did not grant, but they expressly rejected it as a*
11 *substantive power, and for the distinctly declared purpose of preventing its exercise, by Congress, under any*
12 *pretext or circumstances whatever; and this, too, after the power had been once expressly granted to the Federal*
13 *Government; and the States subsequently ratified the constitution with this understanding," 18 Ind., at 470-71.*

14 *"Currency, as a medium of exchange, is a great necessity of commerce, and it is an acknowledged power of every*
15 *government to ordain what shall constitute that currency. Governments have done so; and, throughout the*
16 *civilized world, they have all concurred in declaring that gold and silver shall be that currency. Why they have*
17 *so declared will be seen as we advance. Now, the precise question of what should be the currency of this nation,*
18 *what should be its medium of commerce, what should be used to meet that necessity, was the one that was before*
19 *the convention which constructed the frame of our government, and they ordained and established, by the*
20 *paramount, the fundamental law of the nation, that that currency should be gold and silver, or paper issued upon,*
21 *and as the representative, of gold and silver, and not bills of credit issued simply upon the indebtedness and faith*
22 *of the government," 18 Ind., at 471-72.*

23 But, within 2 years of the rendition of the opinion in *Reynolds*, supra, the Indiana Supreme Court had occasion to reconsider
24 the prior opinion and this time, in *Thayer v. Hedges*, 22 Ind. 282 (1864), found the legal tender acts of Congress expressly
25 unconstitutional:

26 *"In another aspect, it enables the government to make, by indirection, forced loans as actual if not as oppressive*
27 *as those of Charles I, as they are made without interest, against the will of the lender, and without repayment of*
28 *but a part of the principal; thus, in this case, as an example. The government desires Thayer to loan it 500 dollars.*
29 *Thayer expresses his inability or unwillingness to spare the money. The government then goes to Hedges and*
30 *Kleiger and says to them, you owe Thayer 500 dollars, which you are about to pay him. The government wants*
31 *that money, but he will not loan it. You pay it to the government, and it will give you a piece of paper which it*
32 *will compel him to take of you, instead of the money contracted for, in payment of your debt," 22 Ind., at 286-87.*

33 *"That the power to coin money is one power, and the power to declare anything a legal tender is another, and*
34 *different power; that both were possessed by the States severally at the adoption of the Constitution; that by that*
35 *adoption, the power to coin money was delegated to the Federal Government, while the power to declare a legal*
36 *tender was not, but was retained by the States with a limitation, thus: 'Congress should have power to coin money'*
37 *and 'no State shall coin money,' and 'no State shall make anything but gold and silver coin a legal tender.' States,*
38 *then, though they can not coin money, can declare that gold or silver coin, or both, whether coined by the Federal,*
39 *or the Spanish or the Mexican Government, shall be legal tender. And as Congress was authorized to make money*
40 *only out of coin, and the States were forbidden to make anything but coin a legal tender, a specie currency was*
41 *secured in both the Federal and States governments. There was thus no need of delegating to Congress the power*
42 *of declaring a legal tender in transactions within the domain of Federal legislation. The money coined by it was*
43 *the necessary medium," 22 Ind., at 300-01.*

44 *"Walker, in his Am. Law, p. 145, declares it an act of despotic power to make paper a legal tender. The principal*
45 *interference of government with the currency has been to debase it. Say gives an account of the acts of the French*
46 *monarchs, of this character, in his Political Economy, book 1, chap. 21, sec. 5, and adds: 'Let no government*
47 *imagine that, to strip them of the power of defrauding their subjects, is to deprive them of a valuable privilege.'*
48 *Says Mr. Gouge: 'No instance is on record of a nation's having arrived at great wealth without the use of gold*
49 *and silver money. Nor is there, on the other hand, any instance of a nation's endeavoring to supplant this natural*
50 *money, without involving itself in distress and embarrassment,'" 22 Ind., at 305.*

51 *"It was the intention, by the Federal Constitution, to withhold this power of supplanting natural money from the*
52 *general government, and to strip the states of it, and thus extinguish it, and insure to the people and nation a*
53 *sound currency forever. Of this we have not the slightest doubt. Money should be to values, what weights and*
54 *measures are to quantities, the exact measure, and a uniform, stable one. The States were prohibited from making*
55 *anything but gold and silver a tender for debts, and the general government was authorized, touching this subject,*
56 *only 'to coin money, regulate the value thereof, and of foreign coin,' * * * It will be observed that while the States*
57 *are forbidden to make anything but gold and silver a tender, Congress is empowered to coin money, without being*
58 *limited to the two kinds of coin to which the States are restricted," 22 Ind., at 306.*

1 *"Now, the power is no where expressly given to Congress to make even coin a legal tender, but the prohibition to*
2 *the States to make anything but gold and silver such tender, goes upon the assumption that the power over the*
3 *subject of legal tender is possessed by the States; * * * and the Constitution restricts them to two articles, either*
4 *or both of which they may make thus; and the general government has not the power to make anything a legal*
5 *tender except as an incident to the power to coin," 22 Ind., at 307-08.*

6 Other states found need to construe the Legal Tender Acts in reference to the issue of whether "greenbacks" could be used to
7 pay state taxes. In *Perry v. Washburn*, 20 Cal. 318 (1862), the California Supreme Court ruled that United States notes could
8 not be used to pay state taxes, especially where a California statute required taxes to be paid in coin. In *State Treasurer v.*
9 *Collector Sangamon County*, 28 Ill. 509, 512 (1862), the Illinois Supreme Court ruled in the same fashion, and reasoned:

10 *"The jurisdiction of the State on the subject of taxation, for all State purposes, is supreme, and over which, the*
11 *government of the United States can have no power or control. That government acts through delegated power*
12 *and can exercise no other except such as may be necessary to carry into effect a granted power. The power has*
13 *been, nowhere, delegated to the Congress to interfere with the mode which a state may adopt to raise a revenue*
14 *for its own purposes, or the manner or funds in which it shall be collected. This is a subject peculiarly belonging*
15 *to the States, and wholly under State control, so that should it be deemed by the State expedient to collect its*
16 *revenue for its own use, in the productions of its own soil, no power on earth could interfere to forbid it."*

17 A particularly important decision against the constitutionality of the legal tender acts of Congress was *Griswold v. Hepburn*,
18 63 Ky. 20 (1865). Here, the Kentucky Supreme Court was required to decide the constitutionality of the acts and the decision
19 made was that the acts contravened the U.S. Constitution:

20 *"When the Constitution was adopted, as even yet, all foreign money was metallic coin; and therefore the power*
21 *to regulate such coin was constructively restricted to coined metal, and did not include notes on the Bank of*
22 *England, or consols, or other government bonds or securities. The conclusion is plain, and apparently inevitable,*
23 *that the power to coin money was intended to mean to coin metal as the money of the United States; and the curse*
24 *of the paper currency of the revolution, the fiscal ruin of the confederation, and the history of the adoption of the*
25 *Federal Constitution, conduce strongly to prove that, when the people who adopted it delegated to Congress*
26 *exclusive power 'to coin money,' they intended that nothing else than metallic coin should be money, or be a legal*
27 *tender, in invitum, as money; and it is almost certain that they did not intend to confer on Congress any more or*
28 *other power to make money, or declare any thing else to be money, or compel the circulation of any thing else as*
29 *money," 63 Ky., at 30.*

30 *"The power to coin 'money' is the only moneymaking power delegated to Congress. Without express grant,*
31 *Congress could have had no power whatever over money. The only grant made is specific and welldefined, and*
32 *beyond this Congress can have no express authority to go; and any attempt to go further would defeat the great*
33 *purpose of defining and establishing coin as the money of the United States; and, therefore, and also because no*
34 *such substantive power could be implied, Congress can have no implied power to make any thing else than coin*
35 *money. Knowing that Congress could have no power over money except so far as delegated, the people chose,*
36 *for national reasons, to delegate the single power 'to coin money,' and there stopped. And anxious to maintain*
37 *coin as the only money, they tied the hands of their own Legislature, and not only abandoned all their inherent*
38 *power over money, except a qualified power over the legal tender, expressly restricted to gold and silver, but, for*
39 *the same immutable reason, withheld from Congress any power over tender. That renunciation of their absolute*
40 *power and reservation of a qualified power over tender, is itself, and alone, sufficient proof of a constructive and*
41 *purposeful denial to Congress of any power over it," 63 Ky., at 34.*

42 *"And if we are right, as we feel well assured we are, no one can pretend that the power assumed is, or could be,*
43 *implied, because it is an axiomatic truth, that nothing inconsistent with the Constitution can be implied as*
44 *constitutional. And had there been no other objection to the assumed implication in this case, it would be repelled*
45 *by the fact that to make money and fix the law of tender are great substantive powers, recognized and disposed*
46 *of by the Constitution, and, therefore, no power on that subject can be implied beyond or different from that*
47 *expressed," 63 Ky., at 43.*

48 While some state courts found, as above, that the legal tender acts were unconstitutional, other courts in different states upheld
49 them. In *Metropolitan Bank v. Van Dyck*, 27 N.Y. 400 (1863), and *Shollenberger v. Brinton*, 52 Pa.St. 9 (1866), the Supreme
50 Courts of New York and Pennsylvania upheld their constitutionality. Thus, the war torn nation was divided not only
51 physically, but also judicially insofar as the lawfulness of the Congressional legislation regarding legal tender Treasury notes
52 was concerned.

53 Of related importance to the issue of legal tender Treasury notes is the issue of the lawfulness of the Confederacy's paper
54 money. At the commencement of the Civil War, the C.S.A. had issued paper money to obtain resources for the war effort,
55 and the emissions of this paper were virtually constant. Payment of these notes was based upon a contingency, the contingency
56 being the ratification of a peace treaty between the C.S.A. and the U.S.A. With the surrender of that great soldier, Gen. Robert

1 E. Lee, the Confederacy ceased to exist. The downfall of the rebellion thus presented to the federal courts the serious problem
2 of how to treat debts contracted before and during the war in the South which debts had been partially paid with Confederate
3 money.

4 One of the first cases rendered by the U.S. Supreme Court wherein the confederate currency was an issue was Thorington v.
5 Smith, 75 U.S. (8 Wall.) 1 (1869). Here, the Supreme Court reasoned that the Confederacy was a de facto government imposed
6 by irresistible force and that, while it existed, citizens of the Confederacy of necessity had to obey its civil authority. Insofar
7 as Confederate notes were concerned, the Court described them as follows:

8 *"As contracts in themselves, except in the contingency of successful revolution, these notes were nullities; for,*
9 *except in that event, there could be no payer. They bore, indeed, this character upon their face, for they were*
10 *made payable only 'after the ratification of a treaty of peace between the Confederate States and the United States*
11 *of America.' While the war lasted, however, they had a certain contingent value, and were used as money in*
12 *nearly all the business transactions of many millions of people. They must be regarded, therefore, as a currency*
13 *imposed on the community by irresistible force," 8 Wall., at 11.*

14 *"Considered in themselves, and in the light of subsequent events, these notes had no real value, but they were*
15 *made current as dollars by irresistible force. They were the only measure of value which the people had, and*
16 *their use was a matter of almost absolute necessity. And this use gave them a sort of value, insignificant and*
17 *precarious enough it is true, but always having a sufficiently definite relation to gold and silver, the universal*
18 *measure of value, so that it was always easy to ascertain how much gold and silver was the real equivalent of a*
19 *sum expressed in this currency," 8 Wall., at 13.*

20 Other Civil War, Confederate currency cases include Hanauer v. Woodruff, 82 U.S. (15 Wall.) 439 (1872), wherein a note
21 given in consideration of Confederate bonds was voided on principles of illegal consideration; see also Planters Bank of
22 Tennessee v. Union Bank of Louisiana, 83 U.S. (16 Wall.) 483 (1873); The Atlantic, Tennessee and Ohio Railroad Company
23 v. Carolina National Bank, 86 U.S. (19 Wall.) 548 (1873); and Stewart v. Salamon, 94 U.S. 434 (1877).

24 In reference to the lawfulness of the "greenback" currency of the Union, this issue involved not one single case but a multiple
25 of cases spanning some 15 years. Before delivering any opinion wherein a challenge to the constitutionality of the Legal
26 Tender Acts was concerned, the U.S. Supreme Court rendered certain opinions in cases related to this issue. In Bronson v.
27 Rodes, 74 U.S. (7 Wall.) 229 (1869), the Court held that a bond requiring payment in specie coin could not be discharged by
28 paying "greenbacks":

29 *"The design of all this minuteness and strictness in the regulation of coinage is easily seen. It indicates the*
30 *intention of the legislature to give a sure guaranty to the people that the coins made current in payments contain*
31 *the precise weight of gold or silver of the precise degree of purity declared by the statute. It recognizes the fact*
32 *accepted by all men throughout the world, that value is inherent in the precious metals; that gold and silver are*
33 *in themselves values, and being such, * * * are the only proper measures of value; that these values are*
34 *determined by weight and purity; and that form and impress are simply certificates of value worthy of absolute*
35 *reliance only because of the known integrity and good faith of the government which gives them.*

36 *"The propositions just stated are believed to be incontestable. If they are so in fact, the inquiry concerning the*
37 *legal import of the phrase 'dollars payable in gold and silver coin, lawful money of the United States,' may be*
38 *answered without much difficulty. Each such dollar is a piece of gold or silver, certified to be of a certain weight*
39 *and purity, by the form and impress given to it at the mint of the United States, and therefore declared to be legal*
40 *tender in payments. Any number of such dollars is the number of grains of standard gold or silver in one dollar*
41 *multiplied by the given number," 74 U.S., at 249-50.*

42 In the case immediately following Bronson, supra, the Court, in Butler v. Horowitz, 74 U.S. (7 Wall.) 258 (1869), held the
43 same way in reference to a contract requiring payment in specie. In New York v. Supervisors, County of New York, 74 U.S.
44 (7 Wall.) 26 (1869), the Court held that legal tender Treasury notes were exempt from state taxation.

45 By 1870, some 8 years after the adoption of the first Legal Tender Act in 1862, the Court was finally required to pass upon
46 the constitutionality of those acts. As noted above, the Kentucky Supreme Court had held these acts to be unconstitutional in
47 Griswold v. Hepburn, supra, and it was to this case that the Supreme Court granted certiorari. The chief architect of the Legal
48 Tender Acts had been Treasury Secretary Chase, who by now was sitting on the Court as its Chief Justice, and it was Chase
49 who wrote the majority opinion in Hepburn v. Griswold, 75 U.S. 603, 625 (1870). The issue in this case involved whether
50 legal tender notes could be used to discharge a debt contracted before the passage of the first legal tender act, and this
51 determination necessarily involved the constitutionality of those Congressional acts. Chase noted in the opinion that the
52 legislation adopted by Congress making Treasury notes a legal tender occurred at the height of troubling times and that the

1 motive for the acts was patriotic in nature; this was obviously stated because of his own personal involvement in obtaining
2 passage of the acts. Nonetheless, and notwithstanding personal motives and convictions which certainly played a part in
3 passage of this legislation, it was time to test the conformity of the acts with the U.S. Constitution. Chase analyzed the specific
4 provisions of the Constitution which granted Congress various powers, and determined there was no express grant to declare
5 Treasury notes a legal tender. There being no such express grant, he then examined specific Congressional powers to
6 determine if any implied power would sustain the acts. He examined the power to coin money, to borrow, to regulate
7 commerce and to declare war, but there he found no method for developing an implied power which would uphold the acts.
8 He examined the spirit of the Constitution as well as certain prohibitions contained therein, none of which could be useful in
9 supporting an implied power. Finding no support for the constitutionality of the challenged acts, he found them
10 unconstitutional:

11 *"We are obliged to conclude that an Act making mere promises to pay dollars a legal tender in payment of debts*
12 *previously contracted, is not a means appropriate, plainly adapted, really calculated to carry into effect any*
13 *express power vested in Congress; that such an Act is inconsistent with the spirit of the Constitution; and that it*
14 *is prohibited by the Constitution."*

15 It must have taken considerable courage for a man such as Chase, in high public office in the Lincoln administration and who
16 had sought these acts, to declare his own actions unconstitutional.

17 The decision in *Hepburn* had been pending for 2 years, and during the interim Congress decided to increase the number of
18 Justices on the Supreme Court from 8 to 9. The decision in *Hepburn* was a 5 to 3 decision, but shortly before the rendering
19 of that opinion, Justice Grier resigned from the Court for health reasons. This resignation made the number of Justices on the
20 Court who opposed this legislation be 4, with 3 remaining who supported the acts.

21 On the same day that *Hepburn* was decided, President Grant nominated two men, William Strong and Joseph Bradley, to fill
22 the vacancies on the Court. After confirmation, the new Court was requested to reconsider the constitutionality of the Legal
23 Tender Acts at the request of the U.S. Attorney General. This event has led to the charge that Grant "packed" the Court for
24 the express purpose of securing a favorable ruling on the challenged acts.

25 At the time of the rendition of *Hepburn*, the Supreme Court had pending before it two other cases which concerned the
26 validity of the Legal Tender Acts, which cases had come to the Court at the same time as *Hepburn*. After Strong and Bradley
27 came to the Court, these other two cases were reargued in February and April, 1871. On May 1, 1871, the Supreme Court
28 rendered its opinion in [Knox v. Lee](#), 79 U.S. 457, 534 (1871), which overruled *Hepburn* and found the Legal Tender Acts to
29 be constitutional. Justice Strong delivered the majority opinion in *Knox*, and he upheld the Legal Tender Acts as constitutional
30 on the basis of auxiliary powers possessed by Congress:

31 *"And here it is to be observed it is not indispensable to the existence of any power claimed for the Federal*
32 *government that it can be found specified in the words of the Constitution, or clearly and directly traceable to*
33 *some one of the specified powers. Its existence may be deduced fairly from more than one of the substantive*
34 *powers expressly defined, or from them all combined. It is allowable to group together any number of them and*
35 *infer from them all that the power claimed has been conferred."*

36 To sustain these acts, Strong used *McCulloch v. Maryland* analysis to find them constitutional, without specifying the precise
37 origin from which such a resulting or auxiliary power was derived from any particular single power or group of powers. In
38 effect, Justice Strong merely pointed to the Constitution and said the power arose from that instrument. However, he made
39 no attempt to address the extremely powerful arguments against the acts made by Clarkson Potter other than to state:

40 *"The Legal Tender Acts do not attempt to make paper a standard of value. We do not rest their validity upon the*
41 *assertion that their omission is coinage, or any regulation of the value of money; nor do we assert that Congress*
42 *may make anything which has no value money. What we do assert is that Congress has power to enact that the*
43 *government's promises to pay money shall be for the time being equivalent in value to the representative of value*
44 *determined by the coinage acts or to multiplies thereof. It is hardly correct to speak of a standard of value * * **
45 *It is, then, a mistake to regard the Legal Tender Acts as either fixing a standard of value or regulating money*
46 *values, or making that money which has no intrinsic value," 79 U.S., at 553.*

47 Dissenting from the decision in *Knox* were Chief Justice Chase, and Justices Clifford and Field, who rose to the occasion and
48 set forth innumerable law, facts and arguments against the acts.

1 The decision in *Knox* resolved the issue of the constitutionality of federal "bills of credit" during war, but it was still an open
2 question as to their use in times of peace. In 1875, Congress enacted the Specie Resumption Act, which became effective in
3 1879. In 1878, Congress passed additional legislation permitting the reissuance of Treasury notes after redemption. By 1884,
4 the Supreme Court was confronted with the issue of whether legal tender Treasury notes could be reissued in peacetime. In
5 *Juilliard v. Greenman*, 110 U.S. 421, 448 (1884), the Supreme Court expanded the *Knox* doctrine to allow peacetime issuance
6 of legal tender Treasury notes:

7 *"Congress is authorized to establish a national currency, either in coin or in paper, and to make that currency*
8 *lawful money for all purposes, as regards the national government or private individuals."*

9 In writing this opinion, Justice Gray successfully located the origin of this power in the express grant to Congress to "borrow
10 money;" this was apparent notwithstanding the fact that the microscopic examination of the Constitution by Justice Strong in
11 *Knox* failed to reveal the source of this hidden power. As justification for this holding, Justice Gray relied upon the sovereign
12 powers of European governments, something which was totally new to construction of the American Constitution.

13 The dissents in both *Knox* and *Juilliard* were exceptionally well written and documented rebuttals of the erroneous findings
14 of historical fact relied upon by the majority in both cases. Justice Field aptly stated the case of the dissenters by noting that
15 no jurist or statesman in our country, prior to the Civil War, ever mentioned or alluded to the power so readily found by the
16 majority in both *Knox* and *Juilliard*; "All conceded, as an axiom of constitutional law, that the power did not exist," 110 U.S.,
17 at 454. The defects in findings of historical fact, argument and reasoning in both cases were ably pointed out by George
18 Bancroft in his work, *A Plea for the Constitution*, written in direct response to the *Juilliard* decision. If Bancroft did not fully
19 destroy the fallacies of *Juilliard*, Dr. Edwin Vieira in his book, *Pieces of Eight*, has conclusively done so.

20 It is not the capable works as above described which have limited the scope of the Legal Tender Cases; instead, it is the
21 decisions of the same Court which rendered both *Knox* and *Juilliard* that define the limits of the legal tender powers of
22 Congress. A full two years before the Supreme Court decided *Hepburn* and three years before *Knox*, the Supreme Court
23 determined a limitation on federal "bills of credit" in the case of *Lane County v. Oregon*, 74 U.S. (7 Wall.) 71, 77 (1868).
24 The rationale found in both *Perry v. Washburn*, supra, and in *State Treasurer v. Collector*, supra, was followed in *Lane*
25 *County*, and the Court there held that a state law requiring taxes to be paid in specie coin could not be circumvented by
26 payment in "greenbacks," reasoning:

27 *"There is nothing in the Constitution which contemplates or authorizes any direct abridgement of this power by*
28 *national legislation."*

29 *Lane County* was rendered by the same Court which rendered *Hepburn* and the majority of which decided *Knox*. And a
30 similar case was rendered after *Juilliard*, that case being *Hagar v. Reclamation District No. 108*, 111 U.S. 701, 706 (1884),
31 decided only 2 months after *Juilliard*. In *Hagar*, one issue involved the type of currency to be used to discharge a liability for
32 state taxes. In holding that such taxes had to be paid in specie coin pursuant to state law, Justice Field relied upon *Lane County*
33 and stated:

34 *"The extent to which the power of taxation of the state should be exercised, the subjects upon which it should be*
35 *exercised, and the mode in which it should be exercised, were all equally within the discretion of its legislature,*
36 *except as restrained by its own constitution and that of the United States."*

37 To determine the full scope of the alleged legal tender powers of Congress, reliance upon the *Juilliard* decision alone is
38 insufficient. *Knox* merely found the existence of the federal power to emit bills of credit, without specifying any source other
39 than auxiliary or resulting powers; the scope of this power is not mentioned in *Knox* and can only be found by looking at the
40 style of the case, the names being individuals. But *Knox* did not in any way destroy *Bronson v. Rodes*, supra, which required
41 specie payment if a contract called for such. Nor did *Knox* in any way destroy the efficacy of *Lane County*, wherein state
42 taxes were required to be paid in specie coin. *Juilliard* is only important for specifically defining the full scope of the legal
43 tender powers of Congress; there, the Court described the full reach of the Congressional power of legal tender as only
44 affecting the relationship between citizens and the national government, and among citizens, in a federal forum. The decision
45 of *Hagar*, which closely followed *Juilliard*, continued the principal that federal legal tender powers could not constitutionally
46 affect the relationship between a citizen of a state and his state government. What appears as a broad statement of federal
47 currency powers in *Juilliard* is not as all encompassing as many would imagine. The limit of Congressional legal tender
48 power is set forth in the Constitution in Article 1, § 10, cl. 1, which is the very subject of this brief. And in accordance with

1 Article 1, § 10, clause 1, both Oregon and California had state laws requiring payment of taxes in specie, and these laws were
2 not voided by the exercise of the Congressional legal tender power.

3 An additional point of consideration arises from the fact that neither *Knox* or *Juilliard* sanctioned an irredeemable currency.
4 The court in *Knox* expressly held that representatives of federal liability, Treasury notes, were to be taken as the equal of
5 coin, with the understanding that these notes would eventually be paid. Redemption began in 1879, and at the time of the
6 *Juilliard* decision, such notes were convertible into specie coin. The Court has never sanctioned the complete suspension of
7 specie payment, as was plainly demonstrated in *Ward v. Smith*, 74 U.S. 447 (1869):

8 *"Notes not thus current at their par value, nor redeemable on presentation, are not a good tender to principal or*
9 *agent, whether they are objected to at the time or not," 74 U.S., at 451-52.*

10 Therefore, a federal currency which is not redeemable in specie coin is repugnant to the Constitution.

11 For this second period in the history of the monetary provisions of the Constitution, the paramount events concerned the
12 Supreme Court decisions on the legal tender acts, and the establishment of the Federal Reserve System in 1913. But, before
13 considering the Federal Reserve issue, it is crucial to first discuss the power of Congress to delegate legislative functions.

14 Perhaps one of the most significant cases regarding Congressional delegation of authority is that of *Field v. Clark*, 143, U.S.
15 649, 12 S.Ct. 495 (1892), wherein this issue of authority of Congress to delegate was considered. Although the Court there
16 upheld the challenged delegation, the decision plainly stated that the Constitution prevented a delegation of legislative power
17 by Congress to any person or entity. The Court reasoned that there was a distinct difference between delegation of legislative
18 power, which is unlawful, and authority or discretion vested in some official as to execution of the law, which is permitted.
19 In *Union Bridge Company v. United States*, 204 U.S. 364, 27 S.Ct. 367 (1907), the Court noted the requirement that an
20 administrative agency had to give notice of hearings, conduct hearings and afford an opportunity to be heard in order to
21 proceed against a party adversely; see also *Hampton and Company v. United States*, 276 U.S. 394, 48 S.Ct. 348 (1928). In
22 *United States v. Grimaud*, 220 U.S. 506, 31 S.Ct. 480 (1911), the Court upheld the use of agency rules and regulations as the
23 basis for a criminal prosecution, the reason being that Congress had set forth in its legislation standards for such rules. In
24 *United States v. Shreveport Grain and Elevator Company*, 287 U.S. 77, 53 S.Ct. 42 (1932), the requirement of rules and
25 regulations for agencies was demonstrated.

26 But, it is 3 cases decided by the Supreme Court in 1935 and 1936 which are of particular significance to the issue of
27 Congressional delegation. In [Panama Refining Company v. Ryan](#), 293 U.S. 388, 55 S.Ct. 241 (1935), the challenged
28 legislation involved Congressional delegation to the President of extraordinary powers over oil, which were virtually
29 dictatorial. The Supreme Court held the purported Congressional delegation to be violative of the Constitution for the reason
30 that the act itself declared no policy, established no standard, and had no rules for action, required no findings of fact and
31 thus empowered the President with unprecedented, uncontrolled legislative power to act in whatever way he deemed
32 appropriate. In [Schechter Poultry Corp. v. United States](#), 295 U.S. 495, 537, 55 S.Ct. 837 (1935), the challenged legislation
33 involved a delegation of authority to industrial trade groups to enact certain codes to regulate trade in the poultry industry.
34 This act was likewise found unconstitutional by the Court, it being stated that "a delegation of legislative power is unknown
35 to our law, and is utterly inconsistent with the constitutional prerogatives and duties of Congress." In [Carter v. Carter Coal](#)
36 [Company](#), 298 U.S. 238, 56 S.Ct. 855 (1936), the challenged act involved delegation of legislative power to private coal
37 producer boards to control the coal industry through codes similar to those mentioned in *Schechter*. The Court was particularly
38 offended at the attempt to delegate legislative power to a private group and likewise found the legislation unconstitutional.
39 Thus, the rule of the cases demonstrates that, in order for Congress to delegate discretionary power to any entity, the
40 legislation permitting such must set forth a Congressional purpose and policy, a standard for action in conformity with that
41 policy, and guidelines for rules, procedures, finding of fact by the delegate, and administrative procedures which afford due
42 process of law. The delegate of legislative power simply has authority to act pursuant to the authority of the statute and "fill
43 in the details" by following Congressional intent.

44 In 1907, a [money panic](#) occurred which many have concluded was caused by deliberate international gold shipments which
45 affected bank reserves. As a result of the damage caused by this panic, the people of our nation and various politicians agitated
46 for monetary reform. Paul Warburg, a German who immigrated to our country in 1902 and who was an officer of the banking
47 firm of Kuhn Loeb and Company, thereafter proposed a great central bank in the European tradition. Congress established a
48 monetary commission to study this proposal, and the multitude of reports so made can now be found in the Senate and House

1 Documents and Reports of that period. In 1909, the 16th Amendment to the U.S. Constitution, the income tax amendment,
2 was proposed and it was eventually, allegedly, ratified in February, 1913. The income tax is a condition precedent for any
3 fiat currency system. Between 1909 and 1913, the proposed central bank plan began to take shape; finally, the Federal Reserve
4 Act was refined enough to secure its passage and enactment on December 23, 1913. ²¹

5 The Federal Reserve Act as promoted to the American public by its proponents gave the outward appearance that the "Money
6 Trust" was being destroyed and was being replaced by a governmental agency which would operate for the benefit of the
7 public. It was necessary that the American people be defrauded and deceived because the Act did not dethrone the "Money
8 Trust" but in fact granted to that Trust thereto for vast and unknown powers. As noted at the beginning of this brief, private
9 groups have always desired to have the power to provide currency to a nation and this act in fact gave the *Juilliard* powers
10 of Congress to a private, powerful, financial group.

11 The Act ²² established 12 privately owned Federal Reserve Banks, the stock in which was to be, and is now, owned by member
12 banks which are likewise privately owned. These 12 private, regional central banks comprised the whole system known as
13 the Federal Reserve System. The only public attribute of this system arose from the fact that the System was to be controlled
14 by a 12 man Board of Governors, 7 of whom were to be appointed by the President. Without question, the System as
15 constructed in this legislation, and now, is totally private, having only some titular "public" heads. The financial powers that
16 sought and obtained this legislation desired a complete privately owned system with enough public facade to render a
17 deceptive appearance. Not only does the legislation disclose the private nature of this System, the federal courts of our nation
18 have now recognized this fact; see *Lewis v. United States*, 680 F.2d. 1239 (9th Cir. 1982). ²³

19 The original act establishing the Federal Reserve System authorized the issuance of Federal Reserve Notes which were to be
20 redeemed in "lawful money of the United States;" see 12 U.S.C. [§411](#). Prior to its repeal in 1994, 12 U.S.C. §152 defined
21 "lawful money" to be gold and silver coin, and therefore the act called for specie redemption of such notes. The fact that such
22 notes were also deemed "obligations" of the United States conclusively shows that the *Juilliard* powers of Congress were
23 conveyed to the System, since such powers were ostensibly derived from the Congressional power to "borrow money."

24 Since the Federal Reserve Act conveyed to a private banking cartel a very substantial Congressional power, the question
25 naturally arises as to whether this legislation is constitutional on this basis. It is unnecessary to consider the infinite, numerous
26 transactions of the System such as its open market operations, discount operations and flagrant, abusive, tortious
27 manipulations of the reserve requirement ratio. Since the only crucial link to the *Juilliard* powers of Congress consists of the
28 fact that Federal Reserve Notes are U.S. obligations, analysis can be limited to this one aspect. Here, Congress in the Act
29 established no discernible policy or purpose insofar as the issuance of such obligations is concerned; there is no standard by
30 which action taken pursuant to such nonexistent policy can be controlled; there are no rules, regulations or procedures to be
31 followed concerning the issuance of these obligations; there are no requirement for finding of facts in reference to issuance
32 of these obligations; and certainly there are no administrative procedures such as public hearings and opportunity to be heard.
33 It appears that the conveyance of Congressional *Juilliard* powers to these banks was an outright gift to a very powerful, self
34 interested financial group, subject to no control or restraint by Congress. The Federal Reserve System was given unbridled
35 power to expand or contract the number and amount of outstanding federal "bills of credit." This legislation is unconstitutional
36 for this reason.

37 It is "fortunate" that the Federal Reserve System was in place just in time for World War I. The System was successful in
38 creating instantly all the additional credit needed to finance that great conflict. Federal bonds were sold to the System in
39 exchange for credit extended to the government for the bonds. Further, these bonds became the basis upon which Federal
40 Reserve Notes were issued. As the war progressed, the paper currency and credit supply greatly expanded and this directly
41 caused inflation.

42 With the successful conclusion of the War, the monetary powers in control of the Federal Reserve System schemed a
43 deliberate, premeditated, intentional contraction of the currency supply. The new Federal Reserve System had demonstrated

²¹ The corrupt struggle involved in securing this certainly unconstitutional piece of legislation is definitively stated in Eustace Mullin's authoritative work, *The Secrets of the Federal Reserve*.

²² 38 Stat. 251.

²³ See also *Comm. for Monetary Reform v. Board of Governors of the F.R.S.*, 766 F.2d. 538, 539 (D.C. Cir. 1985)(Federal Reserve Banks are private); and *South Central Iowa P.C.A. v. Scanlan*, 380 N.W.2d. 699, 703 (Iowa 1986)(production credit associations are private).

1 its currency expansion abilities and it was now time to test its contraction capabilities. On May 18, 1920, a [secret meeting of](#)
2 [the Federal Reserve Board](#) devised a criminal plan to severely damage the commerce of our nation, particularly the agriculture
3 industry. During this meeting, plans were made which were shortly thereafter implemented to raise severely the discount rate
4 and reserve requirement ratio. The results were predictable and agriculture and its support industries received a severe
5 financial blow, all for the purpose of reducing prices. Much financial ruin was caused and those who were damaged were
6 without fault. Nonetheless, the System proved efficient at currency contraction, thus laying the groundwork for the Great
7 Depression.²⁴

8 After this criminal and vicious currency contraction experiment, the System engaged in a general inflationary policy, which
9 created the "roaring twenties." By 1926, 1927, and 1928, newspapers, bank officials, stockbrokers, and even the President
10 and state governors commented on the "good" times and encouraged everyone to enter the stock market because "prosperity
11 was now here." However, sometime in the spring or summer of 1929, plans similar to those devised on May 18, 1920, must
12 have been made, and these plans were obviously made operational before October, 1929. On October 29, 1929, the speculative
13 bubble caused by the inflationary policy of the "Fed" was burst and [the Great Depression](#) was ushered into our nation.
14 Fortunes are made not only by inflationary currency policies but contractionary policies as well. The trick is to know when
15 they will occur; those who knew made fortunes during the Depression, compliments of the System created by Congress.

16 While the Great Depression was caused by improvident currency and credit contraction, the Federal Reserve System still at
17 that time possessed the same amount, if not more, ability to create credit. In fact, its credit creating potential is endless. The
18 System assuredly withdrew credit from the private sector of our economy to cause the Depression, but its credit creating
19 potential did not remain idle. Between the collapse in October, 1929, and June 1, 1933, the Federal Reserve Banks of our
20 nation used their credit capacity to purchase federal bonds payable in gold. By June 1, 1933, the entire System held virtually
21 all of the United States gold bonds which were to mature between June 1, 1933, and January 1, 1934. This ownership of these
22 bonds put the Federal Reserve Banks in a position to dictate the fate of the nation to Congress, and these Banks exercised
23 that power.

24 **7.7 Period III: The War on Specie. 1933 to 1968**

25 Franklin Roosevelt was inaugurated on March 4, 1933, at a very troubling time in the Depression. On March 6, 1933,
26 Roosevelt declared a banking holiday and closed the doors of the nation's banks; Roosevelt's authority to do such was based
27 upon the expired World War I Trading With the Enemy Act, 40 Stat. 411, which authorized the President to prevent hoarding
28 of gold, but which had expired at the termination of that War. Some of the banks closed as a result of Roosevelt's proclamation
29 never reopened, to the damage of their creditors, customer depositors.

30 Roosevelt also called an extra session of Congress for March 9, 1933. When the House convened, the 1933 Emergency
31 Banking Act was passed immediately with no copy of the proposed legislation provided to any House member and with only
32 40 minutes debate. Never before or since was a piece of legislation "railroaded" as this one was. A similar railroad occurred
33 in the Senate, and at the end of the day, Roosevelt's after the fact legislative approval of his actions which closed the banks
34 became law. In addition to this benefit, the new law enabled the Secretary of the Treasury to acquire possession of all gold
35 in the United States. With the new powers conferred upon him, Roosevelt extended the bank holiday, and on March 10, 1933,
36 issued another Executive Order the objective of which was to divest Americans of their right to possess gold. Thus
37 commenced a war upon gold initiated by an American President.

38 By June 1, 1933, a Congressional Joint Resolution, [number 192](#), was proposed to make it against public policy to pay any
39 obligation in gold. It was during the debate on this resolution that the fact was made known that the Federal Reserve Banks
40 possessed virtually all the federal gold clause bonds to mature within the next 6 months.²⁵ This resolution was enacted on
41 June 5, 1933, and notwithstanding the fact that it was only a joint resolution, it was accorded the force of law. On August 28,
42 1933, Roosevelt issued another Executive Order which required information returns for gold ownership and prohibited
43 possession of gold except by license. Failure to file the required returns and possession of gold without license were made
44 criminal offenses. All the fervent work by Roosevelt to outlaw gold and make the federal government the biggest "hoarder"
45 of gold put American currency on the light, inconvertible currency standard. Such a standard was deemed "modern" like the

²⁴ The story of this criminal meeting of May 18, 1920, is spread upon the pages of the [Congressional Record of February 23, 1923](#), pages 4362 through 4369.

²⁵ See Congressional Record, June 1, 1933, page 4899.

1 architecture of the 1930s and the "boat tail" Duesenbergs, Auburns, and Cords.²⁶ The final piece of legislation secured by
2 Roosevelt in his war upon gold ownership by American citizens was the Gold Reserve Act of January 30, 1934, 48 Stat. 337.
3 In the tradition used to obtain the Emergency Banking Act of 1933, this legislation was likewise railroad through Congress.
4 Throughout this period, Roosevelt and Congress used an alleged "national emergency" as the predicate for the hasty
5 legislation and orders so issued.

6 As a direct and proximate result of the far reaching changes made in monetary law in 1933 and 1934, litigation on these
7 points arose. The 3 major Supreme Court decisions made as a consequence were *Norman v. Baltimore and O. R. Co.*, 294
8 U.S. 240, 55 S.Ct. 407 (1935), *Nortz v. United States*, 294 U.S. 317, 55 S.Ct. 428 (1935), and *Perry v. United States*, 294
9 U.S. 330, 55 S.Ct. 432 (1935). *Norman*, supra, dealt with a railroad bond payable in gold coin; Norman sought payment of
10 \$38.10 on a bond payable in the amount of \$22.50, his basis for asking for more arising from the change made in the statutory
11 gold dollar. Seeing the inherent justice in denying relief to a person seeking more than he was entitled, the Supreme Court in
12 *Norman* denied the relief sought. In *Nortz*, a plaintiff seeking similar relief got similar judgment as Norman. Nortz had
13 \$106,300 in gold certificates and was forced to exchange the same for inconvertible currency of the light standard. Based
14 upon a higher market value of gold than legal value of the same, Nortz instituted suit to recover \$64,334.07, the alleged
15 difference between the market price of gold and the legal price. The Court denied his request for unjust enrichment. In *Perry*,
16 the issue concerned a federal gold bond and the method of its payment in light of the June 5, 1933, Joint Resolution. Although
17 the Court in *Perry* held the Joint Resolution to be unconstitutional insofar as it applied to federal bonds, it ultimately
18 determined that Perry had neither alleged nor proven any damage in his breach of contract action and was therefore not
19 entitled to any. In this trilogy of cases, all parties were seeking a gain or benefit as a result of the monetary changes caused
20 by the President and Congress. The Joint Resolution of June 5, 1933, has no significance today because it has been effectively
21 repealed; see *91 Stat. 1229*, and *Fay Corp. v. Frederick & Nelson Seattle, Inc.*, 896 F.2d. 1227 (9th Cir. 1990), for explanation
22 of the ending of HJR 192's application in 1977.

23 Since the monetary changes of the 1930s, the federal government has unilaterally ceased fulfilling its monetary
24 responsibilities required by the Constitution (its *Marigold* duties) and has allowed the function of providing currency to the
25 nation to be assumed by the Federal Reserve System. The minting of dollars of silver ceased in the 1930s, and the gold
26 reserves so violently taken from the American people were used to support greater and greater quantities of notes as the gold
27 reserve requirement was lowered over a span of many years.

28 The vacuum created by Congressional nonfeasance, or malfeasance, insofar as the currency system is concerned, enabled the
29 Federal Reserve System to play a greater and greater role in providing currency. This favorable environment followed directly
30 as a result of this System demonstrating its ability to bankrupt the federal government by the gold bonds it held immediately
31 prior to June 5, 1933. The open question is whether the Federal Reserve System did in fact obtain the gold required to pay
32 the gold bonds the System held at that time. A possible answer to this question appears to lie in the fact that the Federal
33 Reserve Bank of New York has many tons of gold in its possession beneath the streets of New York City and the further fact
34 that the Federal Reserve Banks claim a lien upon or title to all gold possessed by the government.

35 Since the debacle of the 1930s, the "Fed" has provided monumental amounts of credit to the Federal government to finance
36 World War II, the Korean War, and the vast increase in social programs enacted by Congress. The increasing quantities of
37 credit provided to the federal government has enabled it to acquire more and more control over the G.N.P. of our nation.

38 On the day President Kennedy was buried, the first irredeemable Federal Reserve Notes were shipped from the U.S. Treasury.
39 Shortly thereafter, the Treasury consulted Merrill Jenkins, a nationally renown expert on vending machines, to determine
40 how "slugs" could be used to operate vending machines; Jenkins suggested a "sandwiched" coin. Thereafter, President
41 Johnson used the media to promote the idea of a silver shortage, and soon clad coins came into circulation pursuant to the
42 Coinage Act of 1965, 79 Stat. 254.

43 Once debased clads had been provided to the nation by the Treasury, the one remaining step necessary to put the nation itself
44 on the "fiat" standard was to prevent redemption of circulating notes with silver. This came in 1967 with the Silver Certificate
45 Act, 81 Stat. 77, which provided that redemption of silver certificates would end on June 24, 1968. On June 25, 1968, the

²⁶ For a more definitive analysis of this period, see Henry Mark Holzer's law review article entitled "How Americans Lost Their Right To Own Gold - And Became Criminals in the Process," 39 Brooklyn Law Review 517 (1973).

1 nation was placed on a completely fiat monetary standard; since then, the nation has been floating upon a "vast sea" of paper
2 money and credit.

3 **7.8 Period IV: Fiat Law Equals Fiat Currency. 1968 to the Present**

4 The Viet Nam war, or, properly, U.N. peacekeeping action, was financed with Federal Reserve credit; that war began for our
5 society the "endless war for endless peace" proposition of Orwell's *1984*. Since then, endless new wars labeled social
6 programs have increased in the federal government's unveiled attempt to reduce the entire U.S. economy to its control. Such
7 a blatant grab for power by the federal government could not have occurred with a constitutional monetary system.

8 The silver dollar, the "dollar of our daddies," was killed prior to this period. It was replaced by "bastard" sons and daughters
9 such as the Eisenhower dollar and "Susan B. Agony," which were utterly repugnant to the coins intended by the framers of
10 our Constitution.

11 President Nixon closed the "gold window" in 1971 to prevent foreign redemption of our paper currency with gold. But this
12 did not result in damage to those international holders of currency because the federal government provided compensation
13 via a vast foreign aid program.

14 Since 1968, federal budget deficits have vastly increased; the difference between federal revenues and federal expenditures
15 has been provided, in the majority, by new credit created by the "Fed." This apparently alarming development has spawned
16 state efforts to amend the Constitution to provide for a balanced budget. The proponents of a balanced budget apparently lack
17 understanding of the precise social role played by budget deficits; if these advocates are successful in their endeavor, the end
18 of life as we know it here in the United States will surely come to an end.

19 The scientific art of creating booms or depressions for our economy has been fully developed by the "Fed." This organization
20 can now totally control the U.S. economy, and this ability allows it to totally control any particular industry. The past few
21 years have clearly shown the ability of the "Fed" to attack any industry, be it the automotive, oil, or transportation, and bring
22 that industry into its control. The current industry under concerted attack by the creditor creators is agriculture.

23 Of particular significance presently is the war of the "Fed" against its own kind, private commercial banks. The Fed desires
24 to bring all banks directly under its control and to create out of some 14,000 independent banks a few large industry giants.
25 The fewer the number of banks, the greater the control by the "Fed." A deposit made into a bank in heartland America can
26 quickly result in credit extended to Red China.

27 There are many other detrimental effects to be noted as a result of the banishment of specie as the only component of our
28 monetary system and its replacement by fiat currency, but such would serve no purpose here. It only needs to be noted that
29 specie coin is "free man's" money; it is unpolitical and a circulating currency of specie coin cannot result in any
30 governmentally imposed favoritism or benefit to debtors at the expense of creditors. Fiat currency, however, is political
31 money and can be used to favor one group against another or to destroy any group, including an independent sovereign state.

32 **7.9 The Impolicy of the Present Currency System**

33 The U.S. Constitution was adopted, as stated in its preamble, to insure justice and promote domestic tranquility and
34 comparison of Congressional legislation and programs with such standards is beneficial notwithstanding the fact that the
35 preamble's ideals have no legal import. If an act or program established by Congress conforms with these ideals, the merit of
36 the same becomes readily apparent. However, if any act or program is calculated to promote injustice or is disruptive of
37 popular tranquility, serious attention should be undertaken to neutralize these negative effects. The question of concern here
38 is whether the present currency system of the United States promotes or denies justice and domestic tranquility.

39 Any analysis of the current monetary system must, of necessity, begin with an examination of the instruments of this system,
40 which consist of the "clad" coin, Federal Reserve Note and demand deposit. It is through these instruments, this media of
41 exchange, that the commerce of this nation is consummated. The apparent infirmity of all these instruments arises from the
42 fact that each is virtually worthless and cannot by any stretch of the imagination be considered a standard of value. The cost
43 to produce a "clad" coin is reputed to be less than 10% of the face value. The penny is made of zinc with a copper coating for
44 purposes of deception; being some of the most common elements of the earth, they have relatively little value. The "higher"

1 coins are likewise made of the cheap, plentiful elements of copper and nickel. In reference to the Federal Reserve Note, the
2 cost to print the same is alleged to be \$25.00 per 1000 bills, regardless of denomination. The substance of that note is paper,
3 made of extremely plentiful wood. The only redeeming quality of that note consists of its fancy engraving, at least in
4 comparison with other notes of the world. Notes used in other nations such as England and Saudi Arabia have a "comic book"
5 or bathroom tissue quality or appearance.²⁷ While clads and notes have an actual existence, the same cannot be stated in
6 reference to that "instrument" which plays the major role in our currency system, the demand deposit. The demand deposit
7 does not exist in reality, it having no physical form. Such a deposit cannot be brought to court and placed into evidence. A
8 demand deposit is nothing more than a chose in action; it is nothing more than a claim against a financial institution such as
9 a private commercial bank. It exists, if at all possible, only as an electronic "glitch" in the memory of the computer terminals
10 of the banks of our nation. While the quantity of clad coins and paper notes in circulation is somewhat limited by resources
11 and production, the total amount of demand deposits which can be produced is virtually endless.

12 The defect of our present currency system insofar as the instruments thereof is concerned, consists of the total lack of any
13 quality or value. Barter is the system of exchange whereby property is directly exchanged for other and different property.
14 No one can be damaged by barter. Specie coin is an improvement of barter exchange; here exchange occurs via a common
15 form of property, gold or silver, and property and wealth are exchanged for property and wealth. Trade and commerce
16 achieved through the use of specie coin is similar to barter and nobody gets damaged thereby. However, to prostitute the
17 specie coin exchange by replacing it with something of worthless value results in wealth and property being exchanged for
18 nothing of value. This is nothing more nor less than theft. Our nation is nothing more than a society of thieves and we steal
19 each other's wealth, property and labor with something that is inherently worthless.

20 However, while citizens of this nation unknowingly steal one from another, the creators of these monetary instruments are
21 the greatest of thieves. The Federal Reserve Banks and all the private commercial banks of this nation are the creators of
22 Federal Reserve Notes and bank demand deposits. These institutions obtain whatever real resources, wealth and labor they
23 need or desire merely by printing on paper and issuing credit. These institutions truly acquire everything they need or desire,
24 such as bank buildings, employee labor, farmlands or factories, for nothing but the cost of printing.

25 Another serious defect of our currency system consists of the fact that the supply of this purported currency can be
26 manipulated at will by the Federal Reserve System. By purchasing government bonds, the Federal Open Market Committee
27 can expand the credit supply; by selling bonds, it can contract that supply. By the Federal Reserve Board decreasing bank
28 reserve requirements, private banks can increase deposits; the inverse works for an increase in the reserve requirement ratio.
29 The American people have absolutely no control over the volume of currency and credit in circulation. When the currency
30 supply is deliberately and intentionally decreased by this manipulation, innocent victims are created who cannot repay loans;
31 this results in loss of property through foreclosure.

32 Perhaps the most reprehensible feature of our currency system arises from the fact that this currency originates by being
33 loaned into circulation. An apt example of this process is a fictional card game. Assume the existence of 4 card players who
34 borrow their playing cards from another person. The players execute and deliver notes promising to repay 13 cards plus 1 in
35 the way of interest in exchange for 13 cards with which to play. This process put into circulation among the players the total
36 sum of 52 cards. However, the aggregate liabilities of all the players is 56 cards, thus it is impossible for all players to
37 extinguish the debt to the card owner. By loaning the cards into circulation, greater liabilities were created than there were
38 cards in circulation. The card owner/creditor will surely acquire the collateral of the players through foreclosure.

39 Our currency originates in the same identical fashion: it is loaned into circulation. Thus, our debt based currency system has
40 created greater liabilities among us than there is currency and credit in circulation. The world is full of demonstrations of this
41 principle. Mexico has borrowed and put into circulation a great amount of currency and credit. However, notwithstanding the
42 fact that the loan proceeds are put into circulation, if Mexico taxes that currency out of circulation to repay the loan, it will
43 only recover the principal amount of the loan. The currency to pay interest never has an existence. Here in the United States,
44 the aggregate liabilities of our economy exceed all of the circulating currency and credit. We will forever be in debt bondage
45 so long as we continue to maintain the present currency system.

46 In reference to the problem of the federal deficit, it must be noted that it plays a vital social role. Since our medium of
47 exchange is loaned or borrowed into circulation, only the aggregate principal of all loans is in circulation. The currency to

²⁷ No slander of the American Banknote Company intended.

1 pay the interest does not exist. To provide the means to pay the annual interest charges the economy of our nation accrues,
2 the federal government via its budget deficits supplies new currency to the economy so that 85% to 90% of the interest can
3 be paid. So long as currency originates via the loaning mechanism, some part of society must bear the burden of providing
4 the currency to pay interest, and this role is being played by the budget deficit. If the federal government is prevented by law
5 from playing this crucial social role, then the private sector will have to assume that duty. It will take just a short time to
6 mortgage all of the assets of America if this should occur. Then, the credit creators will shut down the American economy
7 and foreclose on all of America.

8 The above are the principle defects of our currency system. This system is not designed to insure justice and promote domestic
9 tranquility. It is designed for the exact opposite. This system is not just unconstitutional, it is anticonstitutional. The last
10 refuge of the American people from sure and swift destruction at the hands of this monetary system is through the judiciary
11 of our nation. And a little known and totally unused law is ready and waiting to be used for this purpose. That law is embodied
12 in the "Supreme Law of the Land;" it is found in Article 1, § 10, cl. 1 of the U.S. Constitution.

13 **7.10 Summary and Conclusions**

14 John Adams once made a statement which aptly described the problems facing our nation:

15 *"All the perplexities, confusion and distress in America arise not from defects in our Constitution; not from want*
16 *of honor or virtue, so much as from downright ignorance of the nature of coin, credit and circulation."*

17 For a brief period in our Constitutional history, the judiciary of our nation understood the true nature of coin, credit and
18 circulation. But when such knowledge became uncommon or forgotten, errors discernible only through history were repeated,
19 the consequences of which we are now suffering.

20 The common law, that ancient river of habit and custom of the English peoples flowing backward into time, dealt decisively
21 with the topic of money. At common law, money was only gold and silver coin; the minting of gold and silver was performed
22 by the King according to the ancient standard coin of the realm. There was no authority granted by the people empowering
23 the King with the prerogative to debase coin. But, as history has plainly shown, monarchs and other forms of government
24 have frequently tended toward usurpation of power and abridgment of the rights of the people. Whenever this has occurred,
25 it has been necessary for the people to actively reclaim their lost liberties.

26 Although the common law precepts, maxims, and principles of money applied to the early colonial governments of our nation,
27 these governments considered themselves at liberty to violate the same. But, as the common law was nothing more than an
28 embodiment of natural, universal law, the violation thereof by colonial paper money emissions resulted in punishment being
29 administered by natural, universal law. Colonial paper money experiments, which spanned a century, caused economic
30 tribulation for everyone involved.

31 Shortly prior to the Revolutionary War, the baneful consequences of paper money had surely been perceived, but not to the
32 degree of severity to prohibit it altogether. It took the experience of the Revolutionary War to permanently imbed in the mind
33 of Americans that paper money was an evil of the first order to be banished forever from our shores.

34 The paper money experiments of early America and the consequent disastrous results thereof were fresh in the minds of the
35 framers of the Constitution when they met in Philadelphia in 1787. When they came to a consideration of the monetary system
36 to be constructed by the Constitution, they determined that a uniform specie currency must be the money of America. To
37 insure this uniformity, they empowered Congress with the right to coin money. While they did not choose to transfer the legal
38 tender power of the States to the federal government, they did place the limitation of Article 1, § 10, clause 1 of the U.S.
39 Constitution on that power and this limitation made only gold and silver coin the legal tender. Power to declare a legal tender,
40 limited to gold and silver, was expressly left in the possession of the States.

41 The intent of the framers in this respect is perfectly clear. Every single written record of this period confirms the proposition
42 that the Constitution absolutely commanded a specie currency and prohibited any governmentally sanctioned paper money.
43 There exist no records of this period that would slightly indicate any contrary intent. During the first period in our
44 constitutional history, the resounding voice of all three branches of government, state and federal, repeated the position taken
45 by the framers of the Constitution. All authorities uniformly agreed that the money of the Constitution was gold and silver

1 coin, and this was so because of express provision. At that time, there was not a single voice that denied this principle, which
2 was considered one of the highest principles of Constitutional law.

3 The advent of the Civil War brought the supreme test to government. Although doubting the lawfulness of such a measure,
4 Congress authorized the emission of federal "bills of credit." After having done so, Congressional damage to constitutional
5 principles had to withstand scrutiny by the judiciary of our nation. Some state courts voided the acts while others upheld
6 them. Resolution of this issue thereafter could only come from the U.S. Supreme Court. When the Supreme Court finally
7 spoke on this issue, it was through the voice of the very man who devised the legal tender acts in the first place. If there was
8 any man in the country then who knew perfectly well both sides of this issue, it was Chief Justice Chase. Chase had personal
9 reasons to uphold the validity of the acts, yet when he found the acts to be unconstitutional, he demonstrated himself to be a
10 jurist of the highest order. There certainly was never a member of the Supreme Court who was thrust into this position, and
11 there may never again be a similar situation. Chase occupies a special place in the history of American jurisprudence.

12 While the *Hepburn* decision followed the common law and all previous case law in America, political intrigue entered the
13 picture for the purpose of a direct assault upon the United States Constitution. The success of this endeavor resulted in new
14 members on the Supreme Court, and one of these new members then wrote the opinion in *Knox*, which expressly overruled
15 *Hepburn*. *Knox* set a precedent in ways other than the issue of money; it started the trend away from the proposition that the
16 federal government is one of limited powers. If *Knox* rationale in reference to construction of Congressional constitutional
17 powers is followed, then every questionable exercise of power by the federal government can and will be justified similarly,
18 with the proximate result being tyranny by the federal government. What the Supreme Court did in *Knox* was to amend the
19 U.S. Constitution without complying with Article V.

20 The subsequent legal tender case of *Juilliard* not only refined *Knox*, but it placed a limit on its rationale. The scope of the
21 legal tender power does not abridge the powers and constitutional restraints on the States as that case demonstrated. And this
22 maxim is clearly shown when *Juilliard* is compared with the decisions in *Lane County* and *Hagar*. The net result is that the
23 Legal Tender Cases have not impinged upon or transgressed any part of the constraint upon the States as enumerated in
24 Article 1, § 10.

25 If a crime against the law and mankind has ever occurred, then it was surely a crime that Congress committed when it
26 established in 1913 the Federal Reserve System. This act created 12 privately owned banks of issue, which were unified into
27 one system and then given a public facade for appearance sake. For no consideration and without any restraints being placed
28 upon the grant, Congress empowered these banks to issue notes which were deemed to be obligations of the federal
29 government.

30 After creation, these banks assumed quickly a prominent position in the financial affairs of this nation which they have ever
31 since held. Their power was adversely exercised in 1920 and 1921 and the result was a depression in agriculture. Thereafter,
32 these banks created a boom which ended in the worst economic calamity known to modern man, the Great Depression.

33 During the Depression, these banks readied a war against the federal government. Gold and silver coins have always been
34 and always will be the enemy of paper money. The friends of paper money during this dark era in our history made certain
35 that gold would never again offend them; the embarrassing predicament in which they placed the federal government was
36 sufficient to cause the federal government to take an action unprecedented in the annals of the history of money. This action
37 was the bold move to divest all gold from the possession of the American citizens and to forever lock it up in the vaults of
38 Fort Knox. All of this occurred during a "national emergency," and this emergency was the predicate for the actions taken.

39 The knowledge and experience gained by the central bankers in the 30's was put to use in the 1960s when a very silent war
40 against silver was conducted, which resulted in the obliteration of all connections between this precious metal and our
41 currency. While the attention of the American public was focused upon the preparations for sending men to the moon, one of
42 the deadliest social diseases ever known to man, fiat money, was introduced to our nation.

43 Today, the currency system in our country is totally privately owned and controlled; it is manipulated at will and is specifically
44 designed to conquer financially the American people. The chief bank note which this system issues is totally irredeemable.
45 These notes, in addition to credit claims against the Federal Reserve Banks, constitute the reserves upon which the nation's
46 private banks issue a multiple of demand deposits, which are likewise irredeemable. The issue of all these private banks is

1 plainly unconstitutional. And this entire system has been imposed upon the American people with irresistible force and power.
2 Is our entire currency system as unconstitutional as the Confederate currency system described in *Thorington*?

3 Since the advent of the fiat paper money, our nation has suffered from the identical ills which the framers of the Constitution
4 endured. Inflation is endemic, taxes are constantly rising, crime is rampant, Americans are unemployed, and that great
5 institution, the American family, is about to disintegrate. These are always the direct social consequences whenever any
6 nation has permitted its currency to be debauched and replaced with paper, as history has clearly shown.

7 Neither the national executive or legislative branches display any inclination to remedy this severe social problem. Further,
8 state governors and legislators are afflicted with a lack of knowledge of the true nature of coin, credit and circulation and are
9 thus impotent to offer redress. However, the judiciary of our nation does offer hope and has a ready remedy: it can implement
10 and revitalize the perfect solution found in Article 1, § 10, clause 1 of the U.S. Constitution.

11 **8 Measurements of the Supply of Money**²⁸

12 Money supply data is recorded and published in order to monitor the growth of the money supply. Public- and private-sector
13 analysts have long monitored this growth because of the effects that it is believed to have on real economic activity and on
14 the price level²⁹. The money supply is considered an important instrument for controlling inflation by economists who say
15 that growth in money supply will only lead to inflation if money demand is stable³⁰.

16 **8.1 Conventions**

17 Because (in principle) money is anything that can be used in settlement of a [debt](#), there are varying measures of money supply.
18 Since most modern economic systems are regulated by governments through [monetary policy](#), the supply of money is broken
19 down into types of money based on how much of an effect monetary policy can have on that type of money. **Narrow money**
20 is the type of money that is more easily affected by monetary policy whereas **broad money** is more difficult to affect through
21 monetary policy.^[5] Narrow money exists in smaller quantities while broad money exists in much larger quantities. Each type
22 of money can be classified by placing it along a spectrum between **narrow** (easily affected) and **broad** (difficult to affect)
23 money. The different types of money are typically classified as **M's**. The number of **M's** usually range from M0 (most narrow)
24 to M3 (broadest) but which M's are actually used depends on the system. The typical layout for each of the M's is as follows:

- 25 • **M0**: Physical [currency](#). A measure of the money supply which combines any liquid or cash assets held within a
26 central bank and the amount of physical currency circulating in the economy. M0 (M-zero) is the most liquid measure
27 of the money supply. It only includes cash or assets that could quickly be converted into currency. This measure is
28 known as **narrow money** because it is the smallest measure of the money supply.^[6]
- 29 • **M1**: M0 + demand deposits, which are checking accounts. This is used as a measurement for economists trying to
30 quantify the amount of money in circulation. The M1 is a very liquid measure of the money supply, as it contains
31 cash and assets that can quickly be converted to currency.^[7]
- 32 • **M2**: M1 + all time-related deposits, savings deposits, and non-institutional money-market funds. M2 is a broader
33 classification of money than M1. Economists use M2 when looking to quantify the amount of money in circulation
34 and trying to explain different economic monetary conditions.^[8] M2 is key economic indicator used to forecast
35 inflation.^[9]
- 36 • **M3**: M2 + all large time deposits, institutional money-market funds, short-term repurchase agreements, along with
37 other larger liquid assets. The **broadest measure of money**; it is used by economists to estimate the entire supply
38 of money within an economy.^[10]

39 **8.2 Fractional-reserve banking**

40 The different forms of money in government money supply statistics arise from the practice of [fractional-reserve banking](#).
41 Whenever a bank gives out a loan in a fractional-reserve banking system, a new type of money is created. This new type of

²⁸ Extracted from Wikipedia: http://en.wikipedia.org/wiki/Money_supply on 4/13/2008.

²⁹ [The Money Supply - Federal Reserve Bank of New York](#)

³⁰ [a b money supply Definition](#)

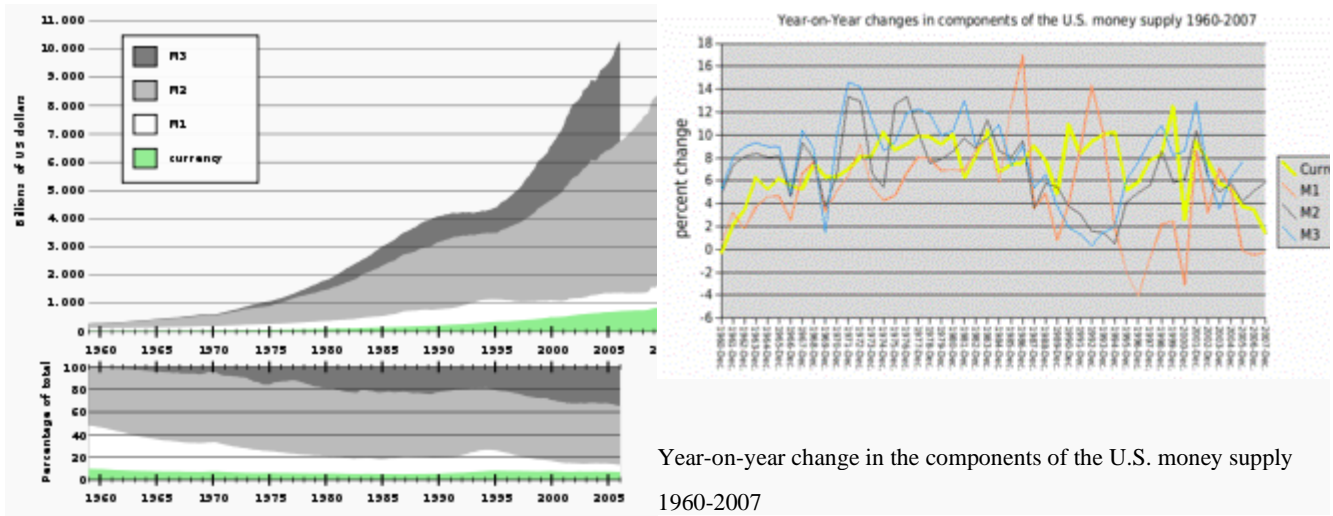
1 money is what makes up the non-M0 components in the M1-M3 statistics. In short, there are two types of money in a
2 fractional-reserve banking system^{31,32}:

- 3 1. **central bank money** (physical currency)
- 4 2. **commercial bank money** (money created through loans) - sometimes referred to as **checkbook money**³³

5 In the money supply statistics, **central bank money** is M0 while the **commercial bank money** is divided up into the M1-
6 M3 components. Generally, the types of commercial bank money that tend to be valued at lower amounts are classified in
7 the narrow category of M1 while the types of commercial bank money that tend to exist in larger amounts are categorized in
8 M2 and M3, with M3 having the largest.

9 **8.3 Pictorial of United States Money Supply**

10 **Figure 21: United States Money Supply**



Components of U.S. money supply (currency, M1, M2, and M3) since 1959

Year-on-year change in the components of the U.S. money supply 1960-2007

³¹ Bank for International Settlements - The Role of Central Bank Money in Payment Systems. See page 9, titled, "The coexistence of central and commercial bank monies: multiple issuers, one currency": <http://www.bis.org/publ/cpss55.pdf> A quick quote in reference to the 2 different types of money is listed on page 3. It is the first sentence of the document:

"Contemporary monetary systems are based on the mutually reinforcing roles of central bank money and commercial bank monies."

³² European Central Bank - Domestic payments in Euroland: commercial and central bank money:

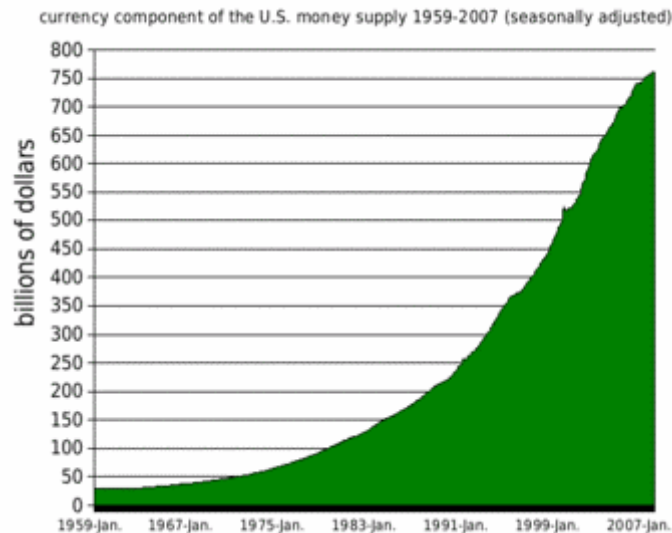
http://www.ecb.int/press/key/date/2000/html/sp001109_2.en.html One quote from the article referencing the two types of money:

"At the beginning of the 20th almost the totality of retail payments were made in central bank money. Over time, this monopoly came to be shared with commercial banks, when deposits and their transfer via checks and giros became widely accepted. Banknotes and commercial bank money became fully interchangeable payment media that customers could use according to their needs. While transaction costs in commercial bank money were shrinking, cashless payment instruments became increasingly used, at the expense of banknotes"

³³ Our Central Bank, Chicago Fed: http://www.chicagofed.org/consumer_information/the_fed_our_central_bank.cfm

the reference is found in the "Money Manager" section:

"the Fed works to control money at its source by affecting the ability of financial institutions to "create" checkbook money through loans or investments. The control lever that the Fed uses in this process is the "reserves" that banks and thrifts must hold."



Currency component of the U.S. money supply 1959-2007

The Federal Reserve previously published data on three monetary aggregates, but now it only publishes data on 2 of them. The first, M1, is made up of types of money commonly used for payment, basically currency (M0) and checking deposits. The second, M2, includes M1 plus balances that generally are similar to transaction accounts and that, for the most part, can be converted fairly readily to M1 with little or no loss of principal. The M2 measure is thought to be held primarily by households. The third aggregate, M3, which is no longer published, included M2 plus certain accounts that are held by entities other than individuals and are issued by banks and thrift institutions to augment M2-type balances in meeting credit demands; it also includes balances in money market mutual funds held by institutional investors. The aggregates have had different roles in monetary policy as their reliability as guides has changed. The following details their principal components^[14]:

- **M0**: The total of all physical [currency](#), plus accounts at the central bank that can be exchanged for physical currency.
- **M1**: M0 - those portions of M0 held as reserves or vault cash + the amount in [demand accounts](#) ("checking" or "current" accounts).
- **M2**: M1 + most [savings accounts](#), [money market accounts](#), and small denomination time deposits ([certificates of deposit](#) of under \$100,000).
- **M3**: M2 + all other [CDs](#) (large time deposits, institutional money market mutual fund balances), deposits of [eurodollars](#) and [repurchase agreements](#).

The Federal Reserve ceased publishing M3 statistics in March 2006, explaining that M3 did not appear to convey additional information about economic activity compared to M2, had not been used in determining economic policy, and that the costs to collect M3 data outweighed the benefits. Some of the data used to calculate M3 are still collected and published on a regular basis.³⁴ Current alternate sources of M3 data are available from the private sector.

9 Legal status of Federal Reserve Notes (FRNs)

9.1 Constitutionality and Legality of Federal Reserve Notes

During the Civil War, Congress enacted several laws making US Notes a legal tender, an idea originating with Treasury Secretary Chase. He was elevated to Supreme Court Chief Justice a few years later, a move I think was designed to insure an ultimately favorable decision regarding legal tender. Predictably, a legal tender case did arrive at the U.S. Supreme Court, and the decision in that case was written by Chase, but he held his own act unconstitutional.

³⁴ [Discontinuance of M3](#)

1 The Court was then packed with “friends of paper money” and a decision was made to rehear the legal tender issue. In the
2 Legal Tender Cases (Knox v. Lee), these acts were declared constitutional, and in a few cases thereafter, the constitutional
3 foundation for legal tender was finally located: it resided in the constitutional power of Congress to borrow. Hence, legal
4 tender pieces of paper must legally be debts of Uncle Sam.

5 The issuance of debt by Uncle Sam is also governed by the Constitution: no money may be drawn from the Treasury except
6 that authorized by law. This provision means that all federal debt must be authorized by an act of Congress. Periodically,
7 Congress is required to raise the debt ceiling, and this simply demonstrates the operation of this constitutional provision:
8 every cent of outstanding debt must be supported by an act of Congress. Congress cannot delegate this power to any other
9 entity, especially a private corporation.

10 The problem with FRNs is that while they are statutorily identified as debt obligations of Uncle Sam, there is no act of
11 Congress authorizing any amount of this type of federal debt to be issued. Uncle Sam has no liability for the payment of these
12 bank notes because there is no act of Congress authorizing the first cent of these debts to be issued. Consequently and as a
13 matter of law, FRNs are not legally debts of the United States, an essential condition precedent for them to be legal tender.

14 But, let's ignore for the moment this huge constitutional problem. Suppose this power of authorizing federal debt has been
15 delegated to all Fed Reserve Banks, and they can issue endless quantities of federal debt in the form of bank notes, which
16 incidentally they do not have to pay. It is sheer lunacy to contend that private banks may issue ANY federal debt, and certainly
17 the delegation of such power is unconstitutional.

18 Compare FRNs against 2 of our favorite but under-appreciated decisions of the U.S. Supreme Court:

- 19 1. Thorington v. Smith, 75 U.S. (8 Wall.) 1 (1869).
- 20 2. United States v. Marigold, 50 U.S. (9 How.) 560, 567-68 (1850)

21 Here is a discussion of Thorington:

22 One of the first cases rendered by the U.S. Supreme Court wherein the confederate currency was an issue was Thorington v.
23 Smith, 75 U.S. (8 Wall.) 1 (1869). Here, the Supreme Court reasoned that the Confederacy was a de facto government
24 imposed by irresistible force and that, while it existed, citizens of the Confederacy of necessity had to obey its civil authority.
25 Insofar as Confederate notes were concerned, the Court described them as follows:

26 *"As contracts in themselves, except in the contingency of successful revolution, these notes were nullities; for,*
27 *except in that event, there could be no payer. They bore, indeed, this character upon their face, for they were*
28 *made payable only 'after the ratification of a treaty of peace between the Confederate States and the United States*
29 *of America.' While the war lasted, however, they had a certain contingent value, and were used as money in*
30 *nearly all the business transactions of many millions of people. They must be regarded, therefore, as a currency*
31 *imposed on the community by irresistible force," 8 Wall., at 11.*

32 *"Considered in themselves, and in the light of subsequent events, these notes had no real value, but they were*
33 *made current as dollars by irresistible force. They were the only measure of value which the people had, and*
34 *their use was a matter of almost absolute necessity. And this use gave them a sort of value, insignificant and*
35 *precarious enough it is true, but always having a sufficiently definite relation to gold and silver, the universal*
36 *measure of value, so that it was always easy to ascertain how much gold and silver was the real equivalent of a*
37 *sum expressed in this currency," 8 Wall., at 13.*
38 *[Thorington v. Smith, 75 U.S. (8 Wall.) 1 (1869)]*

39 Are not FRNs, being fiat and unpayable, worse than Confederate currency? But consider what Marigold, a counterfeiting
40 case, holds:

41 *"They appertain rather to the execution of an important trust invested by the Constitution, and to the obligation*
42 *to fulfill that trust on the part of the government, namely, the trust and the duty of creating and maintaining a*
43 *uniform and pure metallic standard of value throughout the Union. The power of coining money and of regulating*
44 *its value was delegated to Congress by the Constitution for the very purpose, as assigned by the framers of that*
45 *instrument, of creating and preserving the uniformity and purity of such standard of value * * **

46 *"If the medium which the government was authorized to create and establish could immediately be expelled, and*
47 *substituted by one it had neither created, estimated, nor authorized one possessing no intrinsic value then the*
48 *power conferred by the Constitution would be useless wholly fruitless of every end it was designed to accomplish.*

1 *Whatever functions Congress are, by the Constitution, authorized to perform, they are, when the public good*
2 *requires it, bound to perform; and on this principle, having emitted a circulating medium, a standard of value*
3 *indispensable for the purposes of the community, and for the action of the government itself, they are accordingly*
4 *authorized and bound in duty to prevent its debasement and expulsion, and the destruction of the general*
5 *confidence and convenience, by the influx and substitution of a spurious coin in lieu of the constitutional*
6 *currency."*
7 [*United States v. Marigold, 50 U.S. (9 How.) 560, 567-68 (1850)*]

8 In short, FRNs are unconstitutional and illegal.

9 **9.2 History of Redeemability of Federal Reserve Notes in Gold and Silver**

10 From the beginning of the Federal Reserve in 1913, it was intended that "*Federal Reserve Notes*" would represent the dollar
11 at a ratio of \$1 in "*Federal Reserve Notes*" to be equal to \$1 in value ... but by 1935; the ratio of gold to "*Federal Reserve*
12 *Notes*" had slipped to 40% and at that time it was enacted:

13 *"Every Federal Reserve Bank shall maintain reserves in gold certificates, or lawful money of not less than 35%*
14 *against its deposits, and reserves in gold certificates of not less than 40% against its Federal Reserve notes in*
15 *actual circulation."*
16 [*12 U.S.C. §413, as enacted on August 23, 1935*]

17 Now the ratio was established at \$2.50 in "*Federal Reserve Notes*" to be equal to \$1 in value; however, this, too, did not last
18 for long; in less than 10 years, the ratio had changed once more, and out of necessity the reserve requirements were reduced
19 to 25% (see the "*Act*" of June 12, 1945, 59 Stat. 237).

20 The "*Act*" of June 12, 1945, established a new ratio for the value; at that time \$4 in "*Federal Reserve Notes*" circulating that
21 the banks and the government were beginning to become nervous; they then enacted legislation to attempt to curb the
22 redemption of "*Federal Reserve Notes*" by restricting the Federal Reserve banks from paying out "*Notes*" of another Federal
23 Reserve bank (See "*Act*" of July 19, 1954, 68 Stat. 495).

24 By 1965, all was totally lost; the ratio of "*Federal Reserve Notes*" then circulation and Bank Credit to the value standard was
25 approaching \$400 to \$1; that is to say, 400 "*Federal Reserve Notes*" to be equal to \$1 in value. It was out of desperate
26 necessity that Congress enacted legislation eliminating reserve requirements altogether (See "*Act*" of March 3, 1965, 79 Stat.
27 5).

28 By 1968, Congress finally admitted what was known for some 35 years, that the "*Notes*" were hopelessly depreciated and no
29 possibility of redemption existed (See "*Act*" of March 18, 1968, 28 Stat. 50).

30 If history is at all accurate, we can soon expect Congress to issue a new Currency to be used to replace the present Currency
31 at a discount of approximately 100 to 1 or 100 "*Federal Reserve Notes*" for 1 Note of the new Currency. If any less of a
32 depreciation is maintained at that time, subsequent changes in Currency must prevail until that level is attained.

33 This was exemplified as recently as 1780, 193 years ago our Currency followed the same path and ultimately died in the
34 hands of those who possessed it.

35 *"Almost the first financial steps of Congress after the hostilities began was to vote an issue of paper money, and*
36 *within a week of the battle of Bunker Hill, under date of June 22, 1775 authority was given for an issue of*
37 *\$2,000,000. of bills of credit, based upon the credit of the States with a careful apportionment of the amount each*
38 *colony should redeem between 1779 and 1782. Between that date (June 22, 1775) and November 29, 1779, a*
39 *period of about 4 years and a half, forty of these emissions with a total issue of \$241, 552, 780. were authorized,*
40 *and there is a strong possibility that more was surreptitiously put out by the embarrassed treasury officials. ... In*
41 *addition to the continental issues the States put out \$209,524,776. in paper notes. ..."*

42 Congress itself did not declare these issues to be a legal tender, b called upon the States to do so. The Congress lacked
43 authority under the "*Articles of Confederation*" to declare "*legal tender*".

44 The States acknowledged with appropriate legislation and enacted ...

1 "That if any person shall hereafter be so lost to all virtue and regard for his Country as to refuse to accept its
2 notes, such person shall be deemed an enemy of his Country."

3 When depreciation of the bills became so marked that wages and prices began rapid increases, the legislature was forced to
4 pass wage and price controls; the first of these were passed in December of 1776, but, as the depreciation was inherent in the
5 paper itself, all attempts to support the credit of the bills failed; depreciation was quickly accelerated. Valuation of "Notes"
6 as depreciated to money:

- 7 • 1779- January 14 8 to 1
- 8 • February 3 10 to 1
- 9 • April 2 17 to 1
- 10 • May 5 24 to 1
- 11 • June 4 20 to 1
- 12 • September 17 24 to 1
- 13 • October 14 30 to 1
- 14 • November 17 38.5 to 1
- 15 • 1781- January 100 to 1
- 16 • In May 1781 the "Notes" ceased to pass as Currency. ...

17 Source of the above statistics: Financial History of the United States, Dewey, 12th Ed. 1934, p. 36 et. seq.

18 *"At last the continental bills became of so little value, that they ceased to circulate; and in the course of the year*
19 *1780, they quietly died in the hands of their possessors. Thus were redeemed the solemn pledges of the national*
20 *government. Thus was a paper currency which was declared to be equal to gold and silver suffered to perish in*
21 *the hands of persons compelled to take it, and the very enormity of the wrong made the ground of an abandonment*
22 *of every attempt to redress it."*
23 *[3 Story 224]*

24 Someone once said, "It is for those who do not learn from history that history must repeat itself."

25 The history of the "Federal Reserve Notes" closely resembles that of the continental Currency ... except that the Currency
26 today is the product of a private corporation, and that corporation, not the government, derived value from its issue and
27 creation. The government receives the cost of printing only, which is less than one cent for each note, and the banks receive
28 the full face value of the note as it loans that note into circulation.

29 The Federal Reserve banks have placed themselves in jeopardy of total collapse. Their "Note" is worthless abroad and rapidly
30 declining at home. It is perhaps the only opportunity we shall have in the next sixty years to escape total enslavement by
31 allowing the Currency to collapse. It will harm no one; the Federal government would be let out of a 465 billion dollar debt
32 and the American consumers would be let out of a 3 trillion dollar debt all owed to these privately owned banks; but our
33 government will not allow this to happen. The government will treat the bank paper ("Money") as their obligation and enslave
34 the people it is instead supposed to be protecting in a feeble attempt to maintain this insane system of finance. It is the
35 government's own fault that its citizens are enslaved to the Federal Reserve banks.

36 **9.3 Federal Reserve Notes are Backed by Gold**

37 Yes, you read that right. **The Federal Reserve notes are backed by gold.**

38 If you look at page 453 and 490 of the 2009 Annual Financial Report of the Federal Reserve (CAFR) you will see there
39 actually is collateral held against Federal Reserve Notes. This means the money we use is backed by something.

Federal Reserve 96th Annual Report 2009

<http://www.federalreserve.gov/boarddocs/rptcongress/annual09/pdf/ar09.pdf>

40 What is it backed by?

41 There is the Gold Certificate Account (The Fed has the gold and the Treasury has the certificates.)

1 How much gold?

2 \$11,037,000,000 worth of gold. This can also be found on page 61 of the Federal Government's CAFR.

<http://www.gao.gov/financial/fy2010/10notes.pdf>

3 How many (troy) ounces (of gold) is backing the Federal Reserve Notes? On page 62, the last paragraph reads:

4 *"Gold is valued at the statutory price of \$42.2222 per fine troy ounce. The number of fine troy ounces was*
5 *261,498,900 as of September 30, 2010, and 2009. The market value of gold on the London Fixing was \$1,307 and*
6 *\$996 per fine troy ounce as of September 30, 2010, and 2009, respectively. Gold totaling \$11.1 billion as of*
7 *September 30, 2010, and 2009, was pledged as collateral for gold certificates issued and authorized to the FRBs*
8 *by the Secretary of the Treasury. Gold certificates were valued at \$11.0 billion as of September 30, 2010, and*
9 *2009, which are included in Note 19—Other Liabilities. Treasury may redeem the gold certificates at any time.*
10 *Foreign currency is translated into U.S. dollars at the exchange rate at fiscal year-end. The foreign currency is*
11 *maintained by various U.S. Federal agencies and foreign banks."*
12 *[Notes to the Financial Statement, Note 5: Tap Direct Loans and Equity Investments, Net, p. 62;*
13 *SOURCE: <http://www.gao.gov/financial/fy2010/10notes.pdf>]*

14 How much money (Federal Reserve Notes) is in circulation?

15 All of that hard and easily liquidated currency is known as the **M0 money supply**. This includes the bills and coins in people's
16 pockets and mattresses, the money on hand in bank vaults and all of the deposits those banks have at reserve banks. According
17 to the Federal Reserve, there was \$908.6 billion in the M0 supply stream as of July 2009.

Factors Affecting Reserve Balances, H.4.1, July 30, 2009
<http://www.federalreserve.gov/releases/h41/20090730/>

18 What is the *real value* of the Federal Reserve Notes?

19 This can be viewed 2 ways (statutory value or market value).

20 Let's do some calculating:

- 21 1. The statutory price of gold: \$42.2222 per ounce. The Fed is holding 261,498,900 ounces of gold This equals to
22 \$11,041,058,855.58 (\$11 billion). There is \$908,600,000,000 (\$908 billion) in circulation. According to the statutory
23 price of gold, the dollar is worth \$.012 (Just over 1 cent per dollar) as of this writing.
- 24 2. The market price of gold: \$1,307.00 per ounce (as of this writing). The Fed is holding 261,498,900 ounces of gold.
25 This equals to \$341,779,062,300.00 (\$341.7 billion). There are \$908,600,000,000 (\$908 billion) in circulation.
26 According to the market price of gold, the dollar is worth \$0.37 (37 cents per dollar).

27 I guess the dollar really isn't worth a dollar (*in gold*).

28 **10 Why We Don't Have Lawful "Money"**

29 The power to coin money described earlier in section 3 is not the origin of the authority for printing Federal Reserve Notes.
30 Those notes are printed under the authority of Article 1, Section 8, Clause 2 of the U.S. Constitution:

31 *U.S. Constitution*
32 *Article 1, Section 8, Clause 2*

33 *The Congress shall have Power . .*

34 *To borrow Money on the credit of the United States;*

35 In section one of H.J.R.-192 there is a single very important sentence, which states:

36 *"Any such provision contained in any law authorizing obligations to be issued by or under the authority of the*
37 *United States, is hereby repealed, ---"*

1 This is important because under Section 16 of the Federal Reserve Act, the “Federal reserve notes” issued under that section
2 were expressly said to be obligations of the United States. Then, in June of 1933 the authority to issue those Section 16
3 Federal reserve notes was repealed. Result? ALL Federal reserve or Reserve notes are without authority of law! Thus, we
4 have a colorable currency to go with colorable law, but the whole system is based on FRAUD and unlawful.

5 The “money” you think you carry around in your pocket isn’t money at all, but a debt instrument or obligation borrowed from
6 a PRIVATE banking consortium deceptively called the “Federal Reserve” pursuant to Article 1, Section 8, Clause 2 of the
7 United States Constitution. You will note that the top of each bill says “Federal Reserve **Note**”. The “Federal Reserve”, in
8 fact, is about as “federal” as “Federal Express”. Here is how Black’s Law Dictionary, Sixth Edition defines “money” on page
9 1005:

10 **Money:** *In usual and ordinary acceptance it means coins and paper currency used as circulating medium of*
11 *exchange, and **does not embrace notes**, bonds, evidences of debt, or other personal or real*
12 *estate. Lane v. Railey, 280 Ky. 319, 133 S.W.2d. 74, 79, 81.*
13 *[Black’s Law Dictionary, Sixth Edition, p. 1005]*

14 Here is what enacted law says about this subject in [12 U.S.C. §411](#):

15 [TITLE 12 > CHAPTER 3 > SUBCHAPTER XII > Sec. 411.](#)
16 [Sec. 411. - Issuance to reserve banks; nature of obligation; redemption](#)

17 *Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System for*
18 *the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set*
19 *forth and for no other purpose, are authorized. **The said notes shall be obligations***
20 ***of the United States** and shall be receivable by all national and member banks and Federal reserve*
21 *banks and for all taxes, customs, and other public dues. **They shall be redeemed in***
22 ***lawful money on demand at the Treasury Department of the***
23 ***United States, in the city of Washington, District of Columbia,***
24 ***or at any Federal Reserve bank***

25 You can search the entire U.S. Code as we have and NOWHERE will you find any place where “Federal Reserve Notes” are
26 defined or identified as “dollars” as used in the Constitution. Therefore, you cannot lawfully conclude that they are
27 equivalent. A Congressman wrote the Federal Reserve Board and they wrote back to admit that there is NO DEFINITION
28 for what a “dollar” is! See the amazing truth for yourself both in section 17.6 later or at the link below:

[Ogilvie Letter, Exhibit #06.001](#)
<http://sedm.org/Exhibits/ExhibitIndex.htm>

29 “Federal Reserve Notes” are in many respects similar to the “United States Notes”; they are both paper; they are both “Notes”,
30 and they both circulate on the credit of the United States. ...

31 *“United States notes are engagements to pay dollars and the dollars intended were the coined dollars of the*
32 *United States.”*
33 *[Bank of New York v. N.Y. County, 7 Wall. (U.S.) 26]*

34 *“Their name imports obligation, everyone of them expresses upon its face an engagement of the nation to pay to*
35 *the bearer a certain sum, the dollar note is an engagement to pay a dollar, and the dollar intended is the coined*
36 *dollar of the United States, a certain quantity in weight and fineness of gold or silver ... no other dollars had*
37 *before been recognized by the legislature of the national government as lawful money.”*
38 *[Bank of New York, supra., at 30]*

39 The Supreme court held that the issue of “United States Notes,” was not an attempt by Congress to make “dollars”, but an
40 attempt to borrow “dollars” and to repay that debt.

41 But wait a minute! The law says that obligations of the U.S. government are not taxable in 31 U.S.C. §3124!

[TITLE 31](#) > [SUBTITLE III](#) > [CHAPTER 31](#) > [SUBCHAPTER II](#) > Sec. 3124.
Sec. 3124. - Exemption from taxation

(a) **Stocks and obligations of the United States Government are exempt from taxation by a State or political subdivision of a State.** The exemption applies to each form of taxation that would require the obligation, the interest on the obligation, or both, to be considered in computing a tax, except -

(1) a nondiscriminatory franchise tax or another nonproperty tax instead of a franchise tax, imposed on a corporation; and

(2) an estate or inheritance tax.

(b) The tax status of interest on obligations and dividends, earnings, or other income from evidences of ownership issued by the Government or an agency and the tax treatment of gain and loss from the disposition of those obligations and evidences of ownership is decided under the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.). An obligation that the Federal Housing Administration had agreed, under a contract made before March 1, 1941, to issue at a future date, has the tax exemption privileges provided by the authorizing law at the time of the contract. This subsection does not apply to obligations and evidences of ownership issued by the District of Columbia, a territory or possession of the United States, or a department, agency, instrumentality, or political subdivision of the District, territory, or possession

Therefore, your Federal Reserve Notes (FRN's) are not taxable by federal State governments, because they aren't really lawful money, but debt obligations, or the equivalent of corporate government bonds! For more interesting reading, we refer you to the Legal Tender Cases, Juilliard v. Greenman, [110 U.S. 421](#) (1884).

“Under the power to borrow money on the credit of the United States, and to issue circulating notes for the money borrowed, [Congress'] power to define the quality and force of those notes as currency is as broad as the like power over a metallic currency under the power to coin money and to regulate the value thereof. Under the two powers, taken together, Congress is authorized to establish a national currency, either in coin or in paper, and to make that currency lawful money for all purposes, as regards the national government or private individuals. . . . (Emphasis added)”

Here is what one federal court said when one American claimed his FRN's were not lawful money and that they were exempt from taxation by a state. It's all B.S., of course:

“Congress has delegated the power to establish this national currency which is lawful money to the Federal Reserve System. 12 U.S.C. §411. Congress has made the Federal Reserve note the measure of value in our monetary system, 12 U.S.C. §412 (1968),²¹¹ and has defined Federal Reserve notes as legal tender for taxes, 31 U.S.C. §392 (1965). Taxpayers' attempt to devalue the Federal Reserve notes they received as income is, therefore, not lawful under the laws of the United States.”
[Mathes v. Commissioner of Internal Revenue, 576 F.2d. 70 (1978)]

Obviously, Mr. Mathes didn't explain his case properly. If he had stuck to the statutory definition of a “dollar” and demanded that a statute be produced describing WHICH of the two “dollars” they are talking about, the court would have been powerless, because “there ain't no friggin statute”, as confirmed by correspondence from the Federal Reserve Board itself! Judges can't make up definitions that don't exist in order to enforce laws against persons or things not specified in law. Their practicing religion and establishing a religion in violation of the First Amendment to do so. What they are doing is religion because they are espousing a belief that makes them superior, and that belief cannot or is not substantiated by any admissible evidence. Furthermore, Mr. Mathes probably didn't use the following as an excuse for why his earnings are not subject to withholding and are not “wages” as legally defined. The following provision requires that earnings of an “employee” as legally defined are not “wages” if the employee is not engaged in a “trade or business” and the “employee's” remuneration was paid in any medium OTHER than “cash”:

[United States Code](#)
[TITLE 26 - INTERNAL REVENUE CODE](#)
[SUBTITLE C - EMPLOYMENT TAXES](#)
[CHAPTER 24 - COLLECTION OF INCOME TAX AT SOURCE ON WAGES](#)
[Section 3401. Definitions](#)

(a) Wages

*For purposes of this chapter, the term “wages” means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including **the cash value of all remuneration** (including benefits) paid in any medium other than cash; **except that such term shall not include remuneration paid -***

1 (11) for services not in the course of the employer's trade or business [public office in the U.S. government],
2 to the extent paid in any medium other than cash; or

3 During the time that H.J.R.-192 supposedly was “law”, Americans had no resort to the common law remedies which had
4 been available whenever there had been a breach of a contract (obligation) which required a payment in a particular kind of
5 coin or currency (or, maybe, commodity). The “law” pursuant to H.J.R.-192 set aside or “suspended” the common law in
6 regard to payments of contracts in money, or as it might be said in another way, H.J.R.-192 was very much a banker’s delight
7 because it effectuated a suspension of redemption of all of the outstanding circulating notes as well as a newly created “legal”
8 ability to “negotiate” checks and other money denominated securities without having to pay out lawful money, meaning gold
9 or silver coins. Instead the Banks could discharge their fiduciary duty by offering, that is “tendering” anything that was legal
10 tender at that time. (All of the above will be found in H.J.R.-192, Section 1.

11 As a point of emphasis here, H.J.R.-192 found at 48 Stat. 112-113 did not by express terms repeal any of the pre-existing
12 common law remedies. At the most, all it did was indirectly suspend any ability to use the common law remedies for a while.

13 The while, as it turns out, lasted from 1933 to 1982, or almost 50 years. But upon the repeal of H.J.R.-192 all of the older
14 common law remedies became available for use again and the Banks could not “legally” evade their fiduciary duty to pay in
15 lawful money. But they do and have continued to avoid their duty it seems simply because no one has demanded that a Bank
16 should pay in dollars of lawful money and has stood firm in refusing to accept those Federal Reserve notes when tendered.

17 You can refuse them now that H.J.R.-192 has been repealed and when you do the Bank is put into a very difficult spot.
18 Lawfully, a Bank must pay in lawful money dollars and it is very likely that the Bank simply does not have any, or maybe
19 not enough to transact your check. That tells you that the Bank is insolvent, A.K.A. bankrupt.

20 There is today a parity relationship between FRn’s and the lawful money silver dollars which is about 10 to 1 and moving
21 upward to 12 to 1. Under the 10:1 parity a single or 1 “dollar” Federal Reserve note is actually worth only ten cents in silver
22 coin lawful money. Go to a coin store and buy one silver dollar coin using FRn’s. You’ll learn about parity values.

23 **11 Evils of a corrupted monetary system**

24 A paper money system allows those holding the reins of power of that system to essentially fleece the economy for their own
25 benefit. Such a “political” monetary system impedes economic growth, increases private and government debt, aggregates
26 political and economic power in the hands of an elitist few, among many other social detriments. In contrast, a specie
27 monetary system allows the populace to hold wealth in their own hands and a specie system cannot be manipulated as can a
28 paper money system. Real economic growth at faster rates would occur with a specie monetary system. It is paper money and
29 not specie money that causes problems and retards growth of the economy.

30 Imagine what our economy would be like if, since the war between the States, we had a specie monetary system instead of a
31 paper one. We would not have had the economic “drag” on the economy caused by a paper system. We would not have
32 suffered from the “whipsaw” recessions and expansions created by a paper system. Real economic growth far greater than
33 we have seen would have been achieved. We would have had fewer wars, steady economic growth, far smaller government,
34 steady prices (if not declining prices), etc.

35 The reason we have a paper money system is because it allows a few men to operate a giant Ponzi scheme at tremendous
36 costs to the rest of us. Men like the Treasury Secretary, can make tens and hundreds of millions of “bux” a year. And then
37 they can become Treasury Secretary, and make decisions that help their friends (JP Morgan vs Bear Stearns).

38 **11.1 Fiat currency is the MAIN origin of the authority to institute the modern income tax**

39 Our financial system is structured in such a way that you can’t handle or receive money without being treated AS IF you are
40 a public officer of the national and not state government by default. This is corroborated by the following:

- 41 1. Whenever you try to apply for a job, employers insist on treating you as a federal government “employee” by either not
42 hiring you or firing you if you refuse to submit a W-4 withholding form. See:

Federal and State Withholding Options for Private Employers, Form #09.001
<https://sedm.org/Forms/09-Procs/FedStateWHOptions.pdf>

2. Those attempting to open bank accounts are treated by default as statutory “U.S. persons”, who are ALSO public officers, as we prove in the following:

“U.S. Person” Position, Form #05.053
<https://sedm.org/Forms/05-MemLaw/USPersonPosition.pdf>

3. The income tax itself functions as an excise tax upon “the functions of a public office”. Those who PAY it are therefore treated AS IF they are public officers of the national and not state government. See:

The “Trade or Business” Scam, Form #05.001
<https://sedm.org/Forms/05-MemLaw/TradeOrBusScam.pdf>

4. Every time one handles cash, the money laundering enforcement statutes PRESUME that those doing so are enfranchised public officers of the national government. For exhaustive proof of this, see:

Money Laundering Enforcement Scam, Form #05.044
<https://sedm.org/Forms/05-MemLaw/MoneyLaunderingScam.pdf>

5. Whenever people receive a payment, payors are conditioned to file an information return against the recipient, thus creating legal evidence that they are engaged in “the functions of a public office” per 26 U.S.C. §6041 and 26 U.S.C. §7701(a)(26). Thus, they are PRESUMED to be public officers of the national and not state government. For details, see:

Correcting Erroneous Information Returns, Form #04.001
<https://sedm.org/Forms/04-Tax/0-CorrErrInfoRtns/CorrErrInfoRtns.pdf>

Welcome to The Matrix, Neo! And if you want to escape this matrix, they do give you an option, but it is an uphill battle against just about everyone to resist it. That option is to choose to be a “nonresident alien” as described below:

Non-Resident Non-Person Position, Form #05.020
<https://sedm.org/Forms/05-MemLaw/NonresidentNonPersonPosition.pdf>

As far as currency itself (not MONEY, but CURRENCY), we have also clearly established throughout this document that Federal Reserve Notes (FRNs):

1. Are not “money” as constitutionally defined.
2. Are called “legal tender” and “currency” in Congressional enactments.
3. Are mere promissory notes. The LENDER, in this case, is the Federal Reserve and not you as the person carrying the note physically.
4. Represent in effect an ownership interest in the debts of the United States national government. Everyone who uses them in effect is an investor in Uncle Sam and it’s a PRIVILEGE to do so.
5. From a criminal perspective, are identified as “obligations of the United States”, meaning effectively BONDS. See 18 U.S.C. §8. The “yield” on these bonds is effectively paid through government “benefits” as described in:

The Government “Benefits” Scam, Form #05.040
<https://sedm.org/product/the-government-benefits-scam-form-05-040/>

The Federal Reserve is a PRIVATE, for profit consortium of PRIVATE banks MANAGED by a Federal Reserve Board (FRB) whose members are nominated by the President. Since the Federal Reserve is the lender, then they are the ones technically holding these notes. The rest of us merely trade these in effect as “negotiable instruments”.

NEGOTIABLE INSTRUMENTS. *Any written securities which may be transferred by indorsement and delivery or by delivery merely, so as to vest in the indorse the legal title, and thus enable him to sue thereon in his own name. Or, more technically, those instruments which not only carry the legal title with them by indorsement or delivery, but carry as well, when transferred before maturity, the right of the transferee to demand the full amounts which their faces call for. Daniel, Neg.Inst. §1a.*

A negotiable instrument is a written promise or request for the payment of a certain sum of money to order or bearer. Civ.Code.Cal. 8 3087.

A general name for bills, First Nat. Bank v. Rochamora, 193 N.C. 1, 136 S.E. 259, 261: notes, checks, Kansas City Casualty Co. v. Westport Ave. Bank, 181 Mo.App. 287, 177 S.W. 1092, 1094: Santa Marina Co. v. Canadian Bank of Commerce, C.C.A.Cal., 251 F. 391, 393: trade acceptances, Federal Commercial & Savings Bank v. International Clay Machinery Co., 230 Mich. 33, 203 N.W. 168, 43 A.L.R. 1245; certain bonds, Grosfeld v. First

1 Nat. Bank, 73 Mont. 219, 236 P. 250, 254; Stevens v. Berkshire St. Ry. Co., 247 Mass. 399, 142 N.E. 59, 60:
2 letters of credit, and other negotiable written securities.

3 *Under the Uniform Negotiable Instruments Act, an instrument, to be negotiable, must be in writing and signed;*
4 *must contain an unconditional promise or order to pay a certain sum of money on demand, or at a fixed and*
5 *determinable future time; it must be payable to order or to bearer, and where It is addressed to the drawee, he*
6 *must be named or otherwise indicated with reasonable certainty; Its negotiability is not affected by the fact that*
7 *it is not dated, or that it bears a seal, or that it does not specify the value given or that any value was given.*
8 *[Black's Law Dictionary, Fourth Edition, pp. 1187-1188]*

9 Negotiable instruments are PROPERTY in a legal sense. Mere DELIVERY of a negotiable instrument is how ownership is
10 transferred. Each note of currency represents a promise to pay by the BORROWER, and that promise is fulfilled when the
11 note is REDEEMED for LAWFUL money by any Federal Reserve Bank as required by law under 12 U.S.C. §411.
12 HOWEVER, Presidential Proclamation 4074 prevents Federal Reserve Notes from being redeemed in lawful currency (silver
13 coin) as required by 12 U.S.C. §411. This proclamation was issued under the authority of 12 U.S.C. §95b, which
14 unconstitutionally delegates lawmaking powers to the President.

15 Federal Reserve Banks, under the authority of Presidential fiat in Presidential Proclamation 4074, which is justified under
16 emergency powers found in 12 U.S.C. §95b have in effect REFUSED their legal duty to redeem Federal Reserve Notes in
17 lawful money as gold and silver. Thus, they are in direct violation of the law and are directly interfering with Uncle Sam
18 paying off the debt represented by these negotiable instruments. This is a DIRECT violation of the original United States
19 Money Act of 1789 which is still in effect, and which makes it a crime to DEBASE the currency.

20 *"And be it further enacted, That if any of the gold or silver coins which shall be struck or coined at the said mint*
21 *shall be debased or made worse as to the proportion of the fine gold or fine silver therein contained, or shall be*
22 *of less weight or value than the same out to be pursuant to the directions of this act, through the default or with*
23 *the connivance of any of the officers or persons who shall be employed at the said mint, for the purpose of profit*
24 *or gain, or otherwise with a fraudulent intent, and if any of the said officers or persons shall embezzle any of the*
25 *metals which shall at any time be committed to their charge for the purpose of being coined, or any of the coins*
26 *which shall be struck or coined at the said mint, **every such officer or person who shall commit any or either of***
27 ***the said offenses, shall be deemed guilty of felony, and shall suffer death.***
28 *[United States of America Money Act, 1792, Section 19]*

29 Certainly, refusing to mint or issue gold and silver coins is the legal equivalent of EMBEZZLING ALL COINS. The mint
30 is, in effect, conspiring with the Federal Reserve and Congress to debase the currency by doing this. Congress doesn't
31 legislatively AUTHORIZE the mint to issue the coins. The mint then doesn't issue the coins, and finally the Federal Reserve
32 can't redeem the FRNs for lawful money. So we have in effect a CONSPIRACY between these three parties to debase the
33 coin, which is punishable by DEATH. And, we end up with a finger-pointing contest to boot. The mint can say that Congress
34 didn't authorize them to mint. The Federal Reserve Banks can say there is no legal tender to redeem even if they wanted to.
35 But what about Congress? Individual Congressmen can say it's not my fault that no bill has ever been presented on the floor
36 to reestablish redeemability of FRNs in gold and silver specie! This is like Abbott and Costello's "Whose on first?" baseball
37 parody.

38 Federal Reserve Notes, however, also represent a property interest in a debt and an ownership interest in Uncle Sam itself.
39 Technically, FRNs are not PUBIC property, but PRIVATE property. This is because the Federal Reserve is PRIVATE.
40 Although the FRB has a *.gov domain name, each of the regional Federal Reserve Banks have a *.org domain name,
41 indicating that they are PRIVATE and not PUBLIC.

42 The national government is a corporation per 15 U.S.C. §3002(15)(A) and ALL governments are corporations per the U.S.
43 Supreme Court:

44 *"Corporations are also of all grades, and made for varied objects; **all governments are corporations, created by***
45 ***usage and common consent, or grants and charters which create a body politic for prescribed purposes;** but*
46 *whether they are private, local or general, in their objects, for the enjoyment of property, or the exercise of power,*
47 *they are all governed by the same rules of law, as to the construction and the obligation of the instrument by*
48 *which the incorporation is made. One universal rule of law protects persons and property. It is a fundamental*
49 *principle of the common law of England, that the term freemen of the kingdom, includes 'all persons,'*
50 *ecclesiastical and temporal, incorporate, politique or natural; it is a part of their magna charta (2 Inst. 4), and*
51 *is incorporated into our institutions. The persons of the members of corporations are on the same footing of*
52 *protection as other persons, and their corporate property secured by the same laws which protect that of*
53 *individuals. 2 Inst. 46-7. 'No man shall be taken,' 'no man shall be disseised,' without due process of law, is a*

1 principle taken from magna charta, infused into all our state constitutions, and is made inviolable by the federal
2 government, by the amendments to the constitution."
3 [*Proprietors of Charles River Bridge v. Proprietors of Warren Bridge*, 36 U.S. 420 (1837)]

4 Without redeemability of FRNs in gold and silver lawful money, Federal Reserve Notes function in effect as corporate bonds.
5 These bonds are legislatively authorized to be issued by Congress. Anything that Congress CREATES legislatively is a
6 PRIVILEGE. The article below proves that the CREATOR of a thing is always the OWNER:

Hierarchy of Sovereignty: The Power to Create is the Power to Tax, Family Guardian Fellowship
<https://famguardian.org/Subjects/Taxes/Remedies/PowerToCreate.htm>

7 The CONSTITUTION created or granted lawful money as gold or silver. CONGRESS created fiat currency to REPLACE
8 and DEBASE lawful money. So CONGRESS is the owner of fiat currency and THE PEOPLE (called “the State”) are the
9 owners of lawful money, but it isn’t available so they can truly own NOTHING.

10 Those holding FRNs as corporate bonds therefore function as corporate bondholders of a federal corporation. The use of
11 these bonds for commerce is a PRIVILEGE, not a right, because they don’t represent anything of intrinsic redeemable value
12 like gold or silver. If Congress hadn’t issued them, people wouldn’t have a way to trade AT ALL. So the ability to trade in
13 these corporate securities is a privilege legislatively granted by Congress. All such privileges may be regulated and taxed AS
14 IN EFFECT PUBLIC PROPERTY.

15 *“When Sir Matthew Hale, and the sages of the law in his day, spoke of property as affected by a public interest,*
16 *and ceasing from that cause to be juris privati solely, that is, ceasing to be held merely in private right, they*
17 *referred to*

18 *[1] property dedicated [DONATED] by the owner to public uses, or*

19 *[2] to property the use of which was granted by the government [e.g. Social Security Card], or*

20 *[3] in connection with which special privileges were conferred [licenses, such as the SSN or TIN].*

21 *Unless the property was thus dedicated [by one of the above three mechanisms], or some right bestowed by the*
22 *government was held with the property, either by specific grant or by prescription of so long a time as to imply*
23 *a grant originally, the property was not affected by any public interest so as to be taken out of the category of*
24 *property held in private right.”*

25 [. . .]

26 *“The compensation which the owners of property, not having any special rights or privileges from the*
27 *government in connection with it, may demand for its use, or for their own services in union with it, forms no*
28 *element of consideration in prescribing regulations for that purpose.*

29 [. . .]

30 *“It is only where some right or privilege [which are GOVERNMENT PROPERTY] is conferred by the*
31 *government or municipality upon the owner, which he can use in connection with his property, or by means*
32 *of which the use of his property is rendered more valuable to him, or he thereby enjoys an advantage over*
33 *others, that the compensation to be received by him becomes a legitimate matter of regulation. Submission to*
34 *the regulation of compensation in such cases is an implied condition of the grant, and the State, in exercising*
35 *its power of prescribing the compensation, only determines the conditions upon which its concession shall be*
36 *enjoyed. When the privilege ends, the power of regulation ceases.”*

37 [*Munn v. Illinois*, 94 U.S. 113 (1876)]

38 THIS, IN FACT, is the origin of the authority of the modern income tax based more on how it BEHAVES than the way the
39 courts describe it, which always involves deliberate vagueness, equivocation, and most often silence alone. Discussing such
40 subjects is taboo and a Third Rail issue to the courts so they just don’t and can’t talk about it on the public record clearly or
41 accurately. An entire book has been written about the subject of fiat currency as a source of usurpation as follows:

They Own It All (Including You)!: By Means of Toxic Currency, Ronald Macdonald, Robert Rowen, 2009
<https://www.amazon.com/They-Own-All-Including-You/dp/1439233616/>

1 You can read our critique of the above book at:

Critique of the Book "They Own It All (Including You)" by Ronald Macdonald and Robert Rowen, SEDM
<https://sedm.org/critique-of-the-book-they-own-it-all-including-you-by-ronald-macdonald/>

2 Further, under Constitution Article 4, Section 3, Clause 2, Congress has the authority to "make all needful rules respecting
3 the Territory and other property of the United States".

4 *United States Constitution*

5 *Article 4, Section 3*

6 ***The Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the***
7 ***Territory or other Property belonging to the United States; and nothing in this Constitution shall be so***
8 ***construed as to Prejudice any Claims of the United States, or of any particular State.***

9 Anything Congress creates REMAINS their property from a legal perspective, no matter who they transfer it to. Thus, the
10 debt represented by FRNs isn't really a debt at ALL, but a liability against all those who HOLD said debt. The VALUE or
11 "benefit" these FRNs add is not in their redeemability, but in the fact that they simplify commerce and make it more
12 convenient. That convenience is a "benefit" and therefore a PRIVILEGE Congress can regulate and tax.

13 Congress, after all, has the authority to regulate commerce BETWEEN the states but not WITHIN the states under
14 Constitution Article 1, Section 8, Clause 3.

15 *U.S. Constitution*

16 *Article 1: Legislative Department*

17 *Section 8: Powers of Congress*

18 *Clause 3. Power to Regulate Commerce*

19 *The Congress shall have Power * * * To regulate Commerce with foreign Nations, and among the several States,*
20 *and with the Indian Tribes.*

21 If members of Congress could speak honestly and candidly about the abuse of PRIVILEGED corporate bonds called FRNs
22 to bestow the EXCISE TAXABLE "benefit" and privilege of the use of fiat FRNs as a medium of commerce, they would
23 probably say that using these as the origin of the power to regulate EVERYONE within a constitutional state is a violation of
24 the above constitutional provision, because it is being abused to:

- 25 1. Unconstitutionally regulate INTRASTATE commerce, meaning commerce WITHIN a constitutional State.
26 2. Regulate ANYTHING and EVERYTHING they want to within a constitutional state, because they can attach ANY
27 obligation that they want to receipt of the privilege of using Federal Reserve Notes. Below is how we describe this on
28 the opening page of our site:

29 *"People of all races, genders, political beliefs, sexual orientations, and nearly all religions are welcome here. All*
30 *are treated equally under REAL "law". The only way to remain truly free and equal under the civil law is to avoid*
31 *seeking government civil services, benefits, property, special or civil status, exemptions, privileges, or special*
32 *treatment. All such pursuits of government services or property require individual and lawful consent to a*
33 *franchise and the surrender of inalienable constitutional rights AND EQUALITY in the process, and should*
34 *therefore be AVOIDED. The rights and equality given up are the "cost" of procuring the "benefit" or property*
35 *from the government, in fact. Nothing in life is truly "free". Anyone who claims that such "benefits" or property*
36 *should be free and cost them nothing is a thief who wants to use the government as a means to STEAL on his or*
37 *her behalf. All just rights spring from responsibilities/obligations under the laws of a higher power. If that higher*
38 *power is God, you can be truly and objectively free. If it is government, you are guaranteed to be a slave because*
39 *they can lawfully set the cost of their property as high as they want as a Merchant under the U.C.C. If you want*
40 *it really bad from people with a monopoly, then you will get it REALLY bad. Bend over. There are NO*
41 *constitutional limits on the price government can charge for their monopoly services or property. Those who*
42 *want no responsibilities can have no real/PRIVATE rights, but only privileges dispensed to wards of the state*
43 *which are disguised to LOOK like unalienable rights. Obligations and rights are two sides of the same coin, just*
44 *like self-ownership and personal responsibility. For the biblical version of this paragraph, read 1 Sam. 8:10-22.*
45 *For the reason God answered Samuel by telling him to allow the people to have a king, read Deut. 28:43-51,*
46 *which is God's curse upon those who allow a king above them. Click Here*
47 *(<https://famguardian.org/Subjects/Taxes/Evidence/HowScCorruptOurRepubGovt.htm>) for a detailed description*
48 *of the legal, moral, and spiritual consequences of violating this paragraph.:*
49 *[SEDM Website Opening Page; <http://sedm.org>]*

- 1 3. Engage in monopolistic practices in violation of the Sherman Antitrust Act, 26 Stat. 209, 15 U.S.C. §§1-7. They have
2 a monopoly on printing fiat currency, and the vociferously go after ANYONE and EVERYONE who threatens that
3 monopoly, and especially those engaged in cryptocurrency.
4 https://en.wikipedia.org/wiki/Sherman_Antitrust_Act
5 4. Unconstitutionally invade the states of the Union in violation of Article 4, Section 4 of the Constitution. This is a
6 COMMERCIAL invasion rather than a PHYSICAL invasion:

7 *Article IV: States' Relations*
8 *Section 4. Obligations of United States to States*

9 *The United States shall guarantee to every State in this Union a Republican Form of Government, and shall*
10 *protect each of them against Invasion; and on Application of the Legislature, or of the Executive (when the*
11 *Legislature cannot be convened) against domestic Violence.*

- 12 5. Waive the protections of the common law for their private property:

13 *"The words "privileges" and "immunities," like the greater part of the legal phraseology of this country, have*
14 *been carried over from the law of Great Britain, and recur constantly either as such or in equivalent expressions*
15 *from the time of Magna Charta. For all practical purposes they are synonymous in meaning, and originally*
16 *signified a peculiar right or private law conceded to particular persons or places **whereby a certain individual***
17 ***or class of individuals was exempted from the rigor of the common law.** Privilege or immunity is conferred*
18 *upon any person when he is invested with a legal claim to the exercise of special or peculiar rights, authorizing*
19 *him to enjoy some particular advantage or exemption.[1]"*

20 *[The Privileges and Immunities of State Citizenship, Roger Howell, PhD, 1918, pp. 9-10;*

21 *SOURCE: http://famguardian.org/Publications/ThePrivAndImmOfStateCit/The_privileges_and_immunities_of*
22 *[_state_c.pdf](http://famguardian.org/Publications/ThePrivAndImmOfStateCit/The_privileges_and_immunities_of)]*

23 *FOOTNOTES:*

24 *[1] See Magill v. Browne, Fed.Cas. No. 8952, 16 Fed.Cas. 408; 6 Words and Phrases, 5583, 5584; A J. Lien,*
25 *"Privileges and Immunities of Citizens of the United States," in Columbia University Studies in History,*
26 *Economics, and Public Law, vol. 54, p. 31.*

- 27 6. Destroy EVERY constitutional right. Those who claim a statutorily granted privilege WAIVE the protections of the
28 constitution under the Brandeis Rules:

29 *The Court developed, for its own governance in the cases confessedly within its jurisdiction, a series of rules*
30 *under which it has avoided passing upon a large part of all the constitutional questions pressed upon it for*
31 *decision. They are:*

32 *[. . .]*

33 **6. The Court will not pass upon the constitutionality of a statute at the instance of one who has availed**
34 **himself of its benefits.**FN7 *Great Falls Mfg. Co. v. Attorney General, 124 U.S. 581, 8 S.Ct. 631, 31 L.Ed. 527;*
35 *Wall v. Parrot Silver & Copper Co., 244 U.S. 407, 411, 412, 37 S.Ct. 609, 61 L.Ed. 1229; St. Louis Malleable*
36 *Casting Co. v. Prendergast Construction Co., 260 U.S. 469, 43 S.Ct. 178, 67 L.Ed. 351.*
37 *[Ashwander v. Tennessee Valley Authority, 297 U.S. 288, 56 S.Ct. 466 (1936)]*

38 _____
39 *FOOTNOTES:*

40 *FN7 Compare [Electric Co. v. Dow, 166 U.S. 489, 17 S.Ct. 645, 41 L.Ed. 1088](#); [Pierce v. Somerset Ry., 171 U.S.](#)*
41 *[641, 648, 19 S.Ct. 64, 43 L.Ed. 316](#); [Leonard v. Vicksburg, etc., R. Co., 198 U.S. 416, 422, 25 S.Ct. 750, 49 L.Ed.](#)*
42 *[1108](#).*

- 43 7. Do what the literal author of the Constitution warned us they would do to circumvent or escape the restrictions of the
44 Constitution. The Constitution was drafted from the personal notes of the following author at the Constitutional
45 Convention. "General welfare" as described below includes the idea of providing "benefits" or "privileges" of any
46 kind to people within the constitutional states, mainly through franchises. This includes fiat currency, Social Security,
47 Medicare, etc.

1 “With respect to the words general welfare, I have always regarded them as qualified by the detail of powers
2 connected with them. To take them in a literal and unlimited sense would be a metamorphosis of the Constitution
3 into a character which there is a host of proofs was not contemplated by its creator.”

4 “If Congress can employ money indefinitely to the general welfare, and are the sole and supreme judges of the
5 general welfare, they may take the care of religion into their own hands; they may appoint teachers in every
6 State, county and parish and pay them out of their public treasury; they may take into their own hands the
7 education of children, establishing in like manner schools throughout the Union; they may assume the
8 provision of the poor; they may undertake the regulation of all roads other than post-roads; in short, every
9 thing, from the highest object of state legislation down to the most minute object of police, would be thrown
10 under the power of Congress.... Were the power of Congress to be established in the latitude contended for, it
11 would subvert the very foundations, and transmute the very nature of the limited Government established by
12 the people of America.”

13 “If Congress can do whatever in their discretion can be done by money, and will promote the general welfare,
14 the government is no longer a limited one possessing enumerated powers, but an indefinite one subject to
15 particular exceptions.”

16 [James Madison. House of Representatives, February 7, 1792, On the Cod Fishery Bill, granting Bounties]

17 We expound further upon this subject in the following exhaustive legal treatise on the subject:

[Why the Federal Income Tax is a Privilege Tax Upon Government Property](https://sedm.org/Forms/FormIndex.htm), Form #04.404** (Member Subscriptions)
<https://sedm.org/Forms/FormIndex.htm>

18 **11.2 Historical perspective**

19 History shows that the U.S. economy greatly improved when paper money (“bills of credit”) was banished by the monetary
20 provisions of the U.S. Constitution. In the 1780s, the early states had stagnant economies as the direct result of paper
21 currencies. Gresham’s Law holds that bad money drives out good money, but this economic law was reversed when specie
22 became the monetary standard. May we suggest that you read an excellent work describing this period of our monetary
23 history:

[On the Principles of the Banking System](http://famguardian.org/Subjects/MoneyBanking/Money/a-short-history-of-paper-money.pdf), Form #11.504, William Gouge, Advisor to President Jackson,
<http://famguardian.org/Subjects/MoneyBanking/Money/a-short-history-of-paper-money.pdf>

24 Our early political leaders like Andrew Jackson understood the harm caused by banking institutions like the 1st and 2nd
25 Banks of the United States. Specie money and paper currencies have always been at war with each other. The advantages of
26 operating a paper currency system accrue solely to those operating this system, the “elites”. Those who operate such a system
27 can expand and contract the supply of currency at will, thus allowing those operators to aggregate assets in their own hands.
28 Lots of people think there is an event known as the business cycle, but they are wrong; it is really a banking cycle.

29 An example of the harm caused by paper money is seen when you simply study the events leading up to WWI and afterwards.
30 The U.S. was “lucky” to have the Fed Reserve created in 1913, just a few years before the War. The Fed then financed much
31 of the cost of the war, and after it, deliberately contracted the money supply. Read about that vicious event here:

[Congressional Record, 1923](http://famguardian.org/Subjects/MoneyBanking/FederalReserve/CongRec1923.pdf)
<http://famguardian.org/Subjects/MoneyBanking/FederalReserve/CongRec1923.pdf>

32 **11.3 Why Our Present System is Unjust and Inequitable**

33 Presently, the United States Mint issues silver and gold coins. Each of these coins are minted with a face value that is also
34 “legal tender”. For instance, you can presently buy a one ounce Gold Eagle for 976.61 Federal Reserve Notes as of the time
35 of this writing on 4/12/2008. This coin indicates a face value of “Fifty Dollars” on the back of the gold coin.

36 **Figure 22: Gold Eagle, 1 Ounce, \$50**



1

2 The “dollar” on the coin

- 3 1. Is NOT the same “dollar” mentioned in the Constitution, which has always meant 1/20 of an ounce of gold from the
 4 founding of this country.
 5 2. Is NOT proportional to the amount of gold in the coin as required by the United States of America Money Act. The
 6 \$50 gold liberty, for instance, has one ounce of gold. The ¼ ounce Liberty gold coin has a face value of \$10.
 7 Consequently, the cost of gold per ounce is LOWER for the ¼ ounce coin than for the 1 ounce coin.
 8 3. Is NOT the same “dollar” mentioned on Federal Reserve Notes. Nowhere within any law is the word “dollar” printed
 9 on Federal Reserve Notes ever linked to the word “dollar” in the United States Constitution. In that sense we have two
 10 competing and mutually exclusive monetary systems running side by side and we can choose either one.

11 In short, what the mint currently produces is simply bullion and numismatic coins and NOT real “money” as legally defined.
 12 31 U.S.C. §5112(f)(3), in fact, identifies the silver American Eagles as “numismatic items” while 31 U.S.C. §5112(f)
 13 identifies all coins minted under Title 31 of the U.S. Code as “legal tender”.

14 The legal authority for producing the current American Eagle gold coins found at 99 Stat. 1177, for instance, does not refer
 15 to these coins as “money”, but simply “bullion”. Below is a summary of the differences in the three monetary systems we
 16 currently suffer under:

17 **Table 2: Constitutional "dollars" v. Federal Reserve "dollars"**

#	Description	Constitutional “dollar”	U.S. Mint numismatic/ bullion “dollar”	Federal Reserve Note “dollar”
1	Defined in	U.S. Constitution	Not defined	Not defined
2	Value	1/20 ounce of gold 0.8486 ounces of silver 371.25 grains of pure silver	1. 1/50 ounce of gold for 1 ounce and ½ ounce American Eagle gold coins. 2. 1/40 ounce of gold for ¼ ounce American Eagle coins. 3. 1 ounce of silver for Silver American Eagle coins.	Dependent on supply of money in circulation
3	Symbol	“S” with double line through it	None	“S” with single line through it
4	Authority for issuance	Constitution Article 1, Section 8, Clause 5 United States of America Money Act, 1 Stat 246-251	31 U.S.C. §5103 and 99 Stat. 1177 (gold American Eagle bullion coins) 31 U.S.C. §5103(e) and (f) and 99 Stat. 113 (silver American Eagles)	Constitution Article 1, Section 8, Clause 2
5	Legal Tender?	Yes	Yes (see 31 U.S.C. §5112(f))	For PUBLIC debts only and NOT private debts. 12 U.S.C. §411 does not expressly identify FRNs as “legal tender” for PRIVATE debts, and therefore these notes are only mandated for PUBLIC and not PRIVATE debts.
6	Period of common use	Founding of country to 1933	1985 to present	1913 to present

#	Description	Constitutional "dollar"	U.S. Mint numismatic/ bullion "dollar"	Federal Reserve Note "dollar"
7	"Legal tender" ?	Yes	Yes	No. Current notes <u>fraudulently</u> indicate otherwise

1 What's wrong with the above situation? Here are a few inequities:

- 2 1. How can you lawfully use Federal Reserve Notes or U.S. Mint numismatic "dollars" to pay debts without helping
- 3 Congress commit TREASON punishable by death under the original United States of America Money Act, 1 Stat. 246?
- 4 That act has NEVER been repealed. The U.S. Mint numismatic dollars violate said act because their face value is not
- 5 proportional to the gold content and therefore this is a "debasement of the coin" punishable by death under said act.
- 6 2. Which one do we pay taxes against? What if our business associates pay us in gold coins? Do we declare our income
- 7 based on the face value or the Federal Reserve Note value?
- 8 3. What statute dictates that taxes are to be paid in Federal Reserve Note value? We'll give you a hint: There ain't none!
- 9 4. If there is no statute dictating that taxes are to be paid in Federal Reserve Note value, then how can a judge decide without
- 10 a statute? Judges aren't allowed to MAKE law or legislate from the bench. The Constitution reserves the power to make
- 11 law and create such obligations ONLY to Congress. Any deviation from this separation of powers is TREASON and
- 12 amounts to allowing judges to entertain "political questions", which is forbidden.
- 13 5. Congress has no legislative jurisdiction inside a state of the Union to collect income taxes. How can it pass a statute
- 14 defining the value of a "dollar" for the purposes of taxation without exceeding its authority there?

15 *"It is no longer open to question that **the general government, unlike the states**, Hammer v. Dagenhart, [247 U.S.](#)*
 16 *[251, 275](#), 38 S.Ct. 529, 3 A.L.R. 649, Ann.Cas.1918E 724, **possesses no inherent power in respect of the internal***
 17 ***affairs of the states; and emphatically not with regard to legislation.**"*
 18 *[Carter v. Carter Coal Co., [298 U.S. 238](#), 56 S.Ct. 855 (1936)]*

20 *"The difficulties arising out of our dual form of government and the opportunities for differing opinions*
 21 *concerning the relative rights of state and national governments are many; **but for a very long time this court***
 22 ***has steadfastly adhered to the doctrine that the taxing power of Congress does not extend to the states or their***
 23 ***political subdivisions.** The same basic reasoning which leads to that conclusion, we think, requires like limitation*
 24 *upon the power which springs from the bankruptcy clause. United States v. Butler, supra."*
 25 *[Ashton v. Cameron County Water Improvement District No. 1, 298 U.S. 513, 56 S.Ct. 892 (1936)]*

26 If you would like to know more about why Congress has no power of taxation in states of the Union and all the fraud they
 27 must resort to in order to implement it, see:

[Great IRS Hoax, Form #11.302](http://famguardian.org/Publications/GreatIRSHoax/GreatIRSHoax.htm)
<http://famguardian.org/Publications/GreatIRSHoax/GreatIRSHoax.htm>

28 Congressman Bob Beers of the Nevada Assembly had the following insightful things to say about the inequities of these U.S.
 29 mint coins. He correctly points out that the value of the coins must be proportional to their weight and they in fact are not,
 30 leading to unjust and unequal weights and measures.

31 *The replies you received to your query from both John Ensign's office and the Treasury Department reveal just*
 32 *how confused this situation is. Being a man who considers his word his bond, I would have to say that the FRN*
 33 *is and remains a contract ; whether or not the government chooses to admit this . . . they printed the things. At the*
 34 *top of the contract they proudly proclaim it to be a Federal Reserve Note. At the bottom they declare the value,*
 35 *as in the dollar bill as One Dollar. The value of goods or services the note may purchase has changed, albeit not*
 36 *for the better. However, if you hold a 1900 \$20 gold piece, you can still purchase what that coin could buy when*
 37 *it was minted.*

38 *The situation with coinage is more complex, but equally (if not more) confusing . The United States Code provides*
 39 *for three different types of coinage denominated in "dollars" : namely, base- metallic coinage, gold coinage, and*
 40 *silver coinage .*

41 *The base-metallic coinage consists of "a dollar coin," weighing "8.1 grams," "a half dollar coin," weighing "11*
 42 *.34 grams" ; "a quarter coin," weighing "5.67 grams" ; and "a dime coin," weighing "2.268 grams." All of these*
 43 *coins are composed of copper and nickel. The weights of the dime, the quarter, and the half dollar are in the*
 44 *correct arithmetical proportions, the one to each of the others . **But the "dollar" is disproportionately light (or***
 45 ***the other coins disproportionately heavy) . In this series of base metallic coins, then, the questions naturally***
 46 ***arise : Is the "dollar" a cupro-nickel coin weighing "8.1 grams" ? Or is it two cupro- nickel coins (or four or***

ten coins) collectively weighing 22.68 grams? Or is it both? Or is it neither, but something else altogether, to which the weights of these coins are irrelevant?

Similarly, the gold coinage consists of "a fifty dollar gold coin" that "weighs 33 .931 grams, and contains one troy ounce of fine gold"; "a twenty-five dollar gold coin" that "contains one-half ounce of fine gold" ; "a ten dollar gold coin" that "contains one fourth ounce of fine gold"; and "a five dollar gold coin" that "contains one tenth ounce of fine gold." The "fifty dollar," "twenty-five dollar," and "five dollar" coins are in the correct arithmetical proportions each to the others. **But the "ten dollar" coin is not. Therefore, is a "dollar" one-fiftieth or one-fortieth of an ounce of gold? It appears to be undecided.**

I would have to say that, based on the oath I took when I assumed this office ; the U.S. Government has not upheld its part on a contract begun back when it first began printing monetary notes . We still trade the notes for goods and services, but the trust is no longer there.

[Congressman Bob Beers of the Nevada Assembly, Letter Dated 1/14/2008; See Section 17.7]

The other inequity pointed out by Congressman Dean Heller later in section 17.8 is that there is no fixed or legal relationship between the legal tender or "face value" of silver coins and the equivalent "dollars" in Federal Reserve Notes, leading to unjust and unequal weights and measures:

To begin with, I apologize for the confusion my previous letter caused . To clarify, 31 U.S. .C. 5116(b)(2) does in fact address the sale of silver and not the dollar . As you pointed out, 31 U.S.C. §5112(e) contains the most accurate definition of a dollar coin . which by statute must contain .999 ounce fine silver.

However, as we both know, paper dollars are used much more frequently in circulation, and the U.S. Code does not contain a specific definition of a dollar bill . According to 31 U.S.C. 5115(a)(2), the Treasury is authorized to print currency notes of "at least one dollar ." No law mandates use of the dollar bill, but clearly it has been a more convenient mode of legal tender for Americans in recent decades . As you are likely aware, the Coinage Act of 1965, which modified 31 U.S.C. 5103, states : "United States coins and currency (including federal reserve notes) are legal tender for all debts, public charges, taxes, and dues ." Whether individuals utilize coins or paper currency is a matter of personal choice . Similarly, no federal statute mandates that a private business, a person or an organization must accept currency or coins as for payment for goods or services . Private businesses are free to develop their own policies on whether or not to accept cash unless state law says otherwise.

[Letter from Congressman Dean Heller dated July 11, 2007; Section 17.8 later]

To make things worse, no less than the Federal Reserve Board itself admits that there is no legal definition or fixed definition of the word "dollar". Furthermore, they also admit that Federal Reserve Notes are NOT "dollars"! See section 17.6 later. All of this confusion results in unjust weights and measures, which the Bible condemns as abominable:

*"Diverse weights and diverse measures,
They are both alike, an abomination to the LORD."
[Prov. 20:10, Bible, NKJV]*

*"Dishonest scales are an abomination to the LORD,
But a just weight is His delight."
[Prov. 11:1, Bible, NKJV]*

Aside from all the above, there are other much worse problems with our present fiat monetary system of Federal Reserve Notes:

1. It is very dangerous to place in the hands of our rulers the ability to create money backed by nothing. Such a predicament is "rife with moral hazards". These moral hazards are exemplified by the following questions:
 - 1.1. "If I gave you the ability to create money out of nothing, could or would you restrain yourself in printing endless quantities of it?"
 - 1.2. "Who can restrain the politicians in printing unlimited quantities of fiat currency and how can such a power lawfully be restrained?"
2. As we point out, Federal Reserve Notes are FRAUDULENT because they are not authorized anywhere in any currently enacted positive law statute to be used as legal tender for PRIVATE debts, or for ALL debts, ***both*** public and private.
3. Since the Federal Reserve Notes are backed by ***absolutely nothing***, their value is determined solely by their supply.
4. The U.S. government can print as much as they want at very little cost or expense, and thereby effectively STEAL from those already holding the notes by diluting the value of the notes in circulation.
5. A debt-based currency system punishes savers and rewards borrowers. Those who save are punished by inflating away the value of their savings. Those who borrow have to pay back less in real terms over time than they borrowed because of inflation. This:

- 1 5.1. Prevents the capital formation that is the heart of any productive economy.
- 2 5.2. Causes countries who adopt it and who have trade deficits to eventually to have to seek lenders from outside their
- 3 borders, making them economic slaves to foreign countries.
- 4 6. It is illegal to counterfeit and those who do it go to federal prison. 18 U.S.C. §471. However, every time the government
- 5 prints more fiat currency, they are counterfeiting. This violates the principle of equal protection and equal treatment
- 6 under the law.
- 7 7. What the U.S. government has done is effectively made the illegal act of counterfeiting into a franchise called the Federal
- 8 Reserve, and reserved to itself the ONLY authority to commit this illegal act. 12 U.S.C. §83(a) mandates that member
- 9 banks within the Federal Reserve system are prohibited from loaning their own money. Thus, our government has:
- 10 7.1. Created an unconstitutional "Title of Nobility" for itself in violation of Article 1, Section 9, Clause 8 of the United
- 11 States Constitution.
- 12 7.2. Granted itself a monopoly as the only entity that can loan REAL money. 12 U.S.C. §83(a) PROHIBITS banks
- 13 from loaning their own money. ALL of their money must come from the government.
- 14 8. Banks who want to participate in the Federal Reserve counterfeiting franchise must agree to become "national banks"
- 15 within the meaning of Acts of Congress. This:
- 16 8.1. Subjects member banks to federal supervision and thereby destroys the separation of powers between what is private
- 17 and what is public.
- 18 8.2. Makes member banks into agents of the United States Government. See [31 C.F.R. §202.2](#).
- 19 8.3. Allows Congress to pass laws and policies that force depositors under the color of law essentially to become
- 20 statutory "U.S. persons" (26 U.S.C. §7701(a)(30)) and statutory "U.S. citizens" (8 U.S.C. §1401) in order to use
- 21 their services. This causes the bank system to become a franchise that:
- 22 8.3.1. Recruits new federal "employees" and "public officers".
- 23 8.3.2. Exercise eminent domain over private property, which are the deposits in the bank.
- 24 8.3.3. Enslaves everyone to the will of Congress.
- 25 8.3.4. Destroys the separation of powers between the Union of 50 states and the federal government.
- 26 8.4. Allows the government to abuse credit and debt to enslave us all:

27 *"The rich ruleth over the poor, and the borrower [is] servant to the lender."*
 28 [[Prov. 22:7](#), Bible, NKJV]

29 *"**Owe no one anything except to love one another**, for he who loves another has fulfilled the law."*
 30 [[Romans 13:8](#), Bible, NKJV]

31 *"For the Lord your God will bless you just as He promised you; **you shall lend to many nations, but you shall***
 32 ***not borrow**; you shall reign over many nations, but they shall not reign over you."*
 33 [[Deut. 15:6](#)]

34 *"The Lord will open to you His good treasure, the heavens, to give the rain to your land in its season, and to bless*
 35 *all the work of your hand. **You shall lend to many nations, but you shall not borrow.**"*
 36 [[Deut. 28:12](#)]

37 *"**You shall not charge interest to your brother**--interest on money or food or anything that is lent out at interest."
 38 [[Deut. 23:19](#)]*

39 *"To a foreigner you may charge interest, but to your brother you shall not charge interest, that the Lord your*
 40 *God may bless you in all to which you set your hand in the land which you are entering to possess."*
 41 [[Deut. 23:20](#)]

42 If you would like to hear an excellent song about the corruption and injustice described in this section, see:

Congress Sold Out the Country!
<http://famguardian.org/Subjects/Scams/Government/SoldOut/SoldOut.htm>

43 **11.4 The Clearfield Doctrine: Uncle Sam is a Private Corporation, not a Government**

44 According to the U.S. Supreme Court, whenever governments engage in "commercial paper" transactions, they descend to
 45 the level of ordinary private individuals and are on an equal footing with everyone else:

46 *We agree with the Circuit Court of Appeals that the rule of **575 Erie R. Co. v. Tompkins, 304 U.S. 64, 58*
 47 *S.Ct. 817, 82 L.Ed. 1188, 114 A.L.R. 1487, does not apply to this action. The rights and duties of the United*

1 States on commercial paper which it issues are governed by federal rather than local law. When the United
2 States disburses its funds or pays its debts, it is exercising a constitutional function or power. This check was
3 issued for services performed under the Federal Emergency Relief Act of 1935, 49 Stat. 115, [15 U.S.C.A. ss 721-](#)
4 [728](#). The authority to issue the check had its origin in the Constitution and the statutes of the United States and
5 was in no way dependent on the laws of Pennsylvania or of any other state. Cf. [Board of Commissioners v. United](#)
6 [States, 308 U.S. 343, 60 S.Ct. 285, 84 L.Ed. 313](#); [Royal Indemnity Co. v. United States, 313 U.S. 289, 61 S.Ct.](#)
7 [995, 85 L.Ed. 1361](#). The duties imposed upon the United States and the rights acquired by it as a result of the
8 issuance find their roots in the same federal sources.^{FN2} Cf. [Deitrick v. Greaney, 309 U.S. 190, 60 S.Ct. 480, 84](#)
9 [L.Ed. 694](#); *367 [D'Oench, Duhme & Co. v. Federal Deposit Ins. Corp., 315 U.S. 447, 62 S.Ct. 676, 86 L.Ed. 956](#).
10 In absence of an applicable Act of Congress it is for the federal courts to fashion the governing rule of law
11 according to their own standards. [United States v. Guaranty Trust Co., 293 U.S. 340, 55 S.Ct. 221, 79 L.Ed. 415,](#)
12 [95 A.L.R. 651](#), is not opposed to this result. That case was concerned with a conflict of laws rule as to the title
13 acquired by a transferee in Yugoslavia under a forged endorsement. Since the payee's address was Yugoslavia,
14 the check had 'something of the quality of a foreign bill' and the law of Yugoslavia was applied to determine what
15 title the transferee acquired.

16 ^{FN2} Various Treasury Regulations govern the payment and endorsement of government checks and warrants and
17 the reimbursement of the Treasurer of the United States by Federal Reserve banks and member bank depositories
18 on payment of checks or warrants bearing a forged endorsement. See 31 Code of Federal Regulations ss 202.0,
19 202.32-202.34. Forgery of the check was an offense against the United States. Criminal Code s 148, 18 U.S.C. s
20 262, 18 U.S.C.A. s 262.

21 In our choice of the applicable federal rule we have occasionally selected state law. See Royal Indemnity Co.
22 v. United States, supra. But reasons which may make state law at times the appropriate federal rule are
23 singularly inappropriate here. The issuance of commercial paper by the United States is on a vast scale and
24 transactions in that paper from issuance to payment will commonly occur in several states. The application of
25 state law, even without the conflict of laws rules of the forum, would subject the rights and duties of the United
26 States to exceptional uncertainty. It would lead to great diversity in results by making identical transactions
27 subject to the vagaries of the laws of the several states. The desirability of a uniform rule is plain. And while
28 the federal law merchant developed for about a century under the regime of Swift v. Tyson, 16 Pet. 1, 10 L.Ed.
29 865, represented general commercial law rather than a choice of a federal rule designed to protect a federal
30 right, it nevertheless stands as a convenient source of reference for fashioning federal rules applicable to these
31 federal questions.

32 [United States v. National Exchange Bank, 214 U.S. 302, 29 S.Ct. 665, 53 L.Ed. 1006, 16 Ann.Cas. 1184](#), falls in
33 that category. The Court held that the United *368 States could recover as drawee from one who presented for
34 payment a pension check on which the name of the payee had been forged, in spite of a protracted delay on the
35 part of the United States in giving notice of the forgery. The Court followed [Leather Mfrs. Bank v. Merchants](#)
36 [Bank, 128 U.S. 26, 9 S.Ct. 3, 32 L.Ed. 342](#), which held that the right of the drawee against one who presented a
37 check with a forged endorsement of the payee's name accrued at the date of payment and was not dependent on
38 notice or demand. The theory of the National Exchange Bank case is that the who presents a check for payment
39 warrants that he has title to it and the right to receive payment.^{FN3} If he has acquired**576 the check through a
40 forged endorsement, the warranty is breached at the time the check is cashed. See [Manufacturers' Trust Co. v.](#)
41 [Harriman Nat. Bank Trust Co., 146 Misc. 551, 262 N.Y.S. 482](#); [Bergman v. Avenue State Bank, 284 Ill.App. 516,](#)
42 [1 N.E.2d. 432](#). The theory of the warranty has been challenged. Ames, *The Doctrine of Price v. Neal*, 4
43 *Harv.L.Rev.*, 297, 301-302. It has been urged that 'the right to recover is a quasi contractual right, resting upon
44 the doctrine that one who confers a benefit in misreliance upon a right or duty is entitled to restitution.'
45 Woodward, Quasi Contracts (1913) s 80; [First Nat. Bank v. City Nat. Bank, 182 Mass. 130, 134, 65 N.E. 24,](#)
46 [94 Am.St.Rep. 637](#). But whatever theory is taken, we adhere to the conclusion of the National Exchange Bank
47 case that the drawee's right to recover accrues when the payment is *369 made. There is no other barrier to the
48 maintenance of the cause of action. The theory of the drawee's responsibility where the drawer's signature is
49 forged ([Price v. Neale, 3 Burr. 1354](#); [United States v. Chase Nat. Bank, 252 U.S. 485, 40 S.Ct. 361, 64 L.Ed. 675,](#)
50 [10 A.L.R. 1401](#)) is inapplicable here. The drawee, whether it be the United States or another, is not chargeable
51 with the knowledge of the signature of the payee. [United States v. National Exchange Bank, supra, 214 U.S. at](#)
52 [page 317, 29 S.Ct. at page 669, 53 L.Ed. 1006, 16 Ann.Cas. 1184](#); [State v. Broadway Nat. Bank, 153 Tenn. 113,](#)
53 [282 S.W. 194](#).

54 ^{FN3} We need not determine whether the guarantee of prior endorsements adds to the drawee's rights. See
55 [Brannan's Negotiable Instruments Law \(6th ed.\) pp. 330-331, 816-817](#); [First Nat. Bank v. City Nat. Bank, 182](#)
56 [Mass. 130, 134, 65 N.E. 24, 94 Am.St.Rep. 637](#). Cf. [Home Ins. Co. v. Mercantile Trust Co., 219 Mo.App. 645, 284](#)
57 [S.W. 834](#). Under the theory of the National Exchange Bank case, the warranty of the title of him who presents the
58 check for payment would be implied in any event. See [Philadelphia Nat. Bank v. Fulton Nat. Bank, D.C., 25 F.2d.](#)
59 [995, 997](#).

60 The National Exchange Bank case went no further than to hold that prompt notice of the discovery of the forgery
61 was not a condition precedent to suit. It did not reach the question whether lack of prompt notice might be a
62 defense. We think it may. If it is shown that the drawee on learning of the forgery did not give prompt notice of it
63 and that damage resulted, recovery by the drawee is barred. See [Ladd & Tilton Bank v. United States, 9 Cir., 30](#)
64 [F.2d. 334](#); [United States v. National Rockland Bank, D.C., 35 F.Supp. 912](#); [United States v. National City Bank,](#)
65 [D.C., 28 F.Supp. 144](#). The fact that the drawee is the United States and the laches those of its employees are

1 not material. *Cooke v. United States*, 91 U.S. 389, 398, 23 L.Ed. 237. The United States as drawee of
2 commercial paper stands in no different light than any other drawee. As stated in *United States v. National*
3 *Exchange Bank*, 270 U.S. 527, 534, 46 S.Ct. 388, 389, 70 L.Ed. 717, 'The United States does business on
4 business terms.' It is not excepted from the general rules governing the rights and duties of drawees 'by the
5 largeness of its dealings and its having to employ agents to do what if done by a principal in person would
6 leave no room for doubt.' *Id.*, 270 U.S. at page 535, 46 S.Ct. at page 389, 70 L.Ed. 717. But the damage
7 occasioned by the delay must be established and not left to conjecture. Cases such as *Market St. Title & Trust*
8 *Co. v. Chelton Trust Co.*, *supra*, place the burden on the drawee of giving prompt notice of the forgery-injury to
9 the defendant being presumed by the mere fact of delay. See *London & River Plate *370 Bk. v. Bank of Liverpool*,
10 (1896) 1 Q.B. 7. But we do not think that he who accepts a forged signature of a payee deserves that preferred
11 treatment. It is his neglect or error in accepting the forger's signature which occasions the loss. See *Bank of*
12 *Commerce v. Union Bank*, 3 N.Y. 230, 236. He should be allowed to shift that loss to the drawee only on a clear
13 showing that the drawee's delay in notifying him of the forgery caused him damage. See Woodward, *Quasi*
14 *Contracts* (1913) s 25. No such damage has been shown by *Clearfield Trust Co.* who so far as appears can still
15 recover from *J. C. Penney Co.* The only showing on the part of the latter is contained in the stipulation to the
16 effect that if a check cashed for a customer is returned unpaid or for reclamation a short time after the date on
17 which it is cashed, the employees can often locate the person who cashed it. It is further stipulated that when *J.*
18 *C. Penney Co.* was notified of the forgery in the present case none of **577 its employees was able to remember
19 anything about the transaction or check in question. The inference is that the more prompt the notice the more
20 likely the detection of the forger. But that falls short of a showing that the delay caused a manifest loss. *Third*
21 *Nat. Bank v. Merchants' Nat. Bank*, 76 Hun 475, 27 N.Y.S. 1070. It is but another way of saying that mere delay
22 is enough.
23 [*Clearfield Trust Co. v. U.S.*, 318 U.S. 744, 63 S.Ct. 573 (U.S. 1943)]

24 We have established with exhaustive evidence in this memorandum of law that Federal Reserve Notes are not "money" as
25 legally defined, but they are promissory notes and "legal tender for PUBLIC PURPOSES ONLY". Consequently, they are
26 the equivalent of private commercial paper for use only internal to the government. Their use in private industry is voluntary
27 but cannot be mandated, since current law at 12 U.S.C. §411 describes them as "obligations of the United States" and does
28 not make them "money" for private purposes. Even the U.S. Treasury website admits that Federal Reserve Notes are not
29 legal tender for private purposes:

30 **FAQs: Currency**
31 **Legal Tender Status**

32 *Question* - I thought that United States currency was legal tender for all debts. Some businesses or governmental
33 agencies say that they will only accept checks, money orders or credit cards as payment, and others will only accept currency
34 notes in denominations of \$20 or smaller. Isn't this illegal?

35 *Answer* - The pertinent portion of law that applies to your question is the **Coinage Act of 1965**, specifically Section 31
36 U.S.C. 5103, entitled "Legal tender," which states: "United States coins and currency (including Federal reserve notes and circulating
37 notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues."

38 This statute means that all United States money as identified above are a valid and legal offer of payment for debts when tendered to a
39 creditor. **There is, however, no Federal statute mandating that a private business, a person or an organization must accept**
40 **currency or coins as for payment for goods and/or services. Private businesses are free to develop their own policies on**
41 **whether or not to accept cash unless there is a State law which says otherwise. For example, a bus line may prohibit payment**
42 **of fares in pennies or dollar bills. In addition, movie theaters, convenience stores and gas stations may refuse to accept large**
43 **denomination currency (usually notes above \$20) as a matter of policy.**

44 [SOURCE: Legal Tender Status, United States Dept. of Treasury Website;
45 <http://www.ustreas.gov/education/faq/currency/legal-tender.shtml>]

46 Federal Reserve Notes are promissory notes, not unlike the commercial paper described in the above Clearfield case. That
47 is how they are described in the Legal Tender Cases:

48 "It must be evident, however, upon reflection that, if there were any power in the government of the United
49 States to impart the quality of legal tender to its promissory notes, it was for congress to determine when the
50 necessity for its exercise existed; that war merely increased the urgency for money; it did not add to the powers
51 of the government nor change their nature; that if the power existed it might be equally exercised when a loan
52 was made to meet ordinary expenses in time of peace, as when vast sums were needed to support an army or a
53 navy in time of war. The wants of the government could never be the measure of its powers. But in the excitement
54 and apprehensions of the war these considerations were unheeded; the measure was passed as one of overruling
55 *458 necessity in a perilous crisis of the country."
56 [*Legal Tender Cases*, 110 U.S. 421, 457-458 (1884)]

1 Below is the definition of “promissory note”:

2 *“Promissory note. A promise or engagement, in writing, to pay a specified sum at a time therein stated, or on*
3 *demand, or at sight, to a person therein named, or to his order, or bearer. An unconditional written promise,*
4 *signed by the maker, to pay absolutely and at all events a sum certain in money, either to the bearer or to a person*
5 *therein designated or to his order, at a time specified therein, or at a time which must certainly arrive.*

6 *A signed paper promising to pay another a certain sum of money. An unconditional written promise to pay a*
7 *specified sum of money on demand or at a specified date. Such a note is negotiable if signed by the maker and*
8 *containing an unconditional promise to pay a sum certain in money either on demand or at a definite time and*
9 *payable to order or bearer. U.C.C. §3-104.*
10 *[Black’s Law Dictionary, Sixth Edition, p. 1214]*

11 The “promise to pay” described above is found in 12 U.S.C. §411:

12 [TITLE 12 > CHAPTER 3 > SUBCHAPTER XII > Sec. 411.](#)
13 [Sec. 411. - Issuance to reserve banks; nature of obligation; redemption](#)

14 *Federal reserve notes, to be issued at the discretion of the Board of Governors of the Federal Reserve System for*
15 *the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set*
16 *forth and for no other purpose, are authorized. **The said notes shall be obligations***
17 ***of the United States** and shall be receivable by all national and member banks and Federal reserve*
18 *banks and for all taxes, customs, and other public dues. **They shall be redeemed in***
19 ***lawful money on demand at the Treasury Department of the***
20 ***United States, in the city of Washington, District of Columbia,***
21 ***or at any Federal Reserve bank.***

22 Therefore, Federal Reserve Notes are simply commercial paper and a promissory note, not unlike the checks or drafts
23 described in the Clearfield case above. As such, when the government uses them, they surrender sovereign immunity and go
24 down to the ordinary level of a private citizen and not a government. The U.S. Supreme Court affirmed this conclusion when
25 it held the following:

26 *Moreover, if the dissent were correct that the sovereign acts doctrine permits the Government to abrogate its*
27 *contractual commitments in "regulatory" cases even where it simply sought to avoid contracts it had come to*
28 *regret, then the Government's sovereign contracting power would be of very little use in this broad sphere of*
29 *public activity. We rejected a virtually identical argument in Perry v. United States, 294 U.S. 330 (1935), in which*
30 *Congress had passed a resolution regulating the payment of obligations in gold. **We held that the law could not***
31 ***be applied to the Government's own obligations, noting that "the right to make binding obligations is a***
32 ***competence attaching to sovereignty.*** Id. at 353.

33 *See also Clearfield Trust Co. v. United States, 318 U.S. 363, 369 (1943) (“**The United States does business on***
34 ***business terms**”) (quoting United States v. National Exchange Bank of Baltimore, 270 U.S. 527, 534 (1926));*
35 *Perry v. United States, supra at 352 (1935) (“**When the United States, with constitutional authority, makes***
36 ***contracts, it has rights and incurs responsibilities similar to those of individuals who are parties to such***
37 ***instruments. There is no difference . . . except that the United States cannot be sued without its consent**”)*
38 *(citation omitted); United States v. Bostwick, 94 U.S. 53, 66 (1877) (“**The United States, when they contract with***
39 ***their citizens, are controlled by the same laws that govern the citizen in that behalf**”); Cooke v. United States,*
40 *91 U.S. 389, 398 (1875) (**explaining that when the United States "comes down from its position of sovereignty,***
41 ***and enters the domain of commerce, it submits itself to the same laws that govern individuals there**”).*

42 *See Jones, 1 Cl.Ct. at 85 (“**Wherever the public and private acts of the government seem to commingle, a citizen***
43 ***or corporate body must by supposition be substituted in its place, and then the question be determined whether***
44 ***the action will lie against the supposed defendant**”); O’Neill v. United States, 231 Ct.Cl. 823, 826 (1982)*
45 *(sovereign acts doctrine applies where, “[w]ere [the] contracts exclusively between private parties, the party hurt*
46 *by such governing action could not claim compensation from the other party for the governing action”). The*
47 *dissent ignores these statements (including the statement from Jones, from which case Horowitz drew its*
48 *reasoning literally verbatim), when it says, post at 931, that the sovereign acts cases do not emphasize the need*
49 *to treat the government-as-contractor the same as a private party.*

50 *Our Contract Clause cases have demonstrated a similar concern with governmental self-interest by recognizing*
51 *that “complete deference to a legislative assessment of reasonableness and necessity is not appropriate because*
52 *the State’s self-interest is at stake.” United States Trust Co. of N.Y. v. New Jersey, 431 U.S. 1, 26 (1977); see also*

1 *Energy Reserves Group, Inc. v. Kansas Power & Light Co., 459 U.S. 400, 412-413, and n. 14 (1983) (noting that*
2 *a stricter level of scrutiny applies under the Contract Clause when a State alters its own contractual obligations);*
3 *cf. Perry, supra at 350-351 (drawing a "clear distinction" between Congress' power over private contracts and*
4 *"the power of the Congress to alter or repudiate the substance of its own engagements").*

5 *The generality requirement will almost always be met where, as in Deming, the governmental action "bears upon*
6 *[the government's contract] as it bears upon all similar contracts between citizens." Deming v. United States, 1*
7 *Ct.Cl. 190, 191 (1865). Deming is less helpful, however, in cases where, as here, the public contracts at issue*
8 *have no obvious private analogs.*
9 *[United States v. Winstar Corp. 518 U.S. 839 (1996)]*

10 Since all taxes are collected in Federal Reserve Notes, then the IRS cannot be part of the government and in fact nowhere is
11 authorized to even exist anywhere within Title 31 of the U.S. Code. It is a private debt collector whose sole function is to
12 regulate the supply of fiat currency and thereby stabilize the supply and value of that currency. See:

Origins and Authority of the Internal Revenue Service (IRS), Form #05.043
<http://sedm.org/Forms/FormIndex.htm>

13 **12 The Gold Standard: A Standard for Freedom**

14 At one time the case for the gold standard was practically self-evident — undisputed by most economists and appreciated by
15 both laymen and professionals. Today, however, the case for gold is buried under decades of propaganda, misconceptions,
16 and myths. It has been only recently that the case for the gold standard has begun to surface from under the Policy Makers'
17 anti-gold debris. Consequently, gold is once again gaining the attention and interest it so rightly deserves.

18 Today's free-market advocates of the gold standard differ from past advocates. For example, free-market advocates do not
19 exclude silver or other commodities from their concept of a gold standard. Indeed, they do not even insist that gold must be
20 money. The case for the gold standard is actually the case for market-originated commodity money, and the case against
21 government-regulated fiat money. It is simply an extension of the case for free markets which respect the rights of man, and
22 the case against controlled markets which violate the rights of man.

23 To be concerned with the gold standard is to be concerned with a free economy, regulated by the values and choices of men,
24 rather than a controlled economy in which the values and choices of men are regulated by government. This concern for
25 man's freedom to express values and exercise choices is derived from the deeper concern for justice and for man's right to
26 property. The man concerned with justice does not aim to force others to use gold as money. Rather, he insists that government
27 has no right to prevent him and other men from using gold as money if they choose. The man concerned with property rights
28 does not urge government to legislate pro-gold policies in order to arbitrarily increase the value, popularity, or status of gold.
29 Rather, he insists that government stop inflating, since this arbitrarily decreases the value of his money claims to property.

30 Antagonists of the gold standard claim that it is impractical. But the gold standard is, in fact, the most practical monetary
31 system yet conceived by man. However, the gold standard's primary virtue does not lie in its practicality: it lies in its morality.
32 Those concerned about such things as freedom, justice, the preservation of property rights and purchasing power, would do
33 well to consider the moral case for the gold standard, for, once understood, it is the individual's best defense against
34 government confiscation of property through inflation.

35 The fact that prevents government from indulging in inflationary schemes under the gold standard can be best summed up in
36 a phrase: governments can't print gold. But to understand the implications of this statement, and the virtues of having gold as
37 money, it is first necessary to understand what money is — and what money is not.

38 **12.1 What Money Is . . .**

39 A man on a desert island has no need for money. He produces the goods he needs to survive, and consumes all he produces.
40 Similarly, a primitive society has no need for money. The kinds of goods produced are extremely limited, and if individuals
41 desire to exchange their goods with one another, they can do so through direct exchange, i.e., barter. But under a division of
42 labor economy where men specialize in production and where there is a variety of goods produced, desired, and traded, there
43 is a very definite need for money. For how else could Mr. Jones in Florida sell his oranges to men throughout the world and
44 then buy Mr. Smith's best-selling novel, unless there existed some medium of exchange acceptable to all parties.

1 Money originates from men's desire for *indirect* exchange. And more, since indirect exchange usually occurs between
2 strangers like Smith and Jones, money must be an object which is mutually valued. Thus, money is that commodity which
3 serves as a medium of exchange by virtue of its high degree of marketability.

4 The task of discovering *which* commodity will be most valued by and most acceptable to men as a medium of exchange can
5 only be accomplished through a *market* process; for it is only through the market that men's *values* and *choices* are properly
6 reflected. The verdict of the market has reflected three general requirements for any lasting medium of exchange: that money
7 should be generally acceptable to most men; that it should be practical to use; and that it should be relatively stable in value.
8 If these requirements are satisfied, the result is a money of *trust*.

9 Trust is the lifeblood of money, and money is the lifeblood of any economy based on the indirect exchange of goods and
10 services. A money of trust serves to facilitate exchange among men, and in doing so, breeds a healthy and growing economy.
11 But if men should ever begin to mistrust money, the market will immediately reflect this loss of confidence. Then money will
12 begin to lose stability, lose its acceptability, and will soon become impractical to use in exchange.

13 Mistrusted money is the antithesis of the lifeblood of an economy. It's a kind of "bad blood" circulating between men
14 throughout the economy, breeding confusion and suspicion. The fact that men's mistrust of money will result in monetary
15 crises and collapse, underscores the need for a money that never contradicts men's values, a money that at all times properly
16 reflects men's values, i.e., a money based on, and constantly exposed to, individual choices — which means a free-market-
17 originated commodity money.

18 When one considers the complex process that must take place before men can discover which commodity money constantly
19 reflects their changing values and choices, one can understand why it is only through a free market process that money can
20 properly evolve as a medium of trust. And one may also understand why no man, group of men, or government, has the right
21 to dictate what money or its value should be. This decision must be a *market* decision if it is to be a *lasting* decision.

22 Throughout history, almost every conceivable commodity has been used as a medium of exchange. Through the years of
23 economic development and through trial and error, those commodities least suited to serve as money were eliminated, while
24 those commodities best suited survived as forms of money. After centuries of exchange between men, the commodity that
25 emerged as the most valued, the most practical, the most trusted money among men, was gold.

26 What gives rise to men's trust in gold? First, men value gold as *money* because men value gold as a *commodity*. Gold at any
27 time can be *converted* to its commodity role if its monetary role should ever be questioned. Second, since gold is relatively
28 scarce and precious to men, it has stability of value. Therefore, it can be trusted to serve as a relatively stable medium of
29 exchange. And since most individuals desire to save part of what they produce in some monetary form, gold's stability of
30 value provides them with a reliable monetary method of accumulating and storing wealth.

31 What else gives rise to men's trust in gold? Gold is easily marketable, which means it is acceptable to men in exchanges of
32 all kinds. Gold is also trusted because it is practical: it's durable, so it won't perish or rot; it's small in bulk, so it is easily
33 transportable. It's a metal, which means it can be used in different forms, such as bars or coins; and, since gold does not
34 evaporate, it will lose neither quantity nor quality if or when men should decide to melt their coins into bullion or melt their
35 bullion for use in production.

36 There is one more thing that gives rise to men's trust in gold: the knowledge that gold cannot be counterfeited; the conviction
37 that the money supply cannot be artificially and arbitrarily increased by those who would aim to confiscate wealth rather than
38 produce it; the knowledge that money (the *claim* to production and effort) will itself represent production and effort. In short,
39 men's trust in gold carries the conviction that the monetary system freely adopted by men is based, not on whim and decree,
40 but on integrity and productivity.

41 These are some of the reasons why men have trusted gold as a medium of exchange through history — and why today's
42 Policy Makers damn its existence.

12.2 And What Money Is Not

Money is not paper. Paper notes evolve from the desire for a convenient substitute for commodity money. The paper notes that circulate as money today were once *money substitutes* (receipts for gold), defined by and convertible into a specific amount of gold. Paper notes did not and cannot become a money of trust without first representing a commodity of trust.

Consider the reaction of free men — men who, understanding and respecting the meaning of property rights, are suddenly and for the first time offered in place of gold, non-convertible paper notes. These notes would be meaningless to such men. No man who had just come from harvesting a field of wheat would even consider trading his wheat for scrap paper.

There are only two ways in which men will accept paper notes without commodity convertibility : if they are *forced* to do so, or if they are *conned* into doing so. Americans are now legally *forced* to accept government's non-convertible paper notes — but only because they have been conned into believing that commodity money is "old-fashioned" and "impractical" and that paper notes are indicative of a "modern and sophisticated economy."

Nothing could be further from the truth. Non-convertible paper "money" is *fiat money* that derives its value, *not* from its value as a commodity, *not* from its value as a useful medium of exchange according to the requirements of a medium of exchange, but from the *decree* of government. Fiat money is a throwback to the days of kings and the mentality of dictators. It is not a money evolved from the values and choices of free men in free markets, but a money created through the coercion of government.

Is commodity money old-fashioned and impractical, as today's Policy Makers contend it is? Consider the following facts: Over the last several decades, the exchange ratios (the prices) of various commodities have not varied much in value relative to each other. For example, the value of *eggs* to milk or milk to bread would be at approximately the same ratios today as they were years ago.

12.3 Why Prices Rise

But if it is true that the exchange ratios of commodities are relatively the same today as they were in the past, why then have prices (the exchange ratios of dollars to goods) soared over the years? The reason is that the value of the *paper* money, with which government forces everyone to deal, has fallen yearly relative to all commodities. Clearly, if a commodity (theoretically, almost any commodity) had been used as a medium of exchange over the past decades instead of government's fiat money, prices would have remained relatively stable. It is important to realize that it is not commodities that are *rising* in value, but fiat money that is *falling* in value.

Since 1933, when the U.S. severed the dollar-commodity relationship by abandoning what was left of the gold standard, the value of the dollar has depreciated by over ninety per cent in relation to other commodities. This could never occur under a commodity standard — only under a government imposed fiat standard. Had the U.S. returned to a dollar based on and convertible into gold instead of severing the dollar-gold relationship, the supply of dollars over the years would have been limited to, or checked by, the supply of gold. Therefore, the value of the dollar today would have been equal to the value of gold *in relation to other commodities*. Instead, the U.S. decided to print dollars whenever "needed" and to pretend that the dollar was "as good as gold" by legally fixing its value. The pretense couldn't last, and today the dollar is worth a mere fraction of its value in terms of gold in 1933.

Paper notes that are not representative of and convertible into a commodity are not money and have never satisfied the requirements of money for long. They are notes of circulating debt which men are forced to accept, so that governments can continuously pursue their policies of inflation.

12.4 The Nature of Inflation

Inflation is the fraudulent increase in the supply of money substitutes and credit. It is a policy which allows government to artificially create and spend more money than it is able to collect in taxes or borrow from its citizens. Government is the *cause* of inflation — the *effect* is higher prices.

1 Consider each dollar as a claim to some tangible good. If the claims are increased, the value of each claim goes down because
2 there are more dollars seeking goods. This bids prices up.

3 But inflation is *not* simply rising prices. In fact, inflation may exist even when prices remain the same or *decrease*. How is
4 this possible? If the production of goods and services increases more than the artificial increase in paper claims, prices will
5 drop — but not by as much as they would have, had there been no artificial increase in paper claims. Thus, in *real* terms, the
6 value of paper claims is effectively *reduced* even though in *relative* terms the value of these claims may increase.

7 Historically, and in relatively free market economies, there are only two ways in which a general across-the-board increase
8 in prices can occur: through a dramatic increase in commodity money (such as new gold discoveries) or through a fraudulent
9 increase of money substitutes by banks and governments. The former type of general price increase rarely occurs and is
10 perfectly natural. The latter is both unnatural and immoral.

11 In the case of new gold production, those who have *produced* the new commodity money will have *earned* the right to
12 exchange their product for the products of others. All other non-money producers may have to pay higher prices for goods,
13 as the supply of gold increases, but the higher prices are compensated for by having more money to spend. *Who* receives the
14 "new" money will depend on *individual productivity* — and this is as it should be, for it is the justice of the market that the
15 acquisition and distribution of wealth is based upon productivity rather than decree.

16 But, given a fiat standard where government sanctions and sponsors an *artificial* increase in paper money or credit, the
17 increase in purchasing power for some men can only be obtained at the expense of other men. Given a fiat standard, income
18 distribution is the result of chance, caprice, or government favors and loans. When government doles out its fiat money, these
19 notes dilute the value of all other outstanding money claims. Those who receive the fiat money first, benefit from spending
20 their money before prices rise. But as the fiat money is spent, prices are higher for all other consumers. Thus, the difference
21 between a *real* increase in the money supply (i.e., commodity money) and an *artificial* increase (i.e., in paper *claims*) is the
22 difference between production and theft.

23 Clearly, inflation is a moral issue. However prices respond, it is immoral that some man, agency, or government is legally
24 permitted to obtain wealth at the involuntary expense of other men. The major challenge in the sphere of monetary relations
25 today is how to abolish the coercive power of government to control the supply and regulate the value of money, and how to
26 return this function to the market where it properly belongs.

27 **12.5 The Fiat Standard at Work**

28 Under a fiat standard, government gains control of the banking system and thus, indirectly, of the nation's money supply. It
29 can artificially and arbitrarily create money and furnish credit. Government paper notes are not based on or convertible into
30 gold, or any other tangible commodity; man's production and labor are not the sole claim to other men's production and labor
31 : the supply and value of money are determined by government.

32 Under the American version of the fiat standard, the banking system and the nation's money supply are controlled and
33 regulated for the most part by a twelve-man Board of Governors which is empowered to make policy decisions for the
34 majority of the nation's banks. Thus, America's banking system is not a free and private banking system — it is a quasi-
35 governmental banking system, known as the Federal Reserve System.

36 It should be clear that the Federal Reserve System's power to create claims against individuals' property is immoral. But
37 neither the Federal Reserve System nor the fiat standard is ever defended on moral grounds; they are defended on practical
38 grounds. Once inspected, however, these grounds turn out to be about as solid as quicksand. The primary justification given
39 for a fiat standard is that credit can be extended far more rapidly and extensively. This, it is claimed, is the fiat standard's
40 major virtue. It is, in fact, a major vice.

41 The greatest economic threat under a fiat standard is that the Federal Reserve System will supply heavy doses of money and
42 credit to the loan market in an attempt to reduce interest rates and "stimulate" the economy. This attempt, while temporarily
43 stimulating economic activity, leads to *mal-investment*, as businessmen falsely anticipate greater profits. A "boom" results,
44 but since the "boom" is artificially created, the prosperity is temporary and, for the most part, illusory. Government has not
45 furnished more goods; it has not increased the nation's prosperity; it has simply increased the money supply —which leads

1 men to believe they are richer. The fact is, however, they only have more paper claims to goods. This cannot enrich anyone;
2 it can only lead to future inflation, i.e., a reduction of the value of real claims to wealth.

3 **12.6 The Illusion of Prosperity**

4 Thus, increases of money and credit provide only an illusion of prosperity, for with increased money and credit come
5 increased costs for producer goods and increased wage costs. Higher wages then lead to *over-consumption*, as consumers,
6 too, are enticed by the illusion of prosperity. But overconsumption results in higher prices which reduce the consumer's
7 standard of living. Since the "boom" was inflation-inspired, producers and consumers are not better off — they are worse off.
8 Mal-investment and over-consumption are mistakes — errors in judgment — caused by government's attempt to con its
9 citizens into believing that profit opportunities are better than they really are.

10 When the credit expansion that stimulated the "boom" ends, the mistakes that were made cannot be perpetuated. These
11 mistakes must be liquidated: consumers buy less and begin paying off their unrealistic accumulation of debts. Producers
12 liquidate inventories. Interest rates rise, and unemployment increases as the economy struggles to readjust. The severity of
13 the readjustment depends on the degree and length of government's prior credit expansion and the policies implemented to
14 cope with the adverse effects. Given continual injections of money and credit in the inane attempt to continue the "boom"
15 and prevent a necessary recession, hyperinflation will result. Hyperinflation must lead to monetary chaos as well as economic
16 disaster, i.e., to depression. A major depression is not a necessary result of the fiat standard, but inflation and the "boom-bust
17 cycle" are.

18 The whole purpose of fiat money is to allow government to spend more money than it can raise in direct taxes from its
19 citizens. As a result, the American fiat standard has worked more often as a means of redistributing wealth than a means of
20 stimulating the economy. Government, instead of furnishing money to the loan market in the attempt to continuously reduce
21 interest rates, has created money to finance the "welfare" state. When government's fiat money enters the economy in the
22 form of checks for expenditures, rather than through the loan market, the sequence of events and the effects are a little
23 different.

24 Men usually hold their money as savings, but as prices continue to rise over the years of government deficit spending, men
25 realize that the pieces of paper they hold are continuously and progressively depreciating in value — that inflation is becoming
26 a way of life. Once men begin to lose confidence in government's fiat money, it's only a matter of time before the years of
27 simple inflation burst into hyperinflation and monetary collapse.

28 Thus, whether government tries to stimulate the economy or to finance programs that it cannot afford, the fiat standard is
29 self-defeating and counter-productive. The consequences of America's fiat standard have been mild by historical standards:
30 the Great Depression of the '30's, an endless series of booms and busts since then, and a depreciation of the dollar by about
31 92 percent. So much for the "practicality" of the fiat standard!

32 **12.7 The Meaning of the Gold Standard**

33 In a free society, no man, group of men, or government has the "right" to infringe upon the rights of others. This means that
34 within a free society, the initiation of force is banned. All goals must be attained through persuasion and voluntary
35 cooperation, and no goal may be achieved at the expense of any man — not for the "good" of another man, not for the "good"
36 of the state, and not for the "good" of society. A system of voluntary exchange is a system of laissez-faire capitalism. Under
37 capitalism, man's rights are supreme. They are defended by government — not violated by government.

38 A gold standard is an integral part of a free society; a fiat standard is an integral part of a controlled society. A gold standard
39 cannot exist without the consent of individuals; a fiat standard cannot exist without the initiated force of government. A gold
40 standard is based on voluntary exchange, the recognition of men's values, and respect for private property; a fiat standard is
41 based on compulsory "exchange," the denial of men's values, and the insidious confiscation of private property.

42 Wealth is production, and gold is the equivalent of wealth produced. Because neither wealth nor gold can be created out of
43 nothing, neither wealth nor gold are possible without men of intelligence, men of ability, and men of productivity. Fiat is
44 force and is the equivalent of wealth confiscated. Both fiat and force are the tools of the envious and the cowardly.

1 Where a gold standard is welcomed by the best of men, the fiat standard is welcomed by the worst of men. Where the gold
2 standard demands the *earned*, the fiat standard grants the *unearned*. Where a gold standard evolves from individual choice,
3 a fiat standard evolves from government edict. Where a gold standard necessitates only that men be left free to act, to choose,
4 and to trade, a fiat standard invites government to control, to regulate, and to dictate men's choices, actions, and the terms of
5 trade.

6 Gold limits the government's power to spend more money than it receives in taxes, and in doing so, gold limits the
7 government's arbitrary power over the economy; gold checks artificial money and credit expansion; it prevents artificial
8 "booms" which lead to very real "busts"; gold protects individuals from economically unsound government programs; and it
9 protects citizens from the inflationary confiscation of private property. Not only is the gold standard the most practical
10 monetary system yet discovered, it is a standard consistent with freedom — yet it is the gold standard that today's Policy
11 Makers either ignore or denounce.

12 **12.8 Is a return to the Gold and/or Silver Standard Realistically Possible?**

13 The next question we must deal with would be the following:

14 *"Is a return to the gold standard realistically possible?"*

15 To answer this question, we must look at the production, consumption, and supply of gold, the supply of money, and the
16 relationship between the two.

17 We must first begin with a collection of recognized statistics about gold, silver, and the money supply. We will extract these
18 facts from the following fascinating websites:

- 19 1. World Gold Council
20 <http://www.gold.org>
- 21 2. The Silver Institute
22 <http://www.silverinstitute.org/>
- 23 3. U.S. Geological Survey: Historical Statistics for Mineral and Material Commodities in the United States
24 <http://minerals.usgs.gov/ds/2005/140/>
- 25 4. History of Gold and Silver Website
26 <http://www.historyofgoldandsilver.org/>

27 Below are the main statistics we will need to perform our analysis extracted from the above websites:

28 **1. GOLD**

29 **1.1. Cumulative production:**

30 1.1.1. All the gold ever produced:

31 1.1.1.1. Weights approximately 163,000 metric tonnes. See:

32 <http://www.goldsheetlinks.com/production2.htm>

33 1.1.1.2. Would fit into a 60 foot cube.

34 1.1.2. 50% of all gold ever produced was produced since 1960.

35 1.1.3. 80% of all gold ever produced was produced since 1900.

36 **1.2. Production/Supply for 2008**

37 1.2.1. Annual world gold production for 2008 was 3,512 metric tonnes.

38 1.2.1.1. Mine production: 2,414 metric tonnes.

39 1.2.1.2. Old gold scrap: 1,212 metric tonnes.

40 1.2.2. Worldwide per capita production of gold per year currently stands at 0.75 ounces per person.

41 1.2.3. The rate of gold production growth exceeded population growth from the 1840s to 1940s.

42 It declined after WWII for almost 50 years, but started up again in 1989.

43 1.2.4. The world's largest producer of gold is China at the present time. South Africa held the lead for decades
44 until China exceeded them in 2008.

45 **1.3. Consumption/Demand for 2008**

46 1.3.1. Annual world gold consumption for 2008 was 3,804 metric tonnes.

47 1.3.1.1. Jewelry consumption: 2,186 metric tonnes.

- 1.3.1.2. Industrial and dental consumption: 436 metric tonnes.
- 1.3.1.3. Bar and coin consumption: 653 metric tonnes.
- 1.3.1.4. Exchange Traded Funds (ETF): 321 metric tonnes.
- 1.4. World reserves as of 2008³⁵
 - 1.4.1. All the governments in the world hold about 29,633 metric tonnes of gold.
 - 1.4.2. The four top holders of gold as of 2009:
 - 1.4.2.1. United States, which holds 8,135 metric tonnes.
 - 1.4.2.2. Germany, which holds 3,408 metric tonnes.
 - 1.4.2.3. International Monetary Fund (IMF): 3,217 metric tonnes.
 - 1.4.2.4. Exchange Traded Funds (ETF) such as “GLD”: 1,100 metric tonnes.

2. **SILVER**

2.1. History

- 2.1.1. Silver has been used as money since ancient times. Gen. 23:16.
- 2.1.2. It was not until the reign of Croesus (560-546 B.C.), king of Lydia (in Asia Minor), that silver was stamped as official coinage.
- 2.1.3. In 1792, Alexander Hamilton, then the U.S. Secretary of the Treasury, proposed the adoption of a gold and silver based monetary system. Silver remained in circulating U.S. coins until the supply of silver could not meet the demand for coins and the face value of the coin fell below its bullion, or meltdown value. The U.S. government eliminated silver from quarters and dimes in 1965 and half dollars were reduced to 40%. In the U.S. today, silver is used only in bullion, commemorative and proof coins. Mexico is the only country currently using silver in its circulating coinage.

2.2. Cumulative production

- 2.2.1. Cumulative world silver production since 1900 is 1,010,080 metric tonnes.³⁶

2.3. Production/Supply for 2008

- 2.3.1. Annual world silver production stands at 888.4 million ounces.
- 2.3.2. Most of the silver produced comes from Mexico and South America.
- 2.3.3. Three largest producers in 2008:
 - 2.3.3.1. Peru: 118.3 million ounces
 - 2.3.3.2. Mexico: 104.2 million ounces.
 - 2.3.3.3. China: 82.8 million ounces.

2.4. Consumption/Demand for 2008

- 2.4.1. Silver has many more industrial uses than gold.
- 2.4.2. Annual world silver consumption stands at 888.4 million ounces.
 - 2.4.2.1. Industrial applications: 447.2 million ounces.
 - 2.4.2.2. Photography: 104.8 million ounces.
 - 2.4.2.3. Jewelry: 158.3 million ounces
 - 2.4.2.4. Silverware: 57.3 million ounces
 - 2.4.2.5. Coins and medals: 64.9 million ounces.

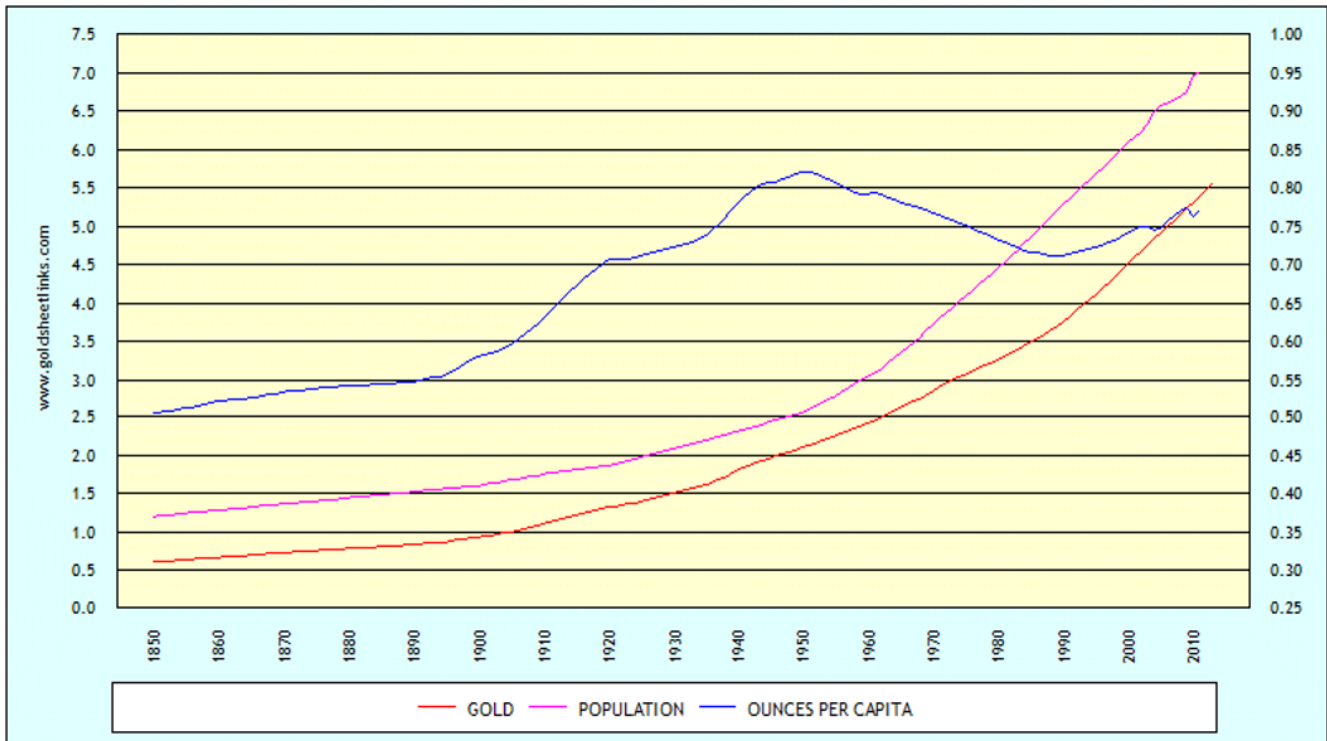
Below is a graph of the rate of change world gold production v. the rate of change in population, and also a graph of per capita gold production. The right hand axis is ounces of gold produced per capita of all world population. The left hand axis is the rate of population or gold production increase per year in percent. The bottom axis is the year.³⁷

Figure 23: Annual Gold and Silver Production Per Capita

³⁵ World Gold Council, World Official Gold Holdings, 2009. <http://www.gold.org>.

³⁶ See U.S. Geological Survey, Historical Statistics for Mineral and Material Commodities in the United States, Data Series 140. <http://minerals.usgs.gov/ds/2005/140/>

³⁷ Source: Goldsheet Website, Yearly Gold Production in Metric Tonnes; <http://www.goldsheetlinks.com/production2.htm>.



1

2

Now some facts derived or deduced from the statistics cited previously in this section:

3

1. Current world population stands at 6.7 billion as of the end of 2009.

4

2. Weight equivalents for one metric tonne:

5

2.1. Equivalent to 1,000 kg

6

2.2. Equivalent to 2,204.62 pounds.

7

2.3. Equivalent to 5,475,273.92 ounces.

8

3. Cumulative amount of gold produced since 1900:

9

3.1. 163,000 metric tonnes.

10

3.2. 10,325,999,984 ounces (10.325 billion ounces).

11

4. Total annual world gold production as of 2008:

12

4.1. 3,512 tons

13

4.2. 112,384,000 ounces.

14

5. Total annual world silver production as of 2008:

15

5.1. 888.4 million ounces

16

6. Per capita annual production of precious metals:

17

6.1. Gold: 0.01677 ounces per person.

18

6.2. Silver: 0.75 ounces per person.

19

7. Market value of gold:

20

7.1. Current market value of gold per ounce (as of 11/2009): \$1,090/ounce.

21

7.2. Gold reached a peak of \$850 per ounce back in 1982, right after we went off the silver standard in 1971. In today's inflation adjusted prices, that value would be approximately \$2,400/ounce.

22

8. Total gold coins minted worldwide:³⁸

23

8.1. 34,992 metric tonnes

24

8.2. 191,590,785,008.64 ounces (191.59 billion ounces)

25

8.3. Total gold coins minted worldwide since the beginning of time as a percentage of all gold ever mined: 4.66 percent.

26

8.4. Total value of all gold coins minted worldwide throughout history: \$208,833,955,659,417.6 (208.833 trillion). Assumes gold price of \$1090/ounce as of this writing.

27

³⁸ Source: Central Bank Gold Reserves, Timothy Green, World Gold Council. http://www.gold.org/assets/file/pub_archive/pdf/Rs23.pdf.

- 1 9. Total currency reserves worldwide as of 2008: \$54.62 trillion (2008 est.).³⁹
2 10. Total value of all gold produced since 1900 at current prices: \$11,255,339,982,560 (11.25 Trillion dollars).
3 11. Percent of currency reserves worldwide that could be backed by all the gold ever produced: 20.62%.

4 According to the World Gold Council, all the governments in the world hold about 30,000 metric tonnes of gold (the USA
5 holding the most, with 8000 metric tonnes). Only about 163,000 tons have been accumulated by everyone worldwide since
6 the dawn of man.⁴⁰ Thus our estimate that the Fed and the Treasury have borrowed and or printed enough money in a year to
7 buy all the gold owned by all governments 7 to 14 times over (depending on whose figure you use of the deficit spending),
8 and nearly twice as much gold than is owned by all people and governments combined!

9 According to Jon Nadler of Kitco Precious Metals, who is the premier precious metals dealer in North America, there is
10 enough gold to cover the value of only 0.6% of the world's fiat currency. Here is what he said, on Nov. 5, 2009:

11 *"As stated in these columns many times before, the vast majority of those central banks which wanted to offload
12 their gold holdings, -for whatever reason- have already done so. Wise or unwise, ill-timed, or not, symbolic, or
13 not. Some have even floated the idea that the Indian gold purchase is decoy, a ploy to ultimately 'whack' the
14 budding moonshot in gold with. Okay. Sure. And Ben Bernanke regularly sends me Christmas gifts for being a
15 good Jedi apprentice..."*

16 **Way too much is being read into such actions, or the lack thereof, mainly by amateur observers who cannot**
17 **grasp the concept that ALL the gold in the world (163,000 tonnes of it) adds up to 0.6% of total global wealth,**
18 **and that it is not about to make a comeback as the de facto 'currency' of the realm or peg among the world's**
19 **central banks.** *Can adjustments over the next three decades take place that take away some of the dollar's*
20 *dominance and bump up gold's position in the hierarchy take place? Why, sure they can. Will there be tectonic*
21 *shifts that completely reverse the status quo? Nope.*

22 **The gold standard as we knew it, is history, let us face that inescapable fact. And that, is not just Nobel laureate**
23 **Paul Krugman's take on the matter. None of this, however, should preclude you, and/or any other investor**
24 **from making it your own 'standard' if that is your preference. For the majority of individuals, the same exact**
25 **average that the computation of the official sector's average holdings amounts to (roughly 10%) is a perfectly**
26 **adequate level.** *Notwithstanding Portugal's 90% or Canada's practically zero gold allocation levels. As we said,*
27 *these are matters of personal preference, and not standards by which to judge other countries, or individuals'*
28 *allocation decisions.*

29 *At the end of the day, it has now been more than three years since individuals around the world have surpassed*
30 *the official sector in terms of the sheer tonnage of holdings. Thus, there is very little to be gained by constantly*
31 *pointing to this sale or that purchase as a harbinger of...anything, or a 'vote' on anything. You may rest assured*
32 *that no change in central bank reserve management policies would come about, even given \$5,000 per ounce*
33 *gold. It simply does not matter."*
34 *[Jon Nadler, Kitco, Commentary on Nov. 5, 2009; <http://www.kitco.com/ind/nadler/nov052009.html>]*

35 We conclude this section by stating that:

- 36 1. If all the gold coins ever produced throughout history were still available today, then their value would be almost four
37 times the total world currency reserves.
38 2. Jon Nadler's assertion that only 0.6% of the current world currency reserves could be covered by gold seems
39 untrustworthy.
40 3. We could go back on the gold standard for some fractional percentage of the currency in circulation. The fraction
41 currently stands at 20 percent. That fraction would grow if fiat currency were outlawed or gold standard were re-
42 imposed, because it would automatically raise the value of gold to account for inflation, most likely.

³⁹ See: Wikipedia: World Economy, \$54.62 trillion (2008 est.), http://en.wikipedia.org/wiki/World_economy.

⁴⁰ See U.S. Geological Survey, Historical Statistics for Mineral and Material Commodities in the United States, Data Series 140.
<http://minerals.usgs.gov/ds/2005/140/>

13 Escaping the SLAVERY of the Monetary Franchise When Dealing with Banks

The purpose of this section is to establish that when you put funds on deposit in a bank, you can prevent classifying them as Federal Reserve notes and thereby avoid the obligations associated with the use of privileged Federal Reserve notes. This is done by identifying the deposit as a “deposit for a special purpose”.

When dealing with banks, deposits can be of three categories:

1. General deposits.
2. Special deposits.
3. Deposits for a special purpose.

Items 2 and 3 above are treated as synonymous. A law review article says the following about the distinctions between each of the above types of deposit:

“Deposits in a bank are usually classified as general deposits, special deposits, and deposits for a specific purpose.1 The distinction becomes important most commonly where a depositor is seeking preference over other claimants of an insolvent bank. The general deposit is given no preference, 2 while the other two classes ordinarily are. 3 A general deposit results from the ordinary depositor bank relationship. Ownership of and control over the deposited money passes to the bank and the depositor becomes a creditor of the bank.4 A special deposit is one in which the money is deposited on the understanding that the identical money is to be returned to the depositor.5 A deposit for a specific purpose, as the term indicates, results when a deposit is made to be used only for a designated purpose.6 It is often held that the exact money deposited need not be used, but that an equivalent fund will suffice. 7 The latter two classes are often grouped together as special deposits.8 Preference given the strict special deposit seems justified in that the deposit which must be returned in specie ordinarily constitutes a bailment in the hands of the bank. 9 As the bank neither gets title to the fund nor has the benefit of its use, it should not be considered part of the general assets of the bank. If the special deposit is wrongfully mingled with the other funds of the bank, principles of tracing may be used to effectuate the depositor's preference.1 and the bank may be a trustee ex maleficio. But the reasons for giving a deposit for a specific purpose a preference are not so clear. In such a case the relationship between the depositor and the bank is usually described as a trust,11 or an agency,12 or a bailment.18 When the trust description is used the bank is said to hold the fund subject to the trust to carry out the specific purpose.14 But in many of the cases it is difficult to find all of the elements of an express trust.15 An express trust is ordinarily created by intent of the parties, and in few of these deposit cases is there any expression of intent to create a trust, nor is it always clear that there is an actual but unexpressed intent to do so.16 The trustee should have title to the res,17 and in some of the cases the depositor is purported to retain title to the deposit.18 Too, there must be a specific trust res, which in these cases is sometimes difficult to find, either because at the time of the attempted creation of the trust the deposit was mingled with other funds of the bank, or because there is no intent to maintain the fund as a distinguishable one.19 But perhaps what is meant is a constructive trust arising upon the bank's misapplication or non-application of the fund to the specific purpose for which it was delivered to the bank. Such a trust may arise when the bank misuses the depositor's money which it holds in something other than a debtor capacity.20 When the facts of the case are such as to justify description of the relationship of principal-agent, it is easy to explain the preference given the depositor. Ordinarily the agent holds funds or goods of his principal without acquiring title to them and subject to the principal's direction, so they never become part of the assets of the agent. Or if the agent does take title to the funds, he takes it impressed with a trust to carry out the principal's purpose.21 At any rate, it is settled that the parties themselves can, by express agreement and consistent action, make definite the relationship desired between the depositor and the bank, and fix the status of the deposit as a preferred one.22 Even where the parties do not make clear their intention, the trend of judicial opinion is to declare the deposit for a specific purpose a special one and the relationship one of those discussed above. 23 Such a result has been criticized 24 because of its establishment of preferences, which would not have resulted by a holding that the deposit created a debtor-creditor relationship, although the debtor had specific orders concerning the method of repaying the debt.25 The result of the instant case, however, does not seem open to criticism. It is one of those cases in which the relationship fixed by express agreement between the parties seems clearly to be that of principal and agent. The depositor feared the bank's financial position and made explicit his intention not to become a simple creditor of the bank. While it did not require its deposit to be segregated and be retained in specie, it did provide that an equivalent amount be kept in a special account at all times. Title to the deposit was not to pass to the bank. The other depositors have no cause to complain for the deposit never became part of the assets of the bank so as to be subject to their claims as general depositors.26”
[BANKS AND BANKING - TRUSTS - SPECIAL DEPOSITS - AGREEMENT BETWEEN DEPOSITOR AND BANK, Robert E. Sipes University of Michigan Law School, Michigan Law Review, Volume 37, Issue 3]

FOOTNOTES:

- 1 1. 1 MORSE, BANKS AND BANKING, 6th ed., §§ 183, 185, 186 (1928); *Officer v. Officer*, 120 Iowa 389, 94
2 N.W. 947 (1903); 31 A.L.R. 472 (1924).
- 3 2. 1 Morse, Banks and Banking, 6th ed., § 289 (1928); *Andrew v. Union Savings Bank & Trust Co.*, 220 Iowa
4 712, 263 N.W. 495 (1935); *Kershaw v. Kimble*, (C.C.A. 10th, 1933) 65 F.(2d) 553.
- 5 3. *Corporation Commission v. Merchants Bank & Trust Co.*, 193 N.C. 696, 138 S. E. 22 (1927); *Andrew v. Union*
6 *Savings Bank & Trust Co.*, 220 Iowa 712, 263 N.W. 495 (1935).
- 7 4. *Maurello v. Broadway Bank & Trust Co.*, 114 N.J.L. 167, 176 A. 391 (1935); *Northwest Lumber Co. v.*
8 *Scandinavian-American Bank*, 130 Wash. 33, 225 P. 825 (1924).
- 9 5. *Fogg v. Tyler*, 109 Me. 109, 82 A. 1008, 39 L.R.A. (N. S.) 847 (1912); *Keyes v. Paducah & Illinois R. R.*,
10 (C.C.A. 6th, 1932) 61 F.(2d) 611.
- 11 6. *Miller v. Andrew*, 206 Iowa 957, 221 N.W. 543 (1928); *Bank of America Nat. Trust & Sav. Assn. v. California*
12 *Sav. & Commercial Bank*, 218 Cal. 261, 22 P.(2d) 704 (1933); *Central Coal & Coke Co. v. State Bank*, 226
13 *Mo.App.* 594, 44 S.W.(2d) 188 (1931).
- 14 7. *Bank of America Nat. Trust & Sav. Assn. v. California Sav. & Commercial Bank*, 218 Cal. 261, 22 P.(2d) 704
15 (1933); *Reichert v. Midland County Sav. Bank*, 254 Mich. 551, 236 N.W. 859 (1931); 1 MORSE, BANKS AND
16 BANKING, 6th ed., § 210 (1928).
- 17 8. *McGregor v. First Farmers'-Merchants' Bank & Trust Co.*, 180 Wash. 440, 40 P.(2d) 144 (1935); *Bank of*
18 *America Nat. Trust & Sav. Assn. v. California Sav. & Commercial Bank*, 218 Cal. 261, 22 P.(2d) 704 (1933); 31
19 A.L.R. 472 (1924).
- 20 9. *Richards v. Fulton*, (C. C. A. 6th, 1935) 75 F.(2d) 853; *Fogg v. Tyler*, 109 Me. 109, 82 A. 1008 (1912).
- 21 10. *Hudspeth v. Union Trust & Sav. Bank*, 196 Iowa 706, 195 N.W. 378 (1923); *City Nat. Bank of Auburn v.*
22 *Brink*, 98 Ind. App. 275, 187 N.E. 689 (1933); *Jennings v. United States Fidelity & Guaranty Co.*, 294 U.S. 216,
23 55 S.Ct. 394 (1934).
- 24 11. *McGregor v. First Farmers'-Merchants' Bank & Trust Co.*, 180 Wash. 440, 40 P.(2d) 144 (1935); *Carlson*
25 *v. Kies*, 75 Wash. 171, 134 P. 808 (1913); *Woodhouse v. Crandall*, 197 Ill. 104, 64 N.E. 292 (1902).
- 26 12. *Central Coal & Coke Co. v. State Bank*, 226 Mo.App. 594, 44 S.W.(2d) 188 (1931); *Northern Sugar Corp. v.*
27 *Thompson*, (C.C.A. 8th, 1926) 13 F.(2d) 829; *Southern Exchange Bank v. Pope*, 152 Ga. 162, 108 S.E. 551 (1921).
- 28 13 *Maurello v. Broadway Bank & Trust Co.*, 114 N.J.L. 167, 176 A. 391 (1935); *Russell v. Bank of Nampa*, 31
29 *Idaho* 59, 169 P. 180 (1917).
- 30 14. *Woodhouse v. Crandall*, 197 Ill. 104, 64 N.E. 292 (1902); *Evans v. French*, 222 Mo.App. 990, 6 S.W.(2d)
31 655 (1928).
- 32 15. 1 BOGERT, TRUSTS AND TRUSTEES, § 21 (1935) .
- 33 16. *Blummer v. Scandinavian-American State Bank*, 169 Minn. 89, 210 N. W. 865 (1926); *Carlson v. Kies*, 75
34 Wash. 171, 134 P. 808 (1913).
- 35 17. 1 TRUSTS RESTATEMENT, § 5 (1935); *Cornick v. Weir*, 212 Iowa 715, 237 N. W. 245 (1931).
- 36 18. *See Corporation Commission v. Merchants' Bank & Trust Co.*, 193 N.C. 696, 138 S.E. 22 (1927).
- 37 19. *Richards v. Fulton*, (C.C.A. 6th, 1935) 75 F.(2d) 853; *Borgess Hospital v. Union Industrial Trust & Sav.*
38 *Bank*, 265 Mich. 156, 251 N. W. 363 (1933); *Keyes v. Paducah & Illinois R.R.*, (C. C. A. 6th, 1932) 61 F.(2d)
39 611; *Corporation Commission v. Merchants' Bank & Trust Co.*, 193 N. C. 696, 138 S. E. 22 (1927).
- 40 20. *Morton v. Woolery*, 48 N. D. 1132, 189 N.W. 232 (1922); *Dolph v. Cross*, 153 Iowa 289, 133 N.W. 669
41 (1911).
- 42 21. 2 MECHEM, AGENCY, 2d ed., § 2090 (1914); and see cases cited note 12, supra.

22. *Bryan v. Coconut Grove Bank*, 101 Fla. 947, 132 So. 481, 134 So. 229 (1931); *Missouri Mutual Assn. v. Holland Banking Co.*, 220 Mo.App. 1256, 290 S.W. 100 (1927); 3 MICHIE, BANKS AND BANKING, perm. ed., § 185 (1931).

23 *Iselin v. Farrow*, 115 Okla. 218, 242 P. 528 (1925); *First Nat. Bank v. Propp*, 200 Iowa 809, 200 N. W. 428 (1924); noted 23 Mich.L.Rev. 532 (1925). But see cases noted 31 MICH. L. REV. 841 (1933); 32 MICH. L. REV. 95 (1933).

24. *I BOGERT, TRUSTS AND TRUSTEES*, § 21 (1935); 6 MINN. L. REV. 306 (1922).

25. *Pacific State Sav. & Loan Co. v. Commercial State Bank*, 46 Idaho 481, 269 P. 86 (1928); *People v. California Safe Deposit & Trust Co.*, 23 Cal. App. 199, 137 P. 1111, 1115 (1914).

26. For a somewhat analogous case reaching the opposite result, see *Pacific States Sav. & Loan Co. v. Commercial State Bank*, 46 Idaho 481, 269 P. 86 (1928).

The term “specie” is defined as followed:

SPECIE. Coin of the precious metals, of a certain weight and fineness, and bearing the stamp of the government, denoting its value as currency. *Trebilcock v. Wilson*, 12 Wall. 695, 20 L.Ed. 460; *Walkup v. Houston*, 65 N.C. 501; *Henry v. Bank of Salina*, 5 Hill, N.Y. 536.

When spoken of a contract, the expression "performance in specie" means strictly, or according to the exact terms. As applied to things, it signifies individuality or identity. Thus, on a bequest of a specific picture, the legatee would be said to be entitled to the delivery of the picture in specie; i. e., of the very thing. Whether a thing is due in genere or in specie depends, in each case, on the will of the transacting parties. *Brown*. [Black's Law Dictionary, Fourth Edition, p. 1571]

Based on the above then, by designating a deposit as a SPECIAL DEPOSIT and limiting it to specie, then it doesn't become a GENERAL deposit subject to the rules applicable to Federal Reserve notes. It then becomes a mere bailment of private property subject to the wishes of the depositor not unlike a safe deposit box. Specie is private physical property, but CURRENCY as a general deposit is PUBLIC property. A special deposit effectively constitutes a temporary loan of specific private property to the bank, rather than a credit attached to the general funds of the bank in currency subject to banking regulation. Below is an example statement to put near the signature on the check:

"Special deposit bailment in specie only. Excluded from Federal Reserve regulation or taxation. Foreign estate pursuant to 26 U.S.C. §7701(a)(31)."

14 Conclusion and Summary

Our present money system is TOTALLY corrupted, unjust, inequitable, and an abomination to the Lord according to the Bible:

1. Our monetary system has transitioned through the following discrete phases of historical evolution:
 - 1.1. 1792-1861: Redeemability of all notes in gold and silver under the United States of America Money Act of 1792.
 - 1.2. 1862-1865: Redeemability of the “greenback” temporarily suspended during the Civil War by Abraham Lincoln.
 - 1.3. 1866-1932: Redeemability of all notes in gold and silver.
 - 1.4. 1933-1971: Redeemability of all notes in silver but not gold. Gold was outlawed in 1933, but only in the federal zone and not states of the Union. See H.J.R.-192, which only applied to the government and not the people.
 - 1.5. 1972-Present: No redeemability at all. Currency is entirely fiat currency whose value is regulated by the supply.You can read about the above history in:

Pieces of Eight, Second Revision, Edwin Vieira; ISBN-10-0967175917, 2002
<http://www.edwinvieira.com/>

2. The only valid current legal definition of a “dollar” is found in the original United States of America Money Act of 1792, 1 Stat. 246-251. This act has never been repealed or modified and is still in effect today, even though it is not enforced. You can read the act in its entirety later in section 17.10. The definition of a lawful dollar is:
 - 2.1. 371.25 grains of pure silver.
 - 2.2. 0.8486 ounces of pure silver.
 - 2.3. 416 grains of standard silver.

- 1 3. We currently have in this country three mutually exclusive, parallel, and non-overlapping money systems. All three of
2 these systems use the word “dollar” to describe the note or money.
3 3.1. Lawful money minted under the authority of the United States of America Money Act, 1 Stat. 246-251. This money
4 is no longer printed or minted.
5 3.2. Gold and silver coins issued by the U.S. Mint under the authority of 31 U.S.C. §5112. These coins are not lawful
6 money because they are not in compliance with the United States of America Money Act, 1 Stat. 246-251.
7 3.3. Private scrip issued by the mint and borrowed from Federal Reserve that has never been approved for “private use”
8 and may only be used internally within the U.S. government under the authority of the Federal Reserve Act.
9 4. The value of a “dollar” under each of the above three systems is not consistent or uniform, and therefore an hateful
10 ABOMINATION to God:

11 *“Diverse weights and diverse measures,*
12 ***They are both alike, an abomination to the LORD.***
13 *[Prov. 20:10, Bible, NKJV]*

- 14 4.1. No statute defines the fixed value of a “dollar” within the U.S. Mint coins currently offered.
15 4.2. No statute defines the fixed value of a “dollar” in the Federal Reserve Note fiat system.
16 4.3. No statute dictates which of the three systems must be used for the purposes of federal or state taxes. The choice
17 is yours.
18 5. Because there is no legal definition for the fixed value of Federal Reserve Notes currently in use and no redeemability
19 for anything of value, and because the value of each note is determined exclusively by the supply, then:
20 5.1. Our present fiat money system is unlawful, which simply means “not authorized by law”.

21 *Unlawful. That which is contrary to, prohibited, or unauthorized by law. That which is not lawful. The acting*
22 *contrary to, or in defiance of the law; disobeying or disregarding the law. Term is equivalent to “without excuse*
23 *or justification.” State v. Noble, 90 N.M. 360, 563 P.2d. 1153, 1157. While necessarily not implying the element*
24 *of criminality, it is broad enough to include it.*
25 *[Black’s Law Dictionary, Sixth Edition, p. 1536]*

- 26 5.2. Our present fiat money system makes “money” into a political and not a legal commodity. In effect, Federal
27 Reserve Notes function as the equivalent of “permission slips” to do something by the government.
28 5.3. Any dispute involving Federal Reserve Notes is a political and not a legal dispute which may only lawfully be
29 resolved by the political and not legal branch of the government, meaning the Executive or Legislative departments.
30 5.4. It is unlawful for de jure state or federal courts to entertain legal disputes involving Federal Reserve Notes. If they
31 do, they are unlawfully engaging in “political questions” in violation of the separation of powers that is the heart
32 of the United States Constitution. It is illegal because they have no delegated authority to decide either which of
33 the three money systems to use, the value of a Federal Reserve Note, nor may they compel you to consent or choose
34 which of the three money systems to use. See:

Political Jurisdiction, Form #05.004
<http://sedm.org/Forms/FormIndex.htm>

- 35 6. The coins currently made available by the U.S. Mint do not comply with the United States of America Money Act of
36 1792:
37 6.1. A “one dollar” Silver Eagle, for instance, is worth \$1.18 under the original United States of America Money Act
38 of 1792, 1 Stat. 246-251.
39 6.2. The reason U.S. Mint coins do not conform to the USA Money Act is because Congress had to give up its authority
40 to mint lawful currency to even have a Federal Reserve.
41 6.3. As such, the coins offered by the U.S. Mint at this time are NOT “lawful money” because they don’t comply with
42 the only law currently regulating the value of a “dollar” in silver.
43 7. The only thing that “employers”, meaning instrumentalities within the U.S. government, can lawfully and truthfully
44 report on IRS Form W-2 as “wages” are amounts received in cash. This means that persons who are paid in gold or
45 silver or another valuable commodity receive no “wages” reportable on IRS Form W-2, even if they are “employees”
46 pursuant to 26 U.S.C. §3401(a)(11). One employer named Robert Kahre did this in Las Vegas, Nevada and was indicted
47 for failing to withhold. The trial occurred in United States District Court in 27 and the jury acquitted 13 people of ALL
48 160+ counts. Both the IRS, the Treasury, and the media have been conspicuously silent about this victory because they
49 are all in bed together and benefit too much from hiding the truth from the American public. For further details on
50 withholding and reporting, see:

Federal and State Tax Withholding Options for Private Employers, Form #04.101
<http://sedm.org/Forms/FormIndex.htm>

- 1 8. We do not have any lawfully issued money as money is legally defined in the United States Constitution, Article 1,
2 Section 10.
3 8.1. This state of affairs has existed since the Emergency Banking Relief Act of 1933, 48 Stat. 1 was passed on March
4 9, 1933 by TRAITOR and then President Franklin Delano Roosevelt.
5 8.2. This violation of our Constitution is being perpetuated in the name of an ongoing national emergency under the
6 authority of 12 U.S.C. §95b.
7 8.3. 12 U.S.C. §95b is legislation that unconstitutionally delegates to the President of the United States the authority to
8 decree law, and thus it violates the separation of powers doctrine.
9 8.4. Not even a national emergency justifies suspension of any portion of the United States Constitution:

10 *“No emergency justifies the violation of any of the provisions of the United States Constitution. An emergency,*
11 *however, while it cannot create power, increase granted power, or remove or diminish the restrictions imposed*
12 *upon the power granted or reserved, may allow the exercise of power already in existence, but not exercised*
13 *except during an emergency.⁴¹*

14 *The circumstances in which the executive branch may exercise extraordinary powers under the Constitution are*
15 *very narrow.⁴² The danger must be immediate and impending, or the necessity urgent for the public service, such*
16 *as will not admit of delay, and where the action of the civil authority would be too late in providing the means*
17 *which the occasion calls for.⁴³ For example, there is no basis in the Constitution for the seizure of steel mills*
18 *during a wartime labor dispute, despite the President's claim that the war effort would be crippled if the mills*
19 *were shut down.⁴⁴”*
20 *[16 Am.Jur.2d, Constitutional Law, §52]*

- 21 9. No one in the government wants to fix the problems in our money system because:
22 9.1. All those who have tried have become the target of assassination attempts by the money changers, including Andrew
23 Jackson, Abraham Lincoln, Calvin Coolidge, and John F. Kennedy. The plot to kill Jackson failed but it succeeded
24 in the case of Lincoln, Coolidge, and Kennedy.
25 9.2. Abraham Lincoln in his Gettysburg Address intended after the Civil War to lift martial law and return to a lawful
26 money system. He was subsequently assassinated.
27 9.3. President Calvin Coolidge refused to get the U.S. into World War 1 while the money changers wanted us in the war
28 so they could bankrupt the treasury and initiate the Federal Reserve system. Coolidge mysteriously died of a heart
29 attack and after his vice president took office, we suddenly entered World War 1 because that vice president was
30 scared he would be next to be assassinated by the money changers.
31 9.4. Government revenues would go down, which would reduce the retirement benefits of all those who benefit from
32 the current system. This creates a criminal conflict of interest for federal and state judges in violation of 18 U.S.C.
33 §208.
34 10. The money changers in the private, for profit banking cartel called the Federal Reserve expand and perpetuate their
35 power by:
36 10.1. Fomenting war that necessitates the government to go into debt and rely on their services to pay for the
37 manufactured war.
38 10.2. Funding both sides of the war to get both sides to implement their counterfeiting scheme.
39 11. Only notes which bear the following inscription are lawful money and “legal tender” for ALL purposes.

40 *“THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE”*

41 Not all Federal reserve notes issued, and especially the early ones after 1913, have this inscription and therefore are the
42 equivalent of “private scrip” for internal use only within the Federal Reserve System itself and not by the public at large.

⁴¹ Veix v. Sixth Ward Building & Loan Ass’n of Newark, 310 U.S. 32, 60 S. Ct. 792, 84 L. Ed. 1061 (1940); Home Bldg. & Loan Ass’n v. Blaisdell, 290 U.S. 398, 54 S. Ct. 231, 78 L. Ed. 413, 88 A.L.R. 1481 (1934).

The Constitution was adopted in a period of grave emergency and its grants of power to the Federal Government and its limitations of the power of the states were determined in the light of emergency, and are not altered by emergency. First Trust Co. of Lincoln v. Smith, 134 Neb. 84, 277 N.W. 762 (1938).

⁴² Halperin v. Kissinger, 606 F.2d. 1192 (D.C. Cir. 1979), cert. granted, 446 U.S. 951, 100 S. Ct. 2915, 64 L. Ed. 2d 807 (1980) and aff’d in part, cert. dismissed in part, 452 U.S. 713, 101 S. Ct. 3132, 69 L. Ed. 2d 367 (1981), reh’g denied, 453 U.S. 928, 102 S. Ct. 892, 69 L. Ed. 2d 1024 (1981) and on remand to, 542 F. Supp. 829 (D.D.C. 1982) and on remand to, 578 F. Supp. 231 (D.D.C. 1984), aff’d in part, remanded in part, 807 F.2d. 180 (D.C. Cir. 1986), on remand to, 723 F. Supp. 1535 (D.D.C. 1989), related reference, 1991 WL 120167 (D.D.C. 1991), remanded, 1992 WL 394503 (D.C. Cir. 1992).

⁴³ Mitchell v. Harmony, 54 U.S. 115, 13 How. 115, 14 L. Ed. 75 (1851).

⁴⁴ Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579, 72 S. Ct. 863, 96 L. Ed. 1153, 47 Ohio Op. 430, 47 Ohio Op. 460, 62 Ohio L. Abs. 417, 62 Ohio L. Abs. 473, 26 A.L.R.2d 1378 (1952).

- 1 12. The phrase “PUBLIC AND PRIVATE” appearing on Federal Reserve Notes currently in circulation is FRAUDULENT
2 and nowhere found in present enacted law relating to the U.S.A.’s monetary system.
3 12.1. This phrase is not found in the current authority for creating lawful money, which is 12 U.S.C. §411 found later in
4 section 17.3 and Public Law 97-258, 96 Stat. 877, Section 5103.
5 12.2. This phrase first appeared only in H.J.R.-192, which was subsequently repealed in 1982 by Public Law 97-258, 96
6 Stat. 1068.
7 12.3. NO enactment of Congress after H.J.R.-192 on June 5, 1933 mentions the phrase “public and private”, even though
8 all currently issued Federal Reserve Notes have this phrase printed on them. THIS IS A MONUMENTAL FRAUD
9 committed against the American People!
10 12.4. The U.S. Supreme Court in the Legal Tender Cases, 110 U.S. 421 (1884) affirmed that Congress has no authority
11 to mandate that obligations of the United States constitute money for “private purposes” when it held:

12 *“The states are prohibited from emitting bills of credit, but congress, which is neither expressly authorized nor*
13 *expressly forbidden to do so, has, as we have already seen, been held to have the power of emitting bills of*
14 *credit, and of making every provision for their circulation as currency, short of giving them the quality of legal*
15 *tender for private debts, even by those who have denied its authority to give them this quality.”*
16 *[Legal Tender Cases, 110 U.S. 421, 447 (1884), SOURCE: Section 17.9 later]*

- 17 13. The reason Congress won’t enact any portion of the phrase “PUBLIC AND PRIVATE” in the phrase “THIS NOTE IS
18 LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE” into law is because they would have to admit that:
19 13.1. America’s monetary system is ONLY “public”, meaning that everyone who handles or uses the current “legal
20 tender” is an officer of the U.S. government and the Federal Reserve.
21 13.2. You can’t handle this kind of fiat currency without becoming a “public officer” and therefore a “taxpayer” engaged
22 in the “trade or business” franchise. See:
23

<i>The “Trade or Business” Scam</i> , Form #05.001 http://sedm.org/Forms/FormIndex.htm

24 13.3. There is no such thing as private property when it comes to fiat money.
25 13.4. Everyone who participates in this fictitious and virtual economic system in effect must become surety for the sins
26 of the few who benefit from the Federal Reserve counterfeiting franchise. This is because without becoming surety,
27 it would be impossible to stabilize the supply of money amidst the band of thieves and liars who pretend to be
28 public servants, and who run the U.S. government. These scoundrels know how to do nothing but borrow and
29 spend. A \$11+ trillion public debt is proof positive that the scoundrels serving in the U.S. Congress are not the
30 least bit concerned about balancing annual budgets.
31 13.5. The net result of all the above is that the only thing that regulates the value of our money is your own labor, which
32 has been pledged as surety for public debt. The “taxes” you pay in proportion to the labor you render institute the
33 equivalent of slavery in violation of 18 U.S.C. §1583, 42 U.S.C. §1994, and the Thirteenth Amendment. It is
34 slavery because there is no other alternative economic system that most businesses or private sector employers will
35 accept or use for their workers. Furthermore, the Treasury has systematically and criminally, and with malice,
36 prosecuted all those who offer alternatives, such as:
37 13.5.1. eGold. See:
38 <http://famguardian.org/Subjects/MoneyBanking/News/20070427-EgoldIndicted.pdf>
39 13.5.2. The Liberty Dollar. See:
40 <http://famguardian.org/Subjects/MoneyBanking/News/NorfedIllegal-070323.htm>
41 13.5.3. The National Commodity and Barter Association (NCBA).
42 In effect, they have removed all other alternatives and forced you into slavery and surety for your public servants,
43 and this has turned our system of government upside down and created a dulocracy, which is a system of government
44 where the servants rule at the point of a gun directed into their Master’s faces (YOU).

44 *“Dulocracy. A government where servants and slaves have so much license and privilege that they domineer.”*
45 *[Black’s Law Dictionary, Sixth Edition, p. 501]*

- 46 14. There are three types of notes historically issued by the Federal Reserve System and the type is determined by its literal
47 name within Congressional enactments:
48 14.1. “Federal reserve note” (Frm): These are the notes currently issued and in circulation. Mentioned in the current 12
49 U.S.C. §411 and in the original Federal Reserve Act, 38 Stat. 251, Chap. 6, Section 16. These notes are not “legal
50 tender” for private purposes and may ONLY be used internally within the Federal Reserve System and not for
51 private uses.

1 14.2. “Federal Reserve note” (FRN): Mentioned in H.J.R.-192, which has been repealed by Public Law 97-258, 96 Stat.
2 1068. These notes were made legal tender by H.J.R.-192, but this act has been repealed and therefore may not
3 lawfully be issued.

4 14.3. “Federal Reserve Note” (FRN): This name nowhere appears in any enactment of Congress. Notes currently issued
5 bear this inscription.

6 15. Many who claim to believe in “redemption” hang their hat on the fact that H.J.R.-192 outlawed lawful money. Most of
7 them that we have met, however, do not realize that this act has been repealed by Public Law 97-258, 96 Stat. 1068. The
8 repeal of H.J.R.-192 is shown later in section 17.5.

9 16. Current law continues to imply that Federal Reserve Notes are redeemable in lawful money at any Federal Reserve Bank.
10 See 12 U.S.C. §411.

11 16.1. The existence of this redeemability provision implies that Federal Reserve Notes are NOT lawful money.
12 Congressman Bob Beers of the Nevada Assembly admitted this in a letter dated January 14, 2008, which we have
13 included later in section 17.7:

14 *No statute defines – or ever has defined – the “one dollar” Federal Reserve Note “FRN” as the “dollar,” or even*
15 *as a species of “dollar.” Moreover, the United States Code provides that FRNs “shall be redeemed in lawful*
16 *money on demand at the Treasury Department of the United States. . . or at any Federal Reserve bank.” Thus,*
17 *FRNs are not themselves “lawful money” – otherwise, they would not be “redeemable in lawful money.” And if*
18 *FRNs are not even “lawful money,” it is inconceivable that they are somehow “dollars,” the very units in which*
19 *all “United States money is expressed.”*
20 *[Congressman Bob Beers of the Nevada Assembly, Letter Dated 1/14/2008; See Section 17.7]*

21 16.2. Federal Reserve Banks by law are required to redeem Federal Reserve Notes and convert them into silver. The
22 only thing stopping them essentially is:

23 16.2.1. Presidential Proclamation 4074 . 12 U.S.C. §95b authorized this Presidential Proclamation.

24 16.2.2. The Silver Certificate Act of 1967, 81 Stat. 77, which ended redemption of silver certificates.

25 16.3. Congress has NEVER enacted a law ending redeemability of Federal Reserve Notes in silver, and therefore
26 Executive fiat law and not actual laws enacted by Congress is the only thing impeding redeemability in silver. The
27 Silver Certificate Act ended redeemability of silver certificates, which were United States notes issued as silver
28 certificates, but that act did not address Federal Reserve Notes.

29 17. There is no Constitutional authority for the Federal Reserve Notes currently in circulation to be used as “legal tender”
30 and therefore lawful money for private purposes. The money issued by our government is not issued under the authority
31 to mint coin found in Article 1, Section 8, Clause 5, but rather under the authority to borrow found in Article 1, Section
32 8, Clause 2.

33 18. Our present fiat money system is debt based. The U.S. Mint prints Federal Reserve Notes for 3 cents and then the U.S.
34 Government borrows the freshly minted FRNs from the Federal Reserve AT INTEREST. Every dollar currently in
35 circulation was BORROWED from the private, for profit Federal Reserve System. The Federal Reserve is no more
36 “Federal” than Federal Express!

37 19. The fiat Federal Reserve Note system creates many inequities and injustices which justify its immediate elimination,
38 including:

39 19.1. It makes a franchise out of illegal counterfeiting.

40 19.2. It is rife with moral hazard.

41 19.3. It creates an unconstitutional Title of Nobility, whereby a private, for profit Federal Reserve System has a monopoly
42 on counterfeiting and is protected from the consequences of its illegal acts by the authority of law.

43 19.4. It creates money out of nothing. For instance, it allows banks who are members of the Federal Reserve
44 counterfeiting franchise to loan out ten times the amount of Federal Reserve Notes they have on deposit.

45 19.5. It allows the government to STEAL from the populace by simply printing more money. In that sense, government
46 control over the money supply functions as the equivalent of an additional “invisible tax”.

47 19.6. Every dollar in circulation amounts to a government debt. The more dollars in circulation, the greater the
48 government debt and the more taxes which must be collected to pay the debt. The bigger the money supply, the
49 more unstable and confiscatory the government must become to sustain its addiction to debt.

50 19.7. It rewards the government for counterfeiting by increasing tax revenues. Every time the government prints
51 (counterfeits) more currency using the Federal Reserve counterfeiting franchise, the value of money in circulation
52 goes down, prices and incomes increase, and the result is more tax revenues because of inflation caused by the
53 counterfeiting.

54 19.8. It punishes those who save and favors those who borrow. Those who save are penalized because the value of their
55 money is debased by new money counterfeited by the government.

- 1 20. The nature of the counterfeiting monopoly and franchise embodied by the Federal Reserve System has allowed the
 2 government and the Federal Reserve to acquire undue control over the lives and fortunes of Americans and financial
 3 institutions:
- 4 20.1. Banks who don't want to participate are coerced into participating by refusal to clear their checks or transactions
 5 within the Federal Reserve Automated Clearing House System (ACH).
- 6 20.2. Banks who participate become subject to federal law that they otherwise would not be subject to, including the
 7 Bank Secrecy Act, which causes them to become SPIES for the federal government in the process of completing
 8 Currency Transaction Reports (CTRs) that are, in most cases, not required and actually FRAUDULENT. See:

[Demand for Verified Evidence of "Trade or Business" Activity: Currency Transaction Report, Form #04.008](http://sedm.org/Forms/FormIndex.htm)
<http://sedm.org/Forms/FormIndex.htm>
- 9 20.3. Being under the thumb of Uncle Sam has effectively made banks into federal employment recruiters for the
 10 government. The account applications for these banks ask prospective depositors or borrowers if they are statutory
 11 "U.S. citizens" with a Social Security Number or Taxpayer Identification Number, which is a synonym for a
 12 government employee domiciled on federal territory and engaged in the "public office" and "trade or business"
 13 franchise. Many banks refuse to accept CORRECT, LAWFUL forms documenting the status of depositors as
 14 "nonresident aliens" not engaged in the "trade or business" franchise with no identifying numbers, even though it
 15 is in full compliance with the law, because they don't want to be in trouble with their "parens patriae", Uncle Sam.
 16 Such tactics are what we call "corporate fascism". See:
- 17 20.3.1. *Why You are a "national", "state national", and Constitutional but not Statutory Citizen*, Form #05.006
 18 <http://sedm.org/Forms/FormIndex.htm>
- 19 20.3.2. *About IRS Form W-8BEN*, Form #04.202
 20 <http://sedm.org/Forms/FormIndex.htm>
- 21 20.3.3. *About SSNs and TINs on Government Forms and Correspondence*, Form #05.012
 22 <http://sedm.org/Forms/FormIndex.htm>
- 23 21. Even our current gold based currency is unjust, because:
- 24 21.1. The face value or "legal tender" value of all the coins offered are not uniformly proportional to their weight.⁴⁵
- 25 21.2. They are not in compliance with the original United States of America Money Act, April 2, 1792, 1 Stat. 246. This
 26 act is still in full force and effect and remains unaltered. Notice that Public Law 97-258 did not repeal this act.
 27 You can verify this by examining section 17.5 later. See:
 28 http://famguardian.org/Subjects/MoneyBanking/Money/USAMoneyAct/money_law.htm
- 29 22. Our present corrupt fiat monetary system was created in the following order, and it must be DISESTABLISHED in the
 30 REVERSE order, or chaos and anarchy will prevail:
- 31 22.1. The Sixteenth Amendment was passed. February 1913.
- 32 22.2. The Income tax was created. Oct. 3, 1913. 38 Stat. 114-203.
- 33 22.3. The Federal Reserve was established. The Federal Reserve Act was enacted December 23, 1913. 38 Stat. 251.
 34 See section 17.1 later.
- 35 23. The existence of the IRS owes itself to the present corrupt fiat monetary system. The IRS cannot be eliminated until the
 36 fiat system is also eliminated:
- 37 23.1. The sole function of the IRS is to regulate the supply of money. The Federal Reserve counterfeits the money and
 38 the IRS retires excess from circulation.
- 39 23.2. Without a method to retire excess currency from circulation, the American people will end up with an unstable
 40 monetary system because the U.S. government will be left with no viable way to regulate the supply of money.
- 41 23.3. "Taxpayer" describes a person who has become surety for the government to regulate the supply of money. The
 42 politicians ensconced in the U.S. Government habitually and repeatedly violate their solemn oath of office to protect
 43 and defend the U.S.A. Constitution against all enemies, foreign and domestic while SPENDING, BORROWING,

⁴⁵ On this subject, Congressman Bob Beers of the Nevada Assembly had the following to say:

"The base-metallic coinage consists of "a dollar coin," weighing "8 .1 grams," "a half dollar coin," weighing "11 .34 grams"; "a quarter coin," weighing "5 .67 grams"; and "a dime coin," weighing "2 .268 grams." All of these coins are composed of copper and nickel. The weights of the dime, the quarter, and the half dollar are in the correct arithmetical proportions, the one to each of the others . **But the "dollar" is disproportionately light (or the other coins disproportionately heavy) . In this series of base metallic coins, then, the questions naturally arise : Is the "dollar" a cupro-nickel coin weighing "8.1 grams"? Or is it two cupro- nickel coins (or four or ten coins) collectively weighing 22.68 grams? Or is it both? Or is it neither, but something else altogether, to which the weights of these coins are irrelevant?**

Similarly, the gold coinage consists of "a fifty dollar gold coin" that "weighs 33 .931 grams, and contains one troy ounce of fine gold"; "a twenty-five dollar gold coin" that "contains one-half ounce of fine gold"; "a ten dollar gold coin" that "contains one fourth ounce of fine gold"; and "a five dollar gold coin" that "contains one tenth ounce of fine gold." The "fifty dollar," "twenty-five dollar," and "five dollar" coins are in the correct arithmetical proportions each to the others. **But the "ten dollar" coin is not. Therefore, is a "dollar" one-fiftieth or one-fortieth of an ounce of gold? It appears to be undecided .**

[Congressman Bob Beers of the Nevada Assembly, Letter Dated 1/14/2008; See Section 17.7]

1 and SPENDING SOME MORE. The “taxpayer” pays the ultimate price for these sins and becomes a human
2 sacrifice to the pagan god of money that U.S. politicians worship.

3 “A man devoid of understanding shakes hands in a pledge, and becomes surety for his friend [or his government
4 or rulers].”
5 [Proverbs 17:18, Bible, NKJV]

6 “He who is surety for a stranger will suffer, but one who hates being surety is secure.”
7 [Prov. 11:15, NKJV]

8 **15 Resources for further study and rebuttal**

9 A number of additional resources are available for those who wish to further investigate the contents of the pamphlet:

- 10 1. *Money, Banking, and Credit Page*, Family Guardian Fellowship-Family Guardian Website. See section 5 in particular
11 on Money.
12 <http://famguardian.org/Subjects/MoneyBanking/MoneyBanking.htm>
- 13 2. *U.S. Department of the Treasury Website*, Frequently Asked Questions.
14 <https://home.treasury.gov/policy-issues/financial-sanctions/faqs>
- 15 3. *A Primer on Money*, Form #11.501, U.S. Government Printing Office, 1964, 141 pages.
16 <http://famguardian.org/Subjects/MoneyBanking/Money/patman-primer-on-money.pdf>
- 17 4. *169 Questions and Answers About Money*, Form #11.502, U.S. Government Printing Office, 1964. Supplement to *A*
18 *Primer on Money*.
19 <http://famguardian.org/Publications/169Q&AOnMoney/money.htm>
- 20 5. *A Short History of Paper Money and Banking*, William Gouge, 1833, Form #11.504
21 <http://famguardian.org/Subjects/MoneyBanking/Money/a-short-history-of-paper-money.pdf>
- 22 6. *Pieces of Eight*, Second Revision, Edwin Vieira; ISBN-10-0967175917, 2002. The most comprehensive study of
23 constitutional money ever done. Mr. Viera has a PhD in law.
24 <https://www.amazon.com/Pieces-Eight-Disabilities-Constitution-Foundation/dp/0967175917/>
- 25 7. *Gold Commission Report*, SEDM Exhibit 06.008. Published March 1982. Commissioned prior to the passage of the
26 Gold Bullion Coin Act of 1985. Contains an extensive history of the gold standard in the USA. Also describes the
27 flaws in the Federal Reserve fiat currency system we suffer under presently.
28 <http://sedm.org/Exhibits/ExhibitIndex.htm>
- 29 8. *Modern Money Mechanics*, Form #11.509, Federal Reserve Bank of Chicago- how banks create money
30 <http://famguardian.org/Subjects/MoneyBanking/Money/ModernMoneyMechanics/mmm2.htm>
- 31 9. *The Coming Battle*, M.W. Walbert, 1899. The history of our banking system.
32 <http://famguardian.org/Publications/TheComingBattle/cbtabccon.htm>
- 33 10. *Money and the Federal Reserve System: Myth and Reality*, Congressional Research Service Report #96-672E, July 31,
34 1996.
35 <http://famguardian.org/Subjects/MoneyBanking/FederalReserve/FRS-myth.htm>
- 36 11. *American Currency Exhibit*, Federal Reserve Board San Francisco
37 <https://www.frbsf.org/education/teacher-resources/american-currency-exhibit/>
- 38 12. *Federal Reserve Act*, 38 Stat. 251-275, 690-691, Dec. 22, 1913. Also included with this document.
39 <http://famguardian.org/TaxFreedom/Authorities/FedLaw/FedReserveAct-38Stat251-275,690-691.pdf>
- 40 13. *Money Masters Video Documentary*, Form #11.511, Bill Stills. Video documentary on the corruption of our money
41 system.
42 <http://www.themoneymasters.com/>
- 43 14. *The Creature from Jekyll Island*, Form #11.508, G. Edward Griffin. Documentary about the history of the formation of
44 the Federal Reserve.
45 <http://realityzone.stores.yahoo.net/>
- 46 15. *Secrets of the Federal Reserve*, Form #11.510, Eustace Mullins, 1991.
47 <http://famguardian.org/PublishedAuthors/Indiv/MullinsEustice/SecretsOfFedReserve/TOC.htm>
- 48 16. *The Great Cookie Jar*, Form #11.505, Dr. Edward Popp, 1978. A scholarly study of money.
- 49 17. *Money, Bona Fide or Non-Bona Fide*, Form #11.506, Dr. Edward Popp, 1970. Book which exposes the scam of our
50 present money system.
- 51 18. *Invisible Contracts*, Form #11.107, Section 8: Federal Reserve Notes, George Mercier.
52 <http://famguardian.org/PublishedAuthors/Indiv/MercierGeorge/GeorgeMercier.htm>
- 53 19. *The Theory of Money and Credit*, Form #11.503, Ludwig Von Mises, 1912.

<http://www.econlib.org/library/Mises/msTContents.html>

20. *Spanish Dollar*, Wikipedia
http://en.wikipedia.org/wiki/Spanish_dollar
21. *Critique of the Book "They Own It All (Including You)" by Ronald Macdonald and Robert Rowen*, SEDM
<https://sedm.org/critique-of-the-book-they-own-it-all-including-you-by-ronald-macdonald/>
22. *Debunking Federal Reserve Conspiracy Theories*, Edward Flaherty.
<http://famguardian.org/Subjects/MoneyBanking/FederalReserve/FRconspire/FRconspire.htm>
23. *Money Brief, Attorney Larry Becraft*-Larry Becraft, Constitutional attorney
<http://famguardian.org/Subjects/MoneyBanking/Money/MONEYbrief.htm>
24. *Federal Reserve Website*
<http://www.federalreserve.gov/>
25. *Kitco Gold Website*. Lots of articles on gold and its history
<https://www.kitco.com/>
26. *Federal Reserve Notes are Not Legal Tender*, Clarity
<http://famguardian.org/Subjects/MoneyBanking/Money/federal-reserve-notes-not-legal-tender.pdf>

16 Questions that Readers, Grand Jurors, and Petit Jurors Should be Asking the Government

These questions are provided for readers, Grand Jurors, and Petit Jurors to present to the government or anyone else who would challenge the facts and law appearing in this pamphlet, most of whom work for the government or stand to gain financially from perpetuating the fraud. If you find yourself in receipt of this pamphlet, you are demanded to answer the questions within 10 days. Pursuant to [Federal Rule of Civil Procedure 8\(b\)\(6\)](#), failure to deny within 10 days constitutes an admission to each question. Pursuant to [26 U.S.C. §6065](#), all of your answers must be signed under penalty of perjury. We are not interested in agency policy, but only sources of reasonable belief identified in the pamphlet below:

Reasonable Belief About Income Tax Liability, Form #05.007
<http://sedm.org/Forms/FormIndex.htm>

Your answers will become evidence in future litigation, should that be necessary in order to protect the rights of the person against whom you are attempting to unlawfully enforce federal law.

1. Admit that lawful money, as used in the Constitution, includes ONLY gold and silver.

United States Constitution
Article 1, Section 10, Clause 1

***No State shall** enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin as Tender in Payment of Debts; **pass any** Bill of Attainder, ex post facto Law, **Law impairing the Obligation of Contracts**, or grant any Title of Nobility."*

YOUR ANSWER (circle one): Admit/Deny

2. Admit that the legal definition of "money" excludes "notes":

***Money:** In usual and ordinary acceptance it means coins and paper currency used as circulating medium of exchange, and **does not embrace notes**, bonds, evidences of debt, or other personal or real estate. *Lane v. Railey*, 280 Ky. 319, 133 S.W.2d. 74, 79, 81.
[*Black's Law Dictionary, Sixth Edition, p. 1005*]*

YOUR ANSWER (circle one): Admit/Deny

3. Admit that the word "note" and "obligation" are synonymous.

YOUR ANSWER (circle one): Admit/Deny

4. Admit that Federal Reserve Notes are obligations of the U.S. government and are the same "notes" described in the legal definition of money in Black's Law Dictionary Sixth Edition, p. 1005.

[TITLE 12](#) > [CHAPTER 3](#) > [SUBCHAPTER XII](#) > Sec. 411.
[Sec. 411. - Issuance to reserve banks; nature of obligation; redemption](#)

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 authorized. **The said notes shall be obligations of the United States** and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. **They shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank**

YOUR ANSWER (circle one): Admit/Deny

5. Admit that based on 12 U.S.C. §411 in the previous question, the term “Federal Reserve Notes” and the term “lawful money” are NOT synonymous, or else the statute would be redundant and unnecessary.

YOUR ANSWER (circle one): Admit/Deny

6. Admit that redeemability of Federal Reserve Notes in “lawful money” is what makes them money as legally defined in Black’s Law Dictionary.

YOUR ANSWER (circle one): Admit/Deny

7. Admit that redeemability of Federal Reserve Notes ended officially in 1971 with Presidential Proclamation 4074.

YOUR ANSWER (circle one): Admit/Deny

8. Admit that Presidential Proclamation 4074 was issued under the authority of 12 U.S.C. §95a and 12 U.S.C. §95b, which delegates lawmaking powers to the President ONLY in the case of national emergencies.

YOUR ANSWER (circle one): Admit/Deny

9. Admit that Presidential Proclamation 4074 is still in force, and therefore a state of national emergency is the ONLY justification for continuing to suspend redeemability of Federal Reserve Notes in gold or silver.

YOUR ANSWER (circle one): Admit/Deny

10. Admit that NO national emergency justifies suspending any provision of the United States Constitution or creating any new power within the national government.

“Emergency does not create power. Emergency does not increase granted power or remove or diminish the restrictions imposed upon power granted or reserved. The Constitution was adopted in a period of grave emergency. Its grants of power to the federal government and its limitations of the power of the States were determined in the light of emergency, and they are not altered by emergency. What power was thus granted and what limitations were thus imposed are questions [290 U.S. 398, 426] which have always been, and always will be, the subject of close examination under our constitutional system.

“While emergency does not create power, emergency may furnish the occasion for the exercise of power. ‘Although an emergency may not call into life a power which has never lived, nevertheless emergency may afford a reason for the exertion of a living power already enjoyed.’ Wilson v. New, [243 U.S. 332, 348](#), 37 S.Ct. 298, 302, L.R.A. 1917E, 938, Ann.Cas. 1918A, 1024. [Home Bldg. & Loan Ass’n v. Blaisdell, [290 U.S. 398](#) (1934)]

“No emergency justifies the violation of any of the provisions of the United States Constitution. An emergency, however, while it cannot create power, increase granted power, or remove or diminish the restrictions imposed

1 upon the power granted or reserved, may allow the exercise of power already in existence, but not exercised
2 except during an emergency.⁴⁶

3 The circumstances in which the executive branch may exercise extraordinary powers under the Constitution are
4 very narrow.⁴⁷ The danger must be immediate and impending, or the necessity urgent for the public service, such
5 as will not admit of delay, and where the action of the civil authority would be too late in providing the means
6 which the occasion calls for.⁴⁸ For example, there is no basis in the Constitution for the seizure of steel mills
7 during a wartime labor dispute, despite the President's claim that the war effort would be crippled if the mills
8 were shut down.⁴⁹
9 [16 Am.Jur.2d, Constitutional Law, §52]

10 YOUR ANSWER (circle one): Admit/Deny

11 11. Admit that the authority to mint money is derived from Constitution Article 1, Section 8, Clause 5.

12 U.S. Constitution

13 Article I, Section 8, Clause 5

14 The Congress shall have Power To . . .

15 To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures

16 YOUR ANSWER (circle one): Admit/Deny

17 12. Admit that no power granted to the government by the Constitution may be delegated either to a branch of government
18 not authorized to exercise it or to a private company or corporation without violating the Constitution and the separation
19 of powers doctrine.

20 The police power includes all measures for the protection of the life, the health, the property, and the welfare of
21 the inhabitants, and for the promotion of good order and the public morals. It covers the suppression of nuisances,
22 whether injurious to the public health, like unwholesome trades, or to the public morals, like gambling-houses
23 and lottery tickets. Slaughter-House Cases, 16 Wall. 36, 62, 87; Fertilizing Co. v. Hyde Park, 97 U.S. 659 ;
24 Phalen v. Virginia, 8 How. 163, 168; Stone v. Mississippi, 101 U.S. 814 . This power, being essential to the
25 maintenance of the authority of local government, and to the safety and welfare of the people, is inalienable. As
26 was said by Chief Justice WAITE, referring to earlier decisions to the same effect: 'No legislature can bargain
27 away the public health or the public morals. The people themselves cannot do it, much less their servants. The
28 supervision of both these subjects of governmental power is continuing in its nature, and they are to be dealt with
29 as the special exigencies of the moment may require. Government is organized with a view to their preservation,
30 and cannot divest itself of the power to provide for them. For this purpose the largest legislative discretion is
31 allowed, and the discretion cannot be parted with any more than the power itself.' Stone v. Mississippi, 101 U.S.
32 814 , 819. See, also, Butchers' Union, etc., Co. v. Crescent City, etc., Co., 111 U.S. 746, 753 , 4 S.Sup.Ct.Rep.
33 652; New Orleans Gas Co. v. Louisiana Light Co., 115 U.S. 650, 672 , 6 S.Sup.Ct.Rep. 252; New Orleans v.
34 Houston, 119 U.S. 265, 275 , 7 S.Sup.Ct.Rep. 198."
35 [Leisy v. Hardin, 135 U.S. 100 (1890)]
36

37 "Whatever differences of opinion,' said the court, [in the case of Beer Co. v. Massachusetts, 97 U.S. 28] 'may
38 exist as to the extent and boundaries of the police power, and however difficult it may be to render a satisfactory
39 definition of it, there seems to be no doubt that it does extend to the protection of the lives, health, and property
40 of the citizens, and to the preservation of good order and public morals. **The legislature cannot by any contract**

⁴⁶ Veix v. Sixth Ward Building & Loan Ass'n of Newark, 310 U.S. 32, 60 S. Ct. 792, 84 L. Ed. 1061 (1940); Home Bldg. & Loan Ass'n v. Blaisdell, 290 U.S. 398, 54 S. Ct. 231, 78 L. Ed. 413, 88 A.L.R. 1481 (1934).

The Constitution was adopted in a period of grave emergency and its grants of power to the Federal Government and its limitations of the power of the states were determined in the light of emergency, and are not altered by emergency. First Trust Co. of Lincoln v. Smith, 134 Neb. 84, 277 N.W. 762 (1938).

⁴⁷ Halperin v. Kissinger, 606 F.2d 1192 (D.C. Cir. 1979), cert. granted, 446 U.S. 951, 100 S. Ct. 2915, 64 L. Ed. 2d 807 (1980) and aff'd in part, cert. dismissed in part, 452 U.S. 713, 101 S. Ct. 3132, 69 L. Ed. 2d 367 (1981), reh'g denied, 453 U.S. 928, 102 S. Ct. 892, 69 L. Ed. 2d 1024 (1981) and on remand to, 542 F. Supp. 829 (D.D.C. 1982) and on remand to, 578 F. Supp. 231 (D.D.C. 1984), aff'd in part, remanded in part, 807 F.2d 180 (D.C. Cir. 1986), on remand to, 723 F. Supp. 1535 (D.D.C. 1989), related reference, 1991 WL 120167 (D.D.C. 1991), remanded, 1992 WL 394503 (D.C. Cir. 1992).

⁴⁸ Mitchell v. Harmony, 54 U.S. 115, 13 How. 115, 14 L. Ed. 75 (1851).

⁴⁹ Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579, 72 S. Ct. 863, 96 L. Ed. 1153, 47 Ohio Op. 430, 47 Ohio Op. 460, 62 Ohio L. Abs. 417, 62 Ohio L. Abs. 473, 26 A.L.R.2d 1378 (1952).

1 divest itself of the power to provide for these objects. They belong emphatically to that class of objects which
2 demand the application of the maxim, salus populi suprema lex, and they are to be attained and provided for
3 by such appropriate means as the legislative discretion may devise. That discretion can no more be bargained
4 away than the power itself.'

5 ...

6 "In the still more recent case of *Stone v. Mississippi*, [101 U.S. 814](#), the whole subject is reviewed in the opinion
7 delivered [[111 U.S. 746, 753](#)] by the chief justice. That also was a case of a chartered lottery, whose charter was
8 repealed by a constitution of the state subsequently adopted. It came here for relief, relying on the clause of the
9 federal constitution against impairing the obligation of contracts. The question is therefore presented, (says the
10 opinion,) whether, in view of these facts, the legislature of a state can, by the charter of a lottery company, defeat
11 the will of the people authoritatively expressed, in relation to the further continuance of such business in their
12 midst. We think it cannot. No legislature can bargain away the public health or the public morals. The people
13 themselves cannot do it, much less their servants. The supervision of both these subjects of governmental power
14 is continuing in its nature, and they are to be dealt with as the special exigencies of the moment may require.
15 Government is organized with a view to their preservation, and cannot divest itself of the power to provide for
16 them. For this purpose the legislative discretion is allowed, and the discretion cannot be parted with any more
17 than the power itself.' "

18 [*Butchers' Union Co. v. Crescent City Co.*, [111 U.S. 746](#) (1884)]

19 YOUR ANSWER (circle one): Admit/Deny

- 20 13. Admit that a just monetary system that is compliant with the Constitution directly impacts and affects the public health,
21 safety, and morals.

22 YOUR ANSWER (circle one): Admit/Deny

- 23 14. Admit that the Federal Reserve is a private corporation and is not more federal than Federal Express.

24 See:

- 25 1. [The Creature from Jekyll Island, Form #11.508, G. Edward Griffin](#)
26 <http://sedm.org/Forms/FormIndex.htm>
27 2. [Secrets of the Federal Reserve, Eustace Mullins, Form #11.510](#)
28 <http://sedm.org/Forms/FormIndex.htm>

29 YOUR ANSWER (circle one): Admit/Deny

- 30 15. Admit that the authority to borrow is derived from Constitution Article 1, Section 8, Clause 2.

31 *United States Constitution*

32 *Article 1, Section 8, Clause 2*

33 *The Congress shall have Power. . .*

34 *To borrow Money on the credit of the United States;*

35 YOUR ANSWER (circle one): Admit/Deny

- 36 16. Admit that Federal Reserve Notes are not signed by the LENDER and that the two signatures appearing on the note are
37 the BORROWER and not the LENDER.

38 YOUR ANSWER (circle one): Admit/Deny

- 39 17. Admit that you cannot lend money to yourself, and therefore the federal reserve HAD to be a private third party
40 corporation rather than part of the government.

41 *One may not do an act to himself.*

1 *Nemo potest sibi devere. No one can owe to himself. See Confusion of Rights.*

2
3 *Nemo agit in seipsum. No man acts against himself; Jenk. Cent. 40; therefore no man can be a judge in his own*

4 *cause.*

5 *[Bouvier's Law Dictionary, 1914;*

6 *SOURCE: <http://famguardian.org/Publications/BouvierMaximsOfLaw/BouviersMaxims.htm>]*

7

8 ***"You shall not charge interest to your brother [or yourself who is also a "brother"]--interest on money or food***

9 *or anything that is lent out at interest."*

10 *[Deut. 23:19, Bible, NKJV]*

11 *"To a foreigner you may charge interest, but to your brother you shall not charge interest, that the Lord your*

12 *God may bless you in all to which you set your hand in the land which you are entering to possess."*

13 *[Deut. 23:20, Bible, NKJV]*

14 YOUR ANSWER (circle one): Admit/Deny

15 18. Admit that so long as Federal Reserve Notes are not redeemable in gold and silver, the national government has:

16 18.1 Replaced its power to mint money with its power to borrow money and . . .

17 18.2 Granted to the Federal Reserve, a private corporation, the exclusive right to essentially mint money by creating it

18 out of nothing and . . .

19 18.3 Delegated a public function to a private corporation in violation of the Constitution and the Separation of Powers

20 doctrine.

21 YOUR ANSWER (circle one): Admit/Deny

22 19. Admit that the original United States of America Money Act of 1792, 1 Stat. 246-251 is still in full force and effect and

23 has NEVER been repealed.

24 YOUR ANSWER (circle one): Admit/Deny

25 20. Admit that section 11 of the original United States of America Money Act of 1792, 1 Stat. 246-251 requires that the

26 weight of precious metal in a lawful money coin must be proportional to its face value:

27 *United States of America Money Act, 1792*

28 *1 Stat. 246-251*

29 *Section 11. And be it further enacted, That the proportional value of gold and silver in all coins which shall by*

30 *law be current as money within the United States, shall be fifteen to one, according to quantity in weight, of pure*

31 *gold or pure silver; that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments,*

32 *with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective*

33 *metals.*

34 See also section 6.2.4 earlier.

35 YOUR ANSWER (circle one): Admit/Deny

36 21. Admit that unjust weights and measures are an abomination to God in the Bible.

37 *"Dishonest scales are an abomination to the LORD,*

38 *But a just weight is His delight."*

39 *[Prov. 11:1, Bible, NKJV]*

40 *"Diverse weights and diverse measures,*

41 ***They are both alike, an abomination to the LORD.**"*

42 *[Prov. 20:10, Bible, NKJV]*

"As religion towards God is a branch of universal righteousness (he is not an honest man that is not devout), so **righteousness towards men is a branch of true religion, for he is not a godly man that is not honest**, nor can he expect that his devotion should be accepted; for,

1. Nothing is more offensive to God than deceit in commerce. A false balance is here put for all manner of unjust and fraudulent practices [of our public dis-servants] in dealing with any person [within the public], which are all an abomination to the Lord, and render those abominable [hated] to him that allow themselves in the use of such accursed arts of thriving. It is an affront to justice, which God is the patron of, as well as a wrong to our neighbour, whom God is the protector of. Men [in the IRS and the Congress] make light of such frauds, and think there is no sin in that which there is money to be got by, and, while it passes undiscovered, they cannot blame themselves for it; a blot is no blot till it is hit, Hos. 12:7, 8. But they are not the less an abomination to God, who will be the avenger of those that are defrauded by their brethren.

2. Nothing is more pleasing to God than fair and honest dealing, nor more necessary to make us and our devotions acceptable to him: A just weight is his delight. He himself goes by a just weight, and holds the scale of judgment with an even hand, and therefore is pleased with those that are herein followers of him.

A [false] balance, [whether it be in the federal courtroom or at the IRS or in the marketplace,] cheats, under pretence of doing right most exactly, and therefore is the greater abomination to God."

[Matthew Henry's Commentary on the Whole Bible; Henry, M., 1996, c1991, under Prov. 11:1]

YOUR ANSWER (circle one): Admit/Deny

22. Admit that unjust weights and measures include issuing money that is not directly and uniformly proportional to the amount of precious metal contained in the coin.

YOUR ANSWER (circle one): Admit/Deny

23. Admit that:
23.1 A ¼ ounce American Eagle gold coin has a face value of ten dollars. . . and
23.2 A one ounce American Eagle has a face value of \$50...and
23.3 The amount of precious metal contained in these two coins is NOT proportional to the weight.

Table 3: Non-proportionality of American Eagle Gold Coins

#	American Eagle Gold Coin Size	Face value	Value of gold in face value dollars per ounce
1	1 ounce	\$50	\$50
2	½ ounce	\$25	\$50
3	¼ ounce	\$10	\$40

See also: U.S. Mint Website: <http://www.usmint.gov/>

YOUR ANSWER (circle one): Admit/Deny

24. Admit that American Eagle Coins issued by the U.S. Mint are an abomination to the Lord because they implement an unjust weight and measure not making the amount of precious metal in the coin proportional to the face value.

YOUR ANSWER (circle one): Admit/Deny

25. Admit that the following phrase found on currently issued Federal Reserve Notes does NOT appear in any statute in Title 12 of the U.S. Code or in any statute from the Statutes At Large currently in force:

"THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE"

YOUR ANSWER (circle one): Admit/Deny

26. Admit that the last statute that *did* expressly use the above language was found in H.J.R.-192, 48 Stat. 112-113, which was repealed when Title 31 was codified into positive law in 1982 with Public Law 97-258, 96 Stat. 1068 found in section 17.5.

1 YOUR ANSWER (circle one): Admit/Deny

- 2 27. Admit that the only authority statute currently in force that identifies the legal tender status of current Federal Reserve
3 Notes is 12 U.S.C. §411, which says on this subject:

4 12 U.S.C. §411

5 *The said notes shall be obligations of the United States and **shall be receivable by all national and member banks***
6 ***and Federal reserve banks and for all taxes, customs, and other public dues.***

- 7 28. Admit that the language of 12 U.S.C. §411 says NOTHING about “private debts” and that the ability to regulate
8 PRIVATE conduct is “repugnant to the Constitution” as held by the U.S. Supreme Court.

9 *“The power to “legislate generally upon [PRIVATE]” life, liberty, and property, as opposed to the “power to*
10 *provide modes of redress” against offensive state action, was “repugnant” to the Constitution. Id., at 15. See also*
11 *United States v. Reese, 92 U.S. 214, 218 (1876); United States v. Harris, 106 U.S. 629, 639 (1883); James v.*
12 *Bowman, 190 U.S. 127, 139 (1903). Although the specific holdings of these early cases might have been*
13 *superseded or modified, see, e.g., Heart of Atlanta Motel, Inc. v. United States, 379 U.S. 241 (1964); United*
14 *States v. Guest, 383 U.S. 745 (1966), their treatment of Congress’ §5 power as corrective or preventive, not*
15 *definitional, has not been questioned.”*
16 *[City of Boerne v. Flores, Archbishop of San Antonio, 521 U.S. 507 (1997)]*

17 YOUR ANSWER (circle one): Admit/Deny

- 18 29. Admit that Federal Reserve Notes are legislatively mandated for “public” conduct and NOT private conduct, and
19 therefore are only for use internal to the U.S. government by instrumentalities and officers of the government.

20 *“The states are prohibited from emitting bills of credit; **but congress, which is neither expressly authorized nor***
21 ***expressly forbidden to do so, has, as we have already seen, been held to have the power of emitting bills of***
22 ***credit, and of making every provision for their circulation as currency, short of giving them the quality of legal***
23 ***tender for private debts, even by those who have denied its authority to give them this quality.”***
24 *[Legal Tender Cases, 110 U.S. 421, 447 (1884), SOURCE: Section 17.9 later]*

25 YOUR ANSWER (circle one): Admit/Deny

- 26 30. Admit that there are THREE distinct and different types of Federal Reserve Notes found in U.S. law historically:
27 30.1“Federal reserve note” (Frn): These are the notes currently issued and in circulation. Mentioned in the current 12
28 U.S.C. §411 and in the original Federal Reserve Act, 38 Stat. 251, Chap. 6, Section 16. These notes are not “legal
29 tender” for private purposes and may ONLY be used internally within the Federal Reserve System and not for
30 private uses.
31 30.2“Federal Reserve note” (FRn): Mentioned in H.J.R.-192, which has been repealed by Public Law 97-258, 96 Stat.
32 1068. These notes were made legal tender by H.J.R.-192, but this act has been repealed and therefore may not
33 lawfully be issued.
34 30.3“Federal Reserve Note” (FRN): This name nowhere appears in any enactment of Congress. Notes currently issued
35 bear this inscription.

36 YOUR ANSWER (circle one): Admit/Deny

- 37 31. Admit that using different legal terms to describe a thing imply a DIFFERENT thing:

38 *“Talis non est eadem, nam nullum simile est idem.*
39 *What is like is not the same, for nothing similar is the same. 4 Co. 18.”*
40 *[Bouvier’s Law Dictionary, 1914;*
41 *SOURCE: <http://famguardian.org/Publications/BouvierMaximsOfLaw/BouviereMaxims.htm>]*

42 YOUR ANSWER (circle one): Admit/Deny

- 43 32. Admit that any bank that is a member of the Federal Reserve System is a “national bank” acting as an agent and fiduciary
44 for the U.S. government per 12 U.S.C. §90 and 31 C.F.R. §202.2:

3 All national banking associations, designated for that purpose by the Secretary of the Treasury, shall be
4 depositories of public money, under such regulations as may be prescribed by the Secretary; and they **may also**
5 **be employed as financial agents of the Government; and they shall perform all such reasonable duties, as**
6 **depositories of public money and financial agents of the Government, as may be required of them.**

7
8 TITLE 31--MONEY AND FINANCE: TREASURY
9 CHAPTER II--FISCAL SERVICE, DEPARTMENT OF THE TREASURY
10 PART 202_DEPOSITARIES AND FINANCIAL AGENTS OF THE FEDERAL GOVERNMENT \I|--
11 Sec. 202.2 Designations.

12 **(a) Financial institutions of the following classes are designated as Depositories and Financial Agents of**
13 **the Government if they meet the eligibility requirements stated in paragraph (b) of this section:**

14 (1) Financial institutions insured by the Federal Deposit Insurance Corporation.

15 (2) Credit unions insured by the National Credit Union Administration.

16 (3) Banks, savings banks, savings and loan, building and loan, and homestead associations, credit unions
17 created under the laws of any State, the deposits or accounts of which are insured by a State or agency thereof
18 or by a corporation chartered by a State for the sole purpose of insuring deposits or accounts of such financial
19 institutions, United States branches of foreign banking corporations authorized by the State in which they are
20 located to transact commercial banking business, and Federal branches of foreign banking corporations, the
21 establishment of which has been approved by the Comptroller of the Currency.

22 (b) In order to be eligible for designation, a financial institution is required to possess, under its charter and
23 the regulations issued by its chartering authority, either general or specific authority to perform the services
24 outlined in Sec. 202.3(b). A financial institution is required also to possess the authority to pledge collateral to
25 secure public funds.

26 [44 F.R. 53066, Sept. 11, 1979, as amended at 46 F.R. 28152, May 26, 1981; 62 F.R. 45521, Aug. 27, 1997]

27 YOUR ANSWER (circle one): Admit/Deny

- 28 33. Admit that those who contract with agents or officers of the U.S. government also become agents or officers of said
29 government.

30 “*Qui facit per alium facit per se. He who acts by or through another, acts for himself.* 1 Bl. Com. 429; Story, Ag.
31 §440; 2 Bouv. Inst. n. 1273, 1335, 1336; 7 Man. & Gr. 32, 33.

32 *Qui per alium facit per seipsum facere videtur. He who does anything through another, is considered as doing it*
33 *himself. Co. Litt. 258.”*

34 [Bouviers Law Dictionary, 1914;

35 SOURCE: <http://famguardian.org/Publications/BouvierMaximsOfLaw/BouvierMaxims.htm>]

36 YOUR ANSWER (circle one): Admit/Deny

- 37 34. Admit that opening a bank account at a Federal Reserve Member Bank is an act of contracting with an officer or agent
38 of the U.S. government.

39 YOUR ANSWER (circle one): Admit/Deny

- 40 35. Admit that the Federal Reserve System can and does discriminate against some private banks that refuse to participate
41 by refusing to clear its transactions through the Automated Clearinghouse System (ACH) and that this has the effect of
42 extorting private banks to join the system.

43 YOUR ANSWER (circle one): Admit/Deny

- 44 36. Admit that “national banks” that are part of the Federal Reserve system are PROHIBITED by law from lending their
45 own money, and that what they do lend essentially is non-existent money created out of thin air by the Federal Reserve
46 counterfeiting franchise and that when they loan to any third party, they must act as an agent of the government in order
47 to lawfully participate in and receive the “benefits” of said franchise.

3 (a) *General prohibition*

4 **No national bank shall make any loan or discount on the security of the shares of its own capital stock.**

5 (b) *Exclusion*

6 *For purposes of this section, a national bank shall not be deemed to be making a loan or discount on the security*
7 *of the shares of its own capital stock if it acquires the stock to prevent loss upon a debt previously contracted for*
8 *in good faith.*

9 YOUR ANSWER (circle one): Admit/Deny

10 **Affirmation:**

11 I declare under penalty of perjury as required under [26 U.S.C. §6065](#) that the answers provided by me to the foregoing
12 questions are true, correct, and complete to the best of my knowledge and ability, so help me God. I also declare that these
13 answers are completely consistent with each other and with my understanding of both the Constitution of the United States,
14 Internal Revenue Code, Treasury Regulations, the Internal Revenue Manual, and the rulings of the Supreme Court but not
15 necessarily lower federal courts.

16 Name (print): _____

17 Signature: _____

18 Date: _____

19 Witness name (print): _____

20 Witness Signature: _____

21 Witness Date: _____

22 **17 Exhibits**

23 **17.1 Federal Reserve Act, 1913, 38 Stat. 251, Chap. 6**

24 This law established the Federal Reserve for the first time. The Federal Reserve was only authorized to exist for 20 years
25 and Congress has never renewed this law, so effectively, it has expired but is still in existence.
26

or other uses, or any vested right acquired thereunder, and the Secretary of the Interior, in carrying out the provisions of this Act, shall proceed in conformity with the laws of said State.

Approved, December 19, 1913.

CHAP. 5.—An Act Amending an Act entitled “An Act to increase the limit of cost of certain public buildings, to authorize the enlargement, extension, remodeling, or improvement of certain public buildings, to authorize the erection and completion of public buildings, to authorize the purchase of sites for public buildings, and for other purposes,” approved March fourth, nineteen hundred and thirteen.

December 22, 1913.
[S. 2689.]

[Public, No. 42.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section twenty-six of the Act approved March fourth, nineteen hundred and thirteen, which authorizes the Secretary of the Treasury to enter into a contract or contracts for the erection of fireproof laboratories for the Bureau of Mines in the city of Pittsburgh, Pennsylvania, and so forth, is hereby amended so as to authorize the Secretary of the Treasury, in his discretion, to accept and expend, in addition to the limit of cost therein fixed, such funds as may be received by contribution from the State of Pennsylvania, or from other sources, for the purpose of enlarging, by purchase, condemnation, or otherwise, and improving the site authorized to be acquired for said Bureau of Mines, or for other work contemplated by said legislation: *Provided,* That the acceptance of such contributions and the improvements made therewith shall involve the United States in no expenditure in excess of the limit of cost heretofore fixed.

Public buildings.
Bureau of Mines laboratories, Pittsburgh, Pa.

Acceptance of additional funds.
Vol. 37, p. 886.

Proviso.
Limit of cost.

Approved, December 22, 1913.

CHAP. 6.—An Act To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

December 23, 1913.
[H. R. 7837.]

[Public, No. 43.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be the “Federal Reserve Act.”

Federal Reserve Act.

Wherever the word “bank” is used in this Act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to.

Terms construed.

The terms “national bank” and “national banking association” used in this Act shall be held to be synonymous and interchangeable. The term “member bank” shall be held to mean any national bank, State bank, or bank or trust company which has become a member of one of the reserve banks created by this Act. The term “board” shall be held to mean Federal Reserve Board; the term “district” shall be held to mean Federal reserve district; the term “reserve bank” shall be held to mean Federal reserve bank.

FEDERAL RESERVE DISTRICTS.

Federal reserve districts.

SEC. 2. As soon as practicable, the Secretary of the Treasury, the Secretary of Agriculture and the Comptroller of the Currency, acting as “The Reserve Bank Organization Committee,” shall designate not less than eight nor more than twelve cities to be known as Federal reserve cities, and shall divide the continental United States, excluding Alaska, into districts, each district to contain only one of such Federal reserve cities. The determination of said organization

Designation of Federal reserve cities.

Districts.

<p><i>Proviso.</i> Apportionment of territory.</p>	<p>Designation, etc.</p>	<p>Reserve Bank Organization Committee. Duties and authority.</p>	<p>Written acceptance of Act by banks.</p>	<p>Federal reserve banks. Subscriptions by national banks to, required.</p>	<p>Payment for stock.</p>	<p>Responsibility of shareholders.</p>	<p>Nonaccepting banks not to be reserve agents.</p>	<p>Dissolution of non-accepting national banks.</p>	<p>Dissolution for violations of this Act.</p>	<p>committee shall not be subject to review except by the Federal Reserve Board when organized: <i>Provided</i>, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all. Such districts shall be known as Federal reserve districts and may be designated by number. A majority of the organization committee shall constitute a quorum with authority to act.</p> <p>Said organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such Federal reserve banks shall be severally located. The said committee shall supervise the organization in each of the cities designated of a Federal reserve bank, which shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago."</p> <p>Under regulations to be prescribed by the organization committee, every national banking association in the United States is hereby required, and every eligible bank in the United States and every trust company within the District of Columbia, is hereby authorized to signify in writing, within sixty days after the passage of this Act, its acceptance of the terms and provisions hereof. When the organization committee shall have designated the cities in which Federal reserve banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the organization committee, to subscribe to the capital stock of such Federal reserve bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the organization committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates.</p> <p>The shareholders of every Federal reserve bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this Act.</p> <p>Any national bank failing to signify its acceptance of the terms of this Act within the sixty days aforesaid, shall cease to act as a reserve agent, upon thirty days' notice, to be given within the discretion of the said organization committee or of the Federal Reserve Board.</p> <p>Should any national banking association in the United States now organized fail within one year after the passage of this Act to become a member bank or fail to comply with any of the provisions of this Act applicable thereto, all of the rights, privileges, and franchises of such association granted to it under the national-bank Act, or under the provisions of this Act, shall be thereby forfeited. Any noncompliance with or violation of this Act shall, however, be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which such bank is located, under direction of the Federal Reserve Board, by the Comptroller of the Currency in his own name before</p>
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the association shall be declared dissolved. In cases of such noncompliance or violation, other than the failure to become a member bank under the provisions of this Act, every director who participated in or assented to the same shall be held liable in his personal or individual capacity for all damages which said bank, its shareholders, or any other person shall have sustained in consequence of such violation.

Liability of directors.

Such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have been previously incurred.

Further remedies.

Should the subscriptions by banks to the stock of said Federal reserve banks or any one or more of them be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee may, under conditions and regulations to be prescribed by it, offer to public subscription at par such an amount of stock in said Federal reserve banks, or any one or more of them, as said committee shall determine, subject to the same conditions as to payment and stock liability as provided for member banks.

Public subscriptions to stock of Federal reserve banks.

No individual, copartnership, or corporation other than a member bank of its district shall be permitted to subscribe for or to hold at any time more than \$25,000 par value of stock in any Federal reserve bank. Such stock shall be known as public stock and may be transferred on the books of the Federal reserve bank by the chairman of the board of directors of such bank.

Limit of public subscriptions.

Should the total subscriptions by banks and the public to the stock of said Federal reserve banks, or any one or more of them, be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee shall allot to the United States such an amount of said stock as said committee shall determine. Said United States stock shall be paid for at par out of any money in the Treasury not otherwise appropriated, and shall be held by the Secretary of the Treasury and disposed of for the benefit of the United States in such manner, at such times, and at such price, not less than par, as the Secretary of the Treasury shall determine.

Conditional allotment to United States.

Stock not held by member banks shall not be entitled to voting power.

Payment, etc.

No voting power.

The Federal Reserve Board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

Transfers of stock.

No Federal reserve bank shall commence business with a subscribed capital less than \$4,000,000. The organization of reserve districts and Federal reserve cities shall not be construed as changing the present status of reserve cities and central reserve cities, except in so far as this Act changes the amount of reserves that may be carried with approved reserve agents located therein. The organization committee shall have power to appoint such assistants and incur such expenses in carrying out the provisions of this Act as it shall deem necessary, and such expenses shall be payable by the Treasurer of the United States upon voucher approved by the Secretary of the Treasury, and the sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the payment of such expenses.

Capital required.

Appropriation for expenses of organization committee.

Branch offices.

BRANCH OFFICES.

SEC. 3. Each Federal reserve bank shall establish branch banks within the Federal reserve district in which it is located and may do so in the district of any Federal reserve bank which may have been suspended. Such branches shall be operated by a board of directors

Establishment of branch banks.

Management, etc.

under rules and regulations approved by the Federal Reserve Board. Directors of branch banks shall possess the same qualifications as directors of the Federal reserve banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager.

Federal reserve banks.

FEDERAL RESERVE BANKS.

Establishment of districts and reserve cities.

SEC. 4. When the organization committee shall have established Federal reserve districts as provided in section two of this Act, a certificate shall be filed with the Comptroller of the Currency showing the geographical limits of such districts and the Federal reserve city designated in each of such districts. The Comptroller of the Currency shall thereupon cause to be forwarded to each national bank located in each district, and to such other banks declared to be eligible by the organization committee which may apply therefor, an application blank in form to be approved by the organization committee, which blank shall contain a resolution to be adopted by the board of directors of each bank executing such application, authorizing a subscription to the capital stock of the Federal reserve bank organizing in that district in accordance with the provisions of this Act.

Notice for organization.

Organization proceedings.

When the minimum amount of capital stock prescribed by this Act for the organization of any Federal reserve bank shall have been subscribed and allotted, the organization committee shall designate any five banks of those whose applications have been received, to execute a certificate of organization, and thereupon the banks so designated shall, under their seals, make an organization certificate which shall specifically state the name of such Federal reserve bank, the territorial extent of the district over which the operations of such Federal reserve bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the name and place of doing business of each bank executing such certificate, and of all banks which have subscribed to the capital stock of such Federal reserve bank and the number of shares subscribed by each, and the fact that the certificate is made to enable those banks executing same, and all banks which have subscribed or may thereafter subscribe to the capital stock of such Federal reserve bank, to avail themselves of the advantages of this Act.

Deposit of certificate.

The said organization certificate shall be acknowledged before a judge of some court of record or notary public; and shall be, together with the acknowledgment thereof, authenticated by the seal of such court, or notary, transmitted to the Comptroller of the Currency, who shall file, record and carefully preserve the same in his office.

Corporate powers.

Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate and as such, and in the name designated in such organization certificate, shall have power—

General.

- First. To adopt and use a corporate seal.
- Second. To have succession for a period of twenty years from its organization unless it is sooner dissolved by an Act of Congress, or unless its franchise becomes forfeited by some violation of law.
- Third. To make contracts.
- Fourth. To sue and be sued, complain and defend, in any court of law or equity.
- Fifth. To appoint by its board of directors, such officers and employees as are not otherwise provided for in this Act, to define their

duties, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees.

Sixth. To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act.

Eighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal reserve bank.

But no Federal reserve bank shall transact any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence business under the provisions of this Act.

Every Federal reserve bank shall be conducted under the supervision and control of a board of directors.

The board of directors shall perform the duties usually appertaining to the office of directors of banking associations and all such duties as are prescribed by law.

Said board shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and shall, subject to the provisions of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.

Such board of directors shall be selected as hereinafter specified and shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stock-holding banks.

Class B shall consist of three members, who at the time of their election shall be actively engaged in their district in commerce, agriculture or some other industrial pursuit.

Class C shall consist of three members who shall be designated by the Federal Reserve Board. When the necessary subscriptions to the capital stock have been obtained for the organization of any Federal reserve bank, the Federal Reserve Board shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected. Pending the designation of such chairman, the organization committee shall exercise the powers and duties appertaining to the office of chairman in the organization of such Federal reserve bank.

No Senator or Representative in Congress shall be a member of the Federal Reserve Board or an officer or a director of a Federal reserve bank.

No director of class B shall be an officer, director, or employee of any bank.

No director of class C shall be an officer, director, employee, or stockholder of any bank.

Issue of circulating notes.

Restriction of business.

Board of directors.

General duties.

Administration.

Number and term of directors. Classification.

Class A. Post, p. 733.

Class B.

Class C. Chairman of board.

Service of Senators or Representatives forbidden.

Other disqualifications.

Directors of class A and class B.	Directors of class A and class B shall be chosen in the following manner:
Procedure for choosing.	The chairman of the board of directors of the Federal reserve bank of the district in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the district into three general groups or divisions. Each group shall contain as nearly as may be one-third of the aggregate number of the member banks of the district and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.
Electors for member banks.	At a regularly called meeting of the board of directors of each member bank in the district it shall elect by ballot a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The chairman shall make lists of the district reserve electors thus named by banks in each of the aforesaid three groups and shall transmit one list to each elector in each group.
Nomination of candidates.	Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within fifteen days after its completion, be furnished by the chairman to each elector.
Balloting for directors.	Every elector shall, within fifteen days after the receipt of the said list, certify to the chairman his first, second, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Federal reserve bank of the district. Each elector shall make a cross opposite the name of the first, second, and other choices for a director of class A and for a director of class B, but shall not vote more than one choice for any one candidate.
Declaration of result.	Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the first column, then there shall be added together the votes cast by the electors for such candidates in the second column and the votes cast for the several candidates in the first column. If any candidate then have a majority of the electors voting, by adding together the first and second choices, he shall be declared elected. If no candidate have a majority of electors voting when the first and second choices shall have been added, then the votes cast in the third column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared.
Class C directors. Appointment.	Class C directors shall be appointed by the Federal Reserve Board. They shall have been for at least two years residents of the district for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank and as "Federal reserve agent." He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank he shall be required to maintain under regulations to be established by the Federal Reserve Board a local office of said board on the premises of the Federal reserve bank. He shall make regular reports to the Federal Reserve Board, and shall act as its official representative for the performance of the functions conferred upon it by this Act. He shall receive an annual compensation to be fixed by the Federal Reserve Board and paid monthly by the Federal reserve bank to which he is designated. One of the directors of class C, who shall be a person of tested banking experience, shall be appointed by the Federal Reserve Board as
Chairman of board and Federal reserve agent. Duties, etc.	
Pay.	
Deputy.	

deputy chairman and deputy Federal reserve agent to exercise the powers of the chairman of the board and Federal reserve agent in case of absence or disability of his principal.

Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for directors, officers or employees shall be subject to the approval of the Federal Reserve Board.

The Reserve Bank Organization Committee may, in organizing Federal reserve banks, call such meetings of bank directors in the several districts as may be necessary to carry out the purposes of this Act, and may exercise the functions herein conferred upon the chairman of the board of directors of each Federal reserve bank pending the complete organization of such bank.

At the first meeting of the full board of directors of each Federal reserve bank, it shall be the duty of the directors of classes A, B and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the first of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

STOCK ISSUES; INCREASE AND DECREASE OF CAPITAL.

SEC. 5. The capital stock of each Federal reserve bank shall be divided into shares of \$100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Federal reserve banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to six per centum of the said increase, one-half of said subscription to be paid in the manner hereinbefore provided for original subscription, and one-half subject to call of the Federal Reserve Board. A bank applying for stock in a Federal reserve bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Federal reserve bank equal to six per centum of the paid-up capital stock and surplus of said applicant bank, paying therefor its par value plus one-half of one per centum a month from the period of the last dividend. When the capital stock of any Federal reserve bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Federal reserve bank and be released from its stock

Compensation of directors.

Preliminary meetings.

Designation of first terms of members.

Subsequent tenure.

Vacancies.

Capital stock.

Provision for increase or decrease.

Stock of member banks not transferable.

Additional subscription from member banks increasing their capital.

Subscriptions from new members.

Certificate of increases.

Surrender from members reducing capital, etc.

Cancellation and payment of surrendered shares.	subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Federal Reserve Board, a sum equal to its cash-paid subscriptions on the shares surrendered and one-half of one per centum a month from the period of the last dividend, not to exceed the book value thereof, less any liability of such member bank to the Federal reserve bank.
Insolvent members. Cancellation of stock, etc.	SEC. 6. If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Federal reserve bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with one-half of one per centum per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal reserve bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal reserve bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.
Certificate of reductions.	
Division of earnings.	DIVISION OF EARNINGS.
Annual dividends.	SEC. 7. After all necessary expenses of a Federal reserve bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of six per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank.
Franchise tax.	
Surplus fund.	
Disposition of earnings derived by United States.	The net earnings derived by the United States from Federal reserve banks shall, in the discretion of the Secretary, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts, dividend requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the United States and shall be similarly applied.
Banks dissolving, etc.	
Tax exemption.	Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.
National banks.	SEC. 8. Section fifty-one hundred and fifty-four, United States Revised Statutes, is hereby amended to read as follows:
Conversion of State, etc., banks into.	Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association, with any name approved by the Comptroller of the Currency:
R. S., sec. 5154, p. 996, amended.	<i>Provided, however,</i> That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that
Proviso. Not to contravene State law.	
Declaration by directors.	

the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this Act have been complied with, such bank or banking association, and all its stockholders, officers, and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by the Federal Reserve Act and by the national banking Act for associations originally organized as national banking associations.

Capital stock.

Certificate, etc.

STATE BANKS AS MEMBERS.

State banks, etc.

SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, may make application to the reserve bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal reserve bank organized or to be organized within the Federal reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal reserve bank of the district in which the applying bank is located. Whenever the organization committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal reserve bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for national banks which become stockholders in Federal reserve banks.

Application to become member banks.

Issue of stock.

The organization committee or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies for stock ownership in Federal reserve banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve and capital requirements and to submit to the examination and regulations prescribed by the organization committee or by the Federal Reserve Board. No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking Act.

Organization.

By-laws.

Capital required.

Any bank becoming a member of a Federal reserve bank under the provisions of this section shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national banks respecting the limitation of liability which may be incurred by any person, firm, or corporation to such banks, the prohibition against making purchase of or loans on stock of such banks, and the withdrawal or impairment of capital, or the payment of unearned dividends, and to such rules and regulations as the Federal Reserve Board may, in pursuance thereof, prescribe.

Additional restrictions.

Subject to specified regulations.

R. S., secs. 5198, 5201, 5208, 5209, pp. 1005-1007.

R. S., secs. 5211-5213, pp. 1007, 1008.

Member banks not complying with regulations, etc., to be suspended.

Cancellation of stock, etc.

Restoration.

Federal Reserve Board.

Created; membership.

Appointive members.

Duties, salaries, etc.

Additional pay to Comptroller of the Currency.

Connections with member banks forbidden.

Tenure of appointive members.

Governor and vice governor.

Such banks, and the officers, agents, and employees thereof, shall also be subject to the provisions of and to the penalties prescribed by sections fifty-one hundred and ninety-eight, fifty-two hundred, fifty-two hundred and one, and fifty-two hundred and eight, and fifty-two hundred and nine of the Revised Statutes. The member banks shall also be required to make reports of the conditions and of the payments of dividends to the comptroller, as provided in sections fifty-two hundred and eleven and fifty-two hundred and twelve of the Revised Statutes, and shall be subject to the penalties prescribed by section fifty-two hundred and thirteen for the failure to make such report.

If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board, it shall be within the power of the said board, after hearing, to require such bank to surrender its stock in the Federal reserve bank; upon such surrender the Federal reserve bank shall pay the cash-paid subscriptions to the said stock with interest at the rate of one-half of one per centum per month, computed from the last dividend, if earned, not to exceed the book value thereof, less any liability to said Federal reserve bank, except the subscription liability not previously called, which shall be canceled, and said Federal reserve bank shall, upon notice from the Federal Reserve Board, be required to suspend said bank from further privileges of membership, and shall within thirty days of such notice cancel and retire its stock and make payment therefor in the manner herein provided. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

FEDERAL RESERVE BOARD.

SEC. 10. A Federal Reserve Board is hereby created which shall consist of seven members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex officio, and five members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the five appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of the different commercial, industrial and geographical divisions of the country. The five members of the Federal Reserve Board appointed by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal Reserve Board and shall each receive an annual salary of \$12,000, payable monthly together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of the Federal Reserve Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 annually for his services as a member of said board.

The members of said board, the Secretary of the Treasury, the Assistant Secretaries of the Treasury, and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. Of the five members thus appointed by the President at least two shall be persons experienced in banking or finance. One shall be designated by the President to serve for two, one for four, one for six, one for eight, and one for ten years, and thereafter each member so appointed shall serve for a term of ten years unless sooner removed for cause by the President. Of the five persons thus appointed, one shall be designated by the President as governor and one as vice governor of the Federal Reserve Board. The governor of

the Federal Reserve Board, subject to its supervision, shall be the active executive officer. The Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board. Each member of the Federal Reserve Board shall within fifteen days after notice of appointment make and subscribe to the oath of office.

The Federal Reserve Board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

The first meeting of the Federal Reserve Board shall be held in Washington, District of Columbia, as soon as may be after the passage of this Act, at a date to be fixed by the Reserve Bank Organization Committee. The Secretary of the Treasury shall be ex officio chairman of the Federal Reserve Board. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal reserve bank nor hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the five members of the Federal Reserve Board appointed by the President, as above provided, a successor shall be appointed by the President, with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of the member whose place he is selected to fill.

The President shall have power to fill all vacancies that may happen on the Federal Reserve Board during the recess of the Senate, by granting commissions which shall expire thirty days after the next session of the Senate convenes.

Nothing in this Act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and wherever any power vested by this Act in the Federal Reserve Board or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary.

The Federal Reserve Board shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Section three hundred and twenty-four of the Revised Statutes of the United States shall be amended so as to read as follows: There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general supervision of the Federal Reserve Board, of all Federal reserve notes, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general directions of the Secretary of the Treasury.

SEC. 11. The Federal Reserve Board shall be authorized and empowered:

(a) To examine at its discretion the accounts, books and affairs of each Federal reserve bank and of each member bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the

Offices, etc.

Assessment for expenses.

Meetings, etc.

Disqualifications.

Vacancies.

Commissions during recess of the Senate.

Powers of Secretary of the Treasury unimpaired.

Annual report.

Office of Comptroller of the Currency.

Duties. R. S., sec. 324, p. 54, amended.

Authority and powers of Board.

Examination, etc., of reserve and member banks.

Published statements.

	assets and liabilities of the Federal reserve banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Federal reserve banks.
Rediscounted paper.	(b) To permit, or, on the affirmative vote of at least five members of the Reserve Board to require Federal reserve banks to rediscount the discounted paper of other Federal reserve banks at rates of interest to be fixed by the Federal Reserve Board.
Suspension of reserve requirements.	(c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, any reserve requirement specified in this Act: <i>Provided</i> , That it shall establish a graduated tax upon the amounts by which the reserve requirements of this Act may be permitted to fall below the level hereinafter specified: <i>And provided further</i> , That when the gold reserve held against Federal reserve notes falls below forty per centum, the Federal Reserve Board shall establish a graduated tax of not more than one per centum per annum upon such deficiency until the reserves fall to thirty-two and one-half per centum, and when said reserve falls below thirty-two and one-half per centum, a tax at the rate increasing of not less than one and one-half per centum per annum upon each two and one-half per centum or fraction thereof that such reserve falls below thirty-two and one-half per centum. The tax shall be paid by the reserve bank, but the reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Federal Reserve Board.
<i>Provisos.</i> Tax imposed.	
Graduated rates.	
Increase of interest rates.	
Control of Federal reserve notes.	(d) To supervise and regulate through the bureau under the charge of the Comptroller of the Currency the issue and retirement of Federal reserve notes, and to prescribe rules and regulations under which such notes may be delivered by the Comptroller to the Federal reserve agents applying therefor.
Reserve cities.	(e) To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section twenty of this Act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such.
<i>Post</i> , p. 271.	
Reserve bank officials.	(f) To suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Federal Reserve Board to the removed officer or director and to said bank.
Doubtful assets.	(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.
Suspension of reserve banks.	(h) To suspend, for the violation of any of the provisions of this Act, the operations of any Federal reserve bank, to take possession thereof, administer the same during the period of suspension, and, when deemed advisable, to liquidate or reorganize such bank.
General authority over reserve agents, etc.	(i) To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same.
Supervision of reserve banks. Fiduciary permits.	(j) To exercise general supervision over said Federal reserve banks. (k) To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe.
Employees.	(l) To employ such attorneys, experts, assistants, clerks, or other employees as may be deemed necessary to conduct the business of the board. All salaries and fees shall be fixed in advance by said board and shall be paid in the same manner as the salaries of the

members of said board. All such attorneys, experts, assistants, clerks, and other employees shall be appointed without regard to the provisions of the Act of January sixteenth, eighteen hundred and eighty-three (volume twenty-two, United States Statutes at Large, page four hundred and three), and amendments thereto, or any rule or regulation made in pursuance thereof: *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service.

Appointments without regard to civil service laws, etc. Vol. 22, p. 403.

Proviso. Authority of the President.

FEDERAL ADVISORY COUNCIL.

Federal Advisory Council.

Created.

SEC. 12. There is hereby created a Federal Advisory Council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive such compensation and allowances as may be fixed by his board of directors subject to the approval of the Federal Reserve Board. The meetings of said advisory council shall be held at Washington, District of Columbia, at least four times each year, and oftener if called by the Federal Reserve Board. The council may in addition to the meetings above provided for hold such other meetings in Washington, District of Columbia, or elsewhere, as it may deem necessary, may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies, shall serve for the unexpired term.

Selection of members, pay, etc.

Meetings, officers, etc.

The Federal Advisory Council shall have power, by itself or through its officers, (1) to confer directly with the Federal Reserve Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

Authority and duties.

POWERS OF FEDERAL RESERVE BANKS.

Federal reserve banks.

Deposits allowed.

SEC. 13. Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent member banks, payable upon presentation; or, solely for exchange purposes, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

Discounting commercial paper. com-

Description.

Upon the indorsement of any of its member banks, with a waiver of demand, notice and protest by such bank, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act. Nothing in this Act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued

Agricultural, etc., paper.

Stock trading paper excluded.

<p>Time limit.</p> <p><i>Proviso.</i> Additional for agricultural notes, etc.</p> <p>Rediscounting foreign trade acceptances. <i>Post</i>, p. 938.</p> <p>Restriction on rediscounts.</p> <p>Dealing in foreign trade paper by member banks allowed.</p> <p>National banks. Debts limited. R. S., sec. 5202, p. 1006, amended.</p> <p>Exceptions.</p> <p>Circulating notes.</p> <p>Deposits.</p> <p>Drafts, etc.</p> <p>Dividends, etc.</p> <p>Federal reserve provisions added.</p> <p>Regulation of rediscounts, etc.</p> <p>Open-market operations.</p> <p>Federal reserve banks may deal in commercial paper, etc.</p> <p>Additional powers.</p> <p>Gold transactions.</p>	<p>or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days: <i>Provided</i>, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months may be discounted in an amount to be limited to a percentage of the capital of the Federal reserve bank, to be ascertained and fixed by the Federal Reserve Board.</p> <p>Any Federal reserve bank may discount acceptances which are based on the importation or exportation of goods and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up capital stock and surplus of the bank for which the rediscounts are made.</p> <p>The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.</p> <p>Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months sight to run; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half its paid-up capital stock and surplus.</p> <p>Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:</p> <p>First. Notes of circulation.</p> <p>Second. Moneys deposited with or collected by the association.</p> <p>Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.</p> <p>Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.</p> <p>Fifth. Liabilities incurred under the provisions of the Federal Reserve Act.</p> <p>The rediscount by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.</p> <p style="text-align: center;">OPEN-MARKET OPERATIONS.</p> <p>SEC. 14. Any Federal reserve bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank.</p> <p>Every Federal reserve bank shall have power:</p> <p>(a) To deal in gold coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the</p>
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hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

(b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

(c) To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined;

(d) To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent of the Federal Reserve Board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell with or without its indorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties.

Bonds, notes, etc.

Commercial exchange.

Discount rates.

Foreign accounts and agencies.

GOVERNMENT DEPOSITS.

SEC. 15. The moneys held in the general fund of the Treasury, except the five per centum fund for the redemption of outstanding national-bank notes and the funds provided in this Act for the redemption of Federal reserve notes may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

No public funds of the Philippine Islands, or of the postal savings, or any Government funds, shall be deposited in the continental United States in any bank not belonging to the system established by this Act: *Provided, however,* That nothing in this Act shall be construed to deny the right of the Secretary of the Treasury to use member banks as depositories.

Government deposits.

Use of reserve bank as fiscal agents, etc.

Deposit of public funds restricted.

Proviso.
Use of member banks as depositories.

NOTE ISSUES.

SEC. 16. Federal reserve notes, to be issued at the discretion of the Federal Reserve Board 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. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed 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.

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

Federal reserve notes.

Issue authorized.

Receivability.

Redemption.

Applications for, by reserve banks.

Collateral required.

<p><i>Ante</i>, p. 263.</p> <p>Additional security.</p> <p>Reserves required for deposits and circulation.</p> <p>Designation of notes.</p> <p>Reserve banks to return notes to issuing banks.</p> <p>Penalty for using otherwise.</p> <p>Redemption at the Treasury.</p> <p>Reimbursement by reserve bank.</p> <p>Gold reserve to be kept.</p> <p>Destruction of unfit notes.</p> <p>Gold-redemption fund to be kept in Treasury.</p> <p>Reserve Board to control note issue.</p> <p>Interest to be paid.</p> <p>Lien created.</p> <p><i>Post</i>, p. 263.</p>	<p>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 and bills, accepted for rediscount under the provisions of section thirteen of this Act, and the Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. The said Federal Reserve Board may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.</p> <p>Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation, and not offset by gold or lawful money deposited with the Federal reserve agent. Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assigned by the Federal Reserve Board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve bank shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasury, otherwise than for redemption, may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal reserve notes unfit for circulation shall be returned by the Federal reserve agents to the Comptroller of the Currency for cancellation and destruction.</p> <p>The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required. The board shall have the right, acting through the Federal reserve agent, to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent that such application may be granted the Federal Reserve Board shall, through its local Federal reserve agent, supply Federal reserve notes to the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal Reserve Board, and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this Act upon security of</p>
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United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing, with the Federal reserve agent, its Federal reserve notes, gold, gold certificates, or lawful money of the United States. Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

Reduction of reserve liability.

The Federal reserve agent shall hold such gold, gold certificates, or lawful money available exclusively for exchange for the outstanding Federal reserve notes when offered by the reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Federal Reserve Board shall require the Federal reserve agent to transmit so much of said gold to the Treasury of the United States as may be required for the exclusive purpose of the redemption of such notes.

Reserve agent's duties.

Transfer of gold to the Treasury.

Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of its Federal reserve notes deposited with it and shall at the same time substitute therefor other like collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Federal Reserve Board.

Exchange of collateral.

In order to furnish suitable notes for circulation as Federal reserve notes, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of \$5, \$10, \$20, \$50, \$100, as may be required to supply the Federal reserve banks. Such notes shall be in form and tenor as directed by the Secretary of the Treasury under the provisions of this Act and shall bear the distinctive numbers of the several Federal reserve banks through which they are issued.

Provisions for printing, etc., notes.

When such notes have been prepared, they shall be deposited in the Treasury, or in the subtreasury or mint of the United States nearest the place of business of each Federal reserve bank and shall be held for the use of such bank subject to the order of the Comptroller of the Currency for their delivery, as provided by this Act.

Custody of notes before issue.

The plates and dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws relating to the procuring of such notes, and all other expenses incidental to their issue and retirement, shall be paid by the Federal reserve banks, and the Federal Reserve Board shall include in its estimate of expenses levied against the Federal reserve banks a sufficient amount to cover the expenses herein provided for.

Custody of plates and dies.

The examination of plates, dies, and pieces, and so forth, and regulations relating to such examination of plates, dies, and so forth, of national-bank notes provided for in section fifty-one hundred and seventy-four Revised Statutes, is hereby extended to include notes herein provided for.

Annual examination of plates, etc.
R. S., sec. 5174, p. 1000.

Any appropriation heretofore made out of the general funds of the Treasury for engraving plates and dies, the purchase of distinctive paper, or to cover any other expense in connection with the printing of national-bank notes or notes provided for by the Act of May thirtieth, nineteen hundred and eight, and any distinctive paper that may be on hand at the time of the passage of this Act may be used in the discretion of the Secretary for the purposes of this Act, and should the appropriations heretofore made be insufficient to meet the requirements of this Act in addition to circulating notes provided for by existing law, the Secretary is hereby authorized to

Payment for engraving, printing, paper, etc.
Vol. 35, p. 547.

Additional appropriation.

Proviso.
Reimbursement.

use so much of any funds in the Treasury not otherwise appropriated for the purpose of furnishing the notes aforesaid: *Provided, however,* That nothing in this section contained shall be construed as exempting national banks or Federal reserve banks from their liability to reimburse the United States for any expenses incurred in printing and issuing circulating notes.

Reserve banks.
Deposits, collections,
etc., authorized.

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

Charges for collections
by member banks.

Clearing house pro-
visions.

The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

National banks.
Deposit of registered
bonds by, repealed.
R. S., sec. 5159, p. 997,
amended.
Vol. 18, p. 124; Vol.
22, p. 164.

SEC. 17. So much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States, and section four of the Act of June twentieth, eighteen hundred and seventy-four, and section eight of the Act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes as require that before any national banking associations shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds is hereby repealed.

Refunding bonds.

REFUNDING BONDS.

Member banks may
sell bonds to retire
notes.

SEC. 18. After two years from the passage of this Act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

Purchase by reserve
banks.

The Treasurer shall, at the end of each quarterly period, furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made: *Provided,* That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under section four of this Act by the Federal reserve bank.

Provisos.
Annual limit.

Ante, p. 254.

Allotment.

Provided further, That the Federal Reserve Board shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

Assignment, etc.

Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in

writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall, thereupon, deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds.

Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this Act, any Federal reserve bank making such deposit in the manner provided by existing law, shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national-bank notes now provided by law. They shall be issued and redeemed under the same terms and conditions as national-bank notes except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them.

Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary of the Treasury may issue, in exchange for United States two per centum gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the United States without the circulation privilege, to an amount not to exceed one-half of the two per centum bonds so tendered for exchange, and thirty-year three per centum gold bonds without the circulation privilege for the remainder of the two per centum bonds so tendered: *Provided*, That at the time of such exchange the Federal reserve bank obtaining such one-year gold notes shall enter into an obligation with the Secretary of the Treasury binding itself to purchase from the United States for gold at the maturity of such one-year notes, an amount equal to those delivered in exchange for such bonds, if so requested by the Secretary, and at each maturity of one-year notes so purchased by such Federal reserve bank, to purchase from the United States such an amount of one-year notes as the Secretary may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the two per centum United States gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed thirty years.

For the purpose of making the exchange herein provided for, the Secretary of the Treasury is authorized to issue at par Treasury notes in coupon or registered form as he may prescribe in denominations of one hundred dollars, or any multiple thereof, bearing interest at the rate of three per centum per annum, payable quarterly, such Treasury notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and interest from the payment of all taxes and duties of the United States except as provided by this Act, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose, the Secretary is authorized and empowered to issue United States gold bonds at par, bearing three per centum interest payable thirty years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the United States three per centum bonds without the circulation privilege now issued and outstanding.

Cancellation of outstanding notes, etc.

Issue of Federal reserve notes.

Delivery of notes on deposit of bonds.

Ante, p. 254.

Form and character of notes.

Exchange of two per cent bonds, for gold notes and bonds.

Proviso.
Gold purchases, etc.

Authority for interest bearing Treasury notes.

Issue of three per cent bonds.

Exchanges of gold
notes for bonds.

Upon application of any Federal reserve bank, approved by the Federal Reserve Board, the Secretary may issue at par such three per centum bonds in exchange for the one-year gold notes herein provided for.

Bank reserves.

BANK RESERVES.

Demand and time
deposits construed.

SEC. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment.

Reserves required
for deposits.

When the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the establishment of a Federal reserve bank in any district, every subscribing member bank shall establish and maintain reserves as follows:

Banks not in reserve
or central reserve cities.

(a) A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date five-twelfths thereof and permanently thereafter four-twelfths.

In the Federal reserve bank of its district, for a period of twelve months after said date, two-twelfths, and for each succeeding six months an additional one-twelfth, until five-twelfths have been so deposited, which shall be the amount permanently required.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period said reserves, other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

In reserve cities.

(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults for a period of thirty-six months after said date six-fifteenths thereof, and permanently thereafter five-fifteenths.

In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

Post, p. 691.

For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.

After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

In central reserve
cities.

(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In its vaults six-eighteenths thereof.

In the Federal reserve bank seven-eighteenths.

The balance of said reserves shall be held in its own vaults or in the Federal reserve bank, at its option.

Any Federal reserve bank may receive from the member banks as reserves, not exceeding one-half of each installment, eligible paper as described in section fourteen properly indorsed and acceptable to the said reserve bank.

If a State bank or trust company is required by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company, such reserve deposits so kept in such State bank or trust company shall be construed, within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act except by permission of the Federal Reserve Board.

The reserve carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve required by law is fully restored.

In estimating the reserves required by this Act, the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which reserves shall be determined. Balances in reserve banks due to member banks shall, to the extent herein provided, be counted as reserves.

National banks located in Alaska or outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks, except in the Philippine Islands, may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall, in that event, take stock, maintain reserves, and be subject to all the other provisions of this Act.

SEC. 20. So much of sections two and three of the Act of June twentieth, eighteen hundred and seventy-four, entitled "An Act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," as provides that the fund deposited by any national banking association with the Treasurer of the United States for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the Act aforesaid, is hereby repealed. And from and after the passage of this Act such fund of five per centum shall in no case be counted by any national banking association as a part of its lawful reserve.

BANK EXAMINATIONS.

SEC. 21. Section fifty-two hundred and forty, United States Revised Statutes, is amended to read as follows:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be

Acceptance of eligible paper as part of reserve.
Post, p. 691.

Reserves by State banks or trust companies.
Post, p. 691.

Restriction on deposits, etc., by member banks.

Use of reserves.

Proviso.
Restriction.

Basis of reserves.
Post, p. 692.

Alaskan and insular banks.

Banks in Philippine Islands

National bank redemption funds not to be part of reserve.
Vol. 18, p. 123.

Bank examinations.

Examiners.
R. S., sec. 5240, p. 1013, amended.
Appointment, etc.

Proviso.
Acceptance of State examinations.

Authority, etc., of examiners.	accepted in the case of State banks and trust companies and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal reserve bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.
Salaries and expenses.	The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.
Special examinations.	In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve agent or the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal reserve bank of the condition of its member banks and of the lines of credit which are being extended by them. Every Federal reserve bank shall at all times furnish to the Federal Reserve Board such information as may be demanded concerning the condition of any member bank within the district of the said Federal reserve bank.
Limit of other examinations.	No bank shall be subject to any visitatorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized.
Examinations of reserve banks.	The Federal Reserve Board shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of ten member banks the Federal Reserve Board shall order a special examination and report of the condition of any Federal reserve bank.
Loans, etc., to examiners forbidden.	SEC. 22. No member bank or any officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given. Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employee thereof shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than \$5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given; and shall forever thereafter be disqualified from holding office as a national-bank examiner. No national-bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof.
Punishment for violating by bank officials.	
Punishment for acceptance by examiner.	
Restriction on service by examiners.	
Receiving fees, etc., by bank officials restricted.	Other than the usual salary or director's fee paid to any officer, director, or employee of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employee for services rendered to such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank. No examiner, public or private, shall disclose the names of borrowers or the collateral for
Unauthorized disclosures by examiners forbidden.	

loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this section shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both.

Except as provided in existing laws, this provision shall not take effect until sixty days after the passage of this Act.

SEC. 23. The stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any national banking association who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of the failure of such association to meet its obligations, or with knowledge of such impending failure, shall be liable to the same extent as if they had made no such transfer, to the extent that the subsequent transferee fails to meet such liability; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure.

Punishment for violations.

In effect in 60 days.

Individual liability of national bank stockholders.
R. S., sec. 5151, p. 995, amended.

Transferred stock.

LOANS ON FARM LANDS.

SEC. 24. Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.

The Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section.

Loans on farm lands.

National banks not in central reserve cities may make.

Limit.

Permissible amounts.

Extension of restrictions.

FOREIGN BRANCHES.

SEC. 25. Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board, upon such conditions and under such regulations as may be prescribed by the said board, for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States for the furtherance of the foreign commerce of the United States, and to act, if required to do so, as fiscal agents of the United States. Such application shall specify, in addition to the name and capital of the banking association filing it, the place or places where the banking operations proposed are to be carried on, and the amount of capital set aside for the conduct of its foreign business. The Federal Reserve Board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate, or if for other reasons the granting of such application is deemed inexpedient.

Foreign branches.

National banks may establish.

Applications.

Approval of Reserve Board.

Information to be furnished, etc.

Independent accounts to be kept.

Inconsistent laws repealed.

Proviso.
Parity of United States money maintained.
Vol. 31, p. 45.

Securing gold by United States.

Retiring bonds and notes.

National currency associations.
Provisions for, extended to June 30, 1915.
Vol. 35, p. 546.
Post, p. 682.

R. S., secs. 5153, 5172, 5191, 5214, pp. 996, 1000, 1004, 1006, amended.
Former provisions reenacted.

Proviso.
Tax on circulation.
Vol. 35, p. 550, amended.

Tax on notes secured other than by United States bonds, reduced.
R. S., sec. 5214, p. 1008, amended.

Reduction of capital of national banks.
R. S., sec. 5143, p. 994, amended.

Approval by Federal Reserve Board, etc., added.

Every national banking association which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item.

SEC. 26. All provisions of law inconsistent with or superseded by any of the provisions of this Act are to that extent and to that extent only hereby repealed: *Provided*, Nothing in this Act contained shall be construed to repeal the parity provision or provisions contained in an Act approved March fourteenth, nineteen hundred, entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes," and the Secretary of the Treasury may for the purpose of maintaining such parity and to strengthen the gold reserve, borrow gold on the security of United States bonds authorized by section two of the Act last referred to or for one-year gold notes bearing interest at a rate of not to exceed three per centum per annum, or sell the same if necessary to obtain gold. When the funds of the Treasury on hand justify, he may purchase and retire such outstanding bonds and notes.

SEC. 27. The provisions of the Act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such Act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the Act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this Act: *Provided, however*, That section nine of the Act first referred to in this section is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows:

National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes.

SEC. 28. Section fifty-one hundred and forty-three of the Revised Statutes is hereby amended and reenacted to read as follows: Any association formed under this title may, by the vote of shareholders owning two-thirds of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of associations; but no such reduction shall be allowable which will reduce the capital of the association below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the

said Comptroller of the Currency and by the Federal Reserve Board, or by the organization committee pending the organization of the Federal Reserve Board.

SEC. 29. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Invalidity of any clause, etc., not to affect remainder of Act.

SEC. 30. The right to amend, alter, or repeal this Act is hereby expressly reserved.

Amendment, etc.

Approved, December 23, 1913.

CHAP. 7.—An Act To provide for expenses of representatives of the United States at the International Maritime Conference for Safety of Life at Sea.

December 23, 1913.
[H. R. 11003.]

[Public, No. 44.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the expenses of the representatives of the United States at the International Maritime Conference for Safety of Life at Sea, now in session at London, there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$5,000 in addition to the appropriation of \$10,000 made in the joint resolution approved June twenty-eighth, nineteen hundred and twelve, entitled "Joint resolution proposing an international maritime conference."

International Maritime Conference.
Additional appropriation for expenses of delegates.

Vol. 37, p. 638.

Approved, December 23, 1913.

CHAP. 8.—An Act To authorize the construction, maintenance, and operation of a bridge across the Bayou Bartholomew, at or near Wilmot, Arkansas.

January 15, 1914.
[H. R. 8142.]

[Public, No. 45.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the county of Ashley, a corporation organized and existing under the laws of the State of Arkansas, its successors and assigns, be, and they are hereby, authorized to construct, maintain, and operate a bridge and approaches thereto across the Bayou Bartholomew, at or near Wilmot, Arkansas, at a point suitable to the interests of navigation, in accordance with the provisions of the Act entitled "An Act to regulate the construction of bridges over navigable waters," approved March twenty-third, nineteen hundred and six.

Bayou Bartholomew.
Ashley County, Ark., may bridge, at Wilmot.

Vol. 34, p. 84.

SEC. 2. That the right to alter, amend, or repeal this Act is hereby expressly reserved.

Amendment.

Approved, January 15, 1914.

CHAP. 9.—An Act To amend an Act entitled "An Act to prohibit the importation and use of opium for other than medicinal purposes," approved February ninth, nineteen hundred and nine.

January 17, 1914.
[H. R. 1966.]

[Public, No. 46.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That an Act entitled "An Act to prohibit the importation and use of opium for other than medicinal purposes," approved February ninth, nineteen hundred and nine, is hereby amended so as to read as follows:

Opium.
Vol. 35, p. 614,
amended.
Post, p. 1912.

"That after the first day of April, nineteen hundred and nine, it shall be unlawful to import into the United States opium in any form or any preparation or derivative thereof: *Provided,* That opium and

Importation prohibited.

Proviso.

Lands excluded if owner refuse. such terms and at not to exceed such price as the Secretary of the Interior may designate; and if any landowner shall refuse to agree to the requirements fixed by the Secretary of the Interior, his land shall not be included within the project if adopted for construction.

DISPOSITION OF EXCESS FARM UNITS.

Entries limited to one farm unit. SEC. 13. That all entries under reclamation projects containing more than one farm unit shall be reduced in area and conformed to a single farm unit within two years after making proof of residence, improvement, and cultivation, or within two years after the issuance of a farm-unit plat for the project, if the same issues subsequent to the making of such proof: *Provided*, That such proof is made within four years from the date as announced by the Secretary of the Interior that water is available for delivery for the land. Any entryman failing within the period herein provided to dispose of the excess of his entry above one farm unit, in the manner provided by law, and to conform his entry to a single farm unit shall render his entry subject to cancellation as to the excess above one farm unit: *Provided*, That upon compliance with the provisions of law such entryman shall be entitled to receive a patent for that part of his entry which conforms to one farm unit as established for the project: *Provided further*, That no person shall hold by assignment more than one farm unit prior to final payment of all charges for all the land held by him subject to the reclamation law, except operation and maintenance charges not then due.

Provisos. Time for making proof. Cancellation of excess. Issue of patents. Assignments restricted.

ACCEPTANCE OF THIS ACT.

Notification of acceptance of Act by present owners. SEC. 14. That any person whose land or entry has heretofore become subject to the reclamation law, who desires to secure the benefits of the extension of the period of payments provided by this Act, shall, within six months after the issuance of the first public notice hereunder affecting his land or entry, notify the Secretary of the Interior, in the manner to be prescribed by said Secretary, of his acceptance of all of the terms and conditions of this Act, and thereafter his lands or entry shall be subject to all of the provisions of this Act.

General authority. SEC. 15. That the Secretary of the Interior is hereby authorized to perform any and all acts and to make such rules and regulations as may be necessary and proper for the purpose of carrying the provisions of this Act into full force and effect.

Expenses after July 1, 1915, limited to specific appropriations, etc. *Post*, p. 859. SEC. 16. That from and after July first, nineteen hundred and fifteen, expenditures shall not be made for carrying out the purposes of the reclamation law except out of appropriations made annually by Congress therefor, and the Secretary of the Interior shall, for the fiscal year nineteen hundred and sixteen, and annually thereafter, in the regular Book of Estimates, submit to Congress estimates of the amount of money necessary to be expended for carrying out any or all of the purposes authorized by the reclamation law, including the extension and completion of existing projects and units thereof and the construction of new projects. The annual appropriations made hereunder by Congress for such purposes shall be paid out of the reclamation fund provided for by the reclamation law.

To be paid from reclamation fund.

Approved, August 13, 1914.

CHAP. 252.—An Act Proposing an amendment to section nineteen of the Federal reserve Act relating to reserves, and for other purposes.

August 15, 1914.
[S. 4966.]

[Public, No. 171.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section nineteen, subsections (b) and (c) of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal reserve Act, be amended and reenacted so as to read as follows:

Federal Reserve Act.
Ante, p. 270,
amended.
Reserves required
for deposits.

“(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In reserve cities.

“In its vaults for a period of thirty-six months after said date, six-fifteenths thereof, and permanently thereafter five-fifteenths.

“In the Federal reserve bank of its district for a period of twelve months after the date aforesaid, at least three-fifteenths, and for each succeeding six months an additional one-fifteenth, until six-fifteenths have been so deposited, which shall be the amount permanently required.

“For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in central reserve cities, as now defined by law.

Limited to central
reserve cities.

“After said thirty-six months' period all of said reserves, except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in its vaults or in the Federal reserve bank or in both, at the option of the member bank.

“(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

In central reserve
cities.

“In its vaults, six-eighteenths thereof.

“In the Federal reserve bank, seven-eighteenths.

“The balance of said reserves shall be held in its own vaults or in the Federal reserve bank, at its option.

“Any Federal reserve bank may receive from the member banks as reserves not exceeding one-half of each installment, eligible paper as described in section thirteen properly indorsed and acceptable to the said reserve bank.

Acceptance of elig-
ible paper as part of
reserve.

Reference corrected.

“If a State bank or trust company is required or permitted by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company or with a national bank, such reserve deposits so kept in such State bank, trust company, or national bank shall be construed within the meaning of this section as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act except by permission of the Federal Reserve Board.

Reserves by State
banks or trust com-
panies.

Deposits in national
banks added.

Restriction on de-
posits, etc., by mem-
ber banks.

“The reserve carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting

Use of reserves.

1 **17.2 Public Law 97-258, 96 Stat. 877**

2 This exhibit demonstrates the codification of Title 31 of the U.S. Code for the first time, which occurred Sept. 13, 1982.

3

Public Law 97-258
97th Congress

An Act

To revise, codify, and enact without substantive change certain general and permanent laws, related to money and finance, as title 31, United States Code, "Money and Finance".

Sept. 13, 1982
[H.R. 6128]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Money and Finance.
Enactment as title 31, United States Code.
31 USC prec. 101 note.

TITLE 31, UNITED STATES CODE

SECTION 1. Certain general and permanent laws of the United States, related to money and finance, are revised, codified, and enacted as title 31, United States Code, "Money and Finance", as follows:

TITLE 31—MONEY AND FINANCE

SUBTITLE	Sec.
I. GENERAL.....	101
II. THE BUDGET PROCESS.....	1101
III. FINANCIAL MANAGEMENT.....	3101
IV. MONEY.....	5101
V. GENERAL ASSISTANCE ADMINISTRATION.....	6101
VI. MISCELLANEOUS.....	9101

SUBTITLE I—GENERAL

CHAPTER	Sec.
1. DEFINITIONS.....	101
3. DEPARTMENT OF THE TREASURY.....	301
5. OFFICE OF MANAGEMENT AND BUDGET.....	501
7. GENERAL ACCOUNTING OFFICE.....	701

CHAPTER 1—DEFINITIONS

- Sec.
101. Agency.
102. Executive agency.
103. United States.

§ 101. Agency

In this title, "agency" means a department, agency, or instrumentality of the United States Government.

§ 102. Executive agency

In this title, "executive agency" means a department, agency, or instrumentality in the executive branch of the United States Government.

§ 103. United States

In this title, "United States", when used in a geographic sense, means the States of the United States and the District of Columbia.

1 **17.3 12 U.S.C. §411**

2 This statute describes the nature of Federal Reserve Notes. It describes these notes as “obligations of the United States”,
3 which means they are a debt instrument and a promissory note, not “money” as legally defined.
4



Effective:[See Text Amendments]

United States Code Annotated Currentness

Title 12. Banks and Banking

Chapter 3. Federal Reserve System (Refs & Annos)

Subchapter XII. Federal Reserve Notes

→ **§ 411. Issuance to reserve banks; nature of obligation; redemption**

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 authorized. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal Reserve bank.

CREDIT(S)

(Dec. 23, 1913, c. 6, § 16, 38 Stat. 265; Jan. 30, 1934, c. 6, § 2(b)(1), 48 Stat. 337; Aug. 23, 1935, c. 614, § 203(a), 49 Stat. 704.)

HISTORICAL AND STATUTORY NOTES

References in Text

The phrase “hereinafter set forth” is from § 16 of the Federal Reserve Act, Act December 23, 1913. Reference probably means as set forth in §§ 17 et seq. of the Federal Reserve Act. For classification of these sections to the Code, see Tables.

Codifications

Section is comprised of first par. of section 16 of Act Dec. 23, 1913. Pars. 2 to 4, 5, and 6, 7, 8 to 11, 13, and 14 of section 16, and pars. 15 to 18 of section 16, as added June 21, 1917, c. 32, § 8, 40 Stat. 238, are classified to sections 412 to 414, 415, 416, 418 to 421, 360, 248-1, and 467, respectively, of this title.

Par. 12 of section 16, formerly classified to section 422 of this title, was repealed by Act June 26, 1934, c. 756, § 1, 48 Stat. 1225.

Amendments

1934 Amendments. Act Jan. 30, 1934 omitted provision permitting redemption in gold, from last sentence.

Change of Name

Section 203(a) of Act Aug. 23, 1935 changed the name of the Federal Reserve Board to Board of Governors of the Federal Reserve System.

CROSS REFERENCES

Control and direction of plates and dies by Comptroller, see 12 USCA § 420.
Examination of plates and dies, see 12 USCA § 421.

LIBRARY REFERENCES

American Digest System

Banks and Banking  351, 355, 359.

Key Number System Topic No. 52.

Corpus Juris Secundum

CJS Banks and Banking § 655, Federal Reserve Notes.

RESEARCH REFERENCES


ALR Library

30 ALR 1462, Power of State to Tax Debts Due from United States Under Contracts Other Than Loans.


NOTES OF DECISIONS

Constitutionality 1
Legal tender 3
Purpose 2
State income tax 4

1. Constitutionality



This section which delegates to the Federal Reserve System the power to issue circulating notes for money borrowed and the power to define the quality and force of those notes as currency is valid. *Milam v. U. S.*, C.A.9 (Cal.) 1974, 524 F.2d 629. United States  90


2. Purpose

Purpose behind 12 U.S.C.A. § 411, which governs issuance of Federal Reserve notes, is to make clear that the notes are authorized currency of the United States. *Provenza v. Comptroller of Treasury*, Md.App.1985, 497 A.2d 831, 64 Md.App. 563. United States  90


3. Legal tender

Federal constitutional provision prohibits states from declaring legal tender anything other than gold or silver,

but does not limit Congress' power to declare what shall be legal tender for all debts, and because Congress has done so, there can be no valid challenge to legality of Federal Reserve notes. *Walton v. Keim*, Colo.App.1984, 694 P.2d 1287. United States  34; United States  90

Federal Reserve Bank notes, and other notes constituting part of common currency of country, are recognized as good tender for money, unless specially objected to. *MacLeod v. Hoover*, La.1925, 105 So. 305, 159 La. 244. Payment  12(3)

4. State income tax

Federal Reserve notes were not “obligations of the United States” which were exempted from state income tax pursuant to Code 1957, Art. 81, § 1 et seq. *Provenza v. Comptroller of Treasury*, Md.App.1985, 497 A.2d 831, 64 Md.App. 563. Taxation  3410

12 U.S.C.A. § 411, 12 USCA § 411

Current through P.L. 110-198 approved 3-24-08

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→ § 411. Issuance to reserve banks; nature of obligation; redemption

CREDIT(S)

(Dec. 23, 1913, c. 6, § 16, 38 Stat. 265; Jan. 30, 1934, c. 6, § 2(b)(1), 48 Stat. 337; Aug. 23, 1935, c. 614, § 203(a), 49 Stat. 704.)

HISTORICAL AND STATUTORY NOTES

References in Text

The phrase "hereinafter set forth" is from § 16 of the Federal Reserve Act, Act December 23, 1913. Reference probably means as set forth in §§ 17 et seq. of the Federal Reserve Act. For classification of these sections to the Code, see Tables.

Codifications

Section is comprised of first par. of section 16 of Act Dec. 23, 1913. Pars. 2 to 4, 5, and 6, 7, 8 to 11, 13, and 14 of section 16, and pars. 15 to 18 of section 16, as added June 21, 1917, c. 32, § 8, 40 Stat. 238, are classified to sections 412 to 414, 415, 416, 418 to 421, 360, 248-1, and 467, respectively, of this title.

Par. 12 of section 16, formerly classified to section 422 of this title, was repealed by Act June 26, 1934, c. 756, § 1, 48 Stat. 1225.

Amendments

1934 Amendments. Act Jan. 30, 1934 omitted provision permitting redemption in gold, from last sentence.

Change of Name

Section 203(a) of Act Aug. 23, 1935 changed the name of the Federal Reserve Board to Board of Governors of the Federal Reserve System.

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1 **17.4 H.J.R.-192, 48 Stat. 112-113, June 5-6, 1933**

2 This act established a uniform value to coins and currencies of the United States. It eliminated redeemability of notes of the
3 government in gold.
4

THE STATUTES AT LARGE

OF THE
UNITED STATES OF AMERICA

FROM

MARCH 1933 to JUNE 1934

CONCURRENT RESOLUTIONS
RECENT TREATIES AND CONVENTIONS, EXECUTIVE PROCLAMATIONS
AND AGREEMENTS, TWENTY-FIRST AMENDMENT
TO THE CONSTITUTION

EDITED, PRINTED, AND PUBLISHED BY AUTHORITY OF CONGRESS
UNDER THE DIRECTION OF THE SECRETARY OF STATE

VOL. XLVIII

IN TWO PARTS

PART 1—Public Acts and Resolutions.

PART 2—Private Acts and Resolutions, Concurrent Resolutions
Treaties and Conventions, Executive Proclamations
and Agreements, Twenty-first Amendment to the
Constitution.

PART 1

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

[CHAPTER 46.]

AN ACT

June 3, 1933.
[H. R. 4494.]
[Public, No. 29]

Authorizing a per capita payment of \$100 to the members of the Menominee Tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States.

Menominee Indians
of Wisconsin.
Per capita payments
to, from tribal funds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior be, and he is hereby, authorized to withdraw from the fund in the Treasury of the United States on deposit to the credit of the Menominee Indians in the State of Wisconsin a sufficient sum to make therefrom a per capita payment or distribution of \$100, in three installments, \$50 immediately upon passage of this Act, \$25 on or about October 15, 1933, and \$25 on or about January 15, 1934, to each of the living members on the tribal roll of the Menominee Tribe of Indians of the State of Wisconsin, under such rules and regulations as the said Secretary may prescribe.

Approved, June 3, 1933.

[CHAPTER 47.]

JOINT RESOLUTION

June 5, 1933.
[S. J. Res. 48.]
[Pub. Res., No. 9.]

Authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China.

Posheng Yen, a citizen
of China.
Admitted to Military
Academy.
Preamble.
No Federal expense.
Conditions.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of War be, and he is hereby, authorized to permit Posheng Yen to receive instruction at the United States Military Academy at West Point for the course beginning not later than July 1, 1934: *Provided,* That no expense shall be caused to the United States thereby, and that Posheng Yen shall agree to comply with all regulations of the police and discipline of the Academy, to be studious, and to give his utmost efforts to accomplish the courses in the various departments of instruction, and that said Posheng Yen shall not be admitted to the Academy until he shall have passed the mental and physical examinations prescribed for candidates from the United States, and that he shall be immediately withdrawn if deficient in studies or in conduct and so recommended by the Academic Board: *Provided further,* That in the case of said Posheng Yen the provisions of sections 1320 and 1321 of the Revised Statutes shall be suspended: *Provided further,* That S. J. Res. 179, approved March 3, 1933, be, and the same is hereby, repealed.

Approved, June 5, 1933.

Oath and service,
waived.
R. S., secs. 1320, 1321,
p. 227.

Existing law repealed.
Vol. 47, p. 1546.

[CHAPTER 48.]

JOINT RESOLUTION

June 5, 1933.
[H. J. Res. 192.]
[Pub. Res., No. 10]

To assure uniform value to the coins and currencies of the United States.

Uniform value of
coins and currencies.
Preamble.

Whereas the holding of or dealing in gold affect the public interest, and are therefore subject to proper regulation and restriction; and Whereas the existing emergency has disclosed that provisions of obligations which purport to give the obligee a right to require payment in gold or a particular kind of coin or currency of the United States, or in an amount in money of the United States measured thereby, obstruct the power of the Congress to regulate the value of the money of the United States, and are inconsistent with the declared policy of the Congress to maintain at all times the equal power of every dollar, coined or issued by the United States, in the markets and in the payment of debts. Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obligation hereafter incurred. Every obligation, heretofore or hereafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts. Any such provision contained in any law authorizing obligations to be issued by or under authority of the United States, is hereby repealed, but the repeal of any such provision shall not invalidate any other provision or authority contained in such law.

Clauses in obligations requiring gold, etc., payments declared contrary to public policy

No future obligation to be so expressed.

Payments to be made in legal tender.

Conflicting provisions repealed. U. S. C. p. 1003. Other provisions not invalidated.

(b) As used in this resolution, the term "obligation" means an obligation (including every obligation of and to the United States, excepting currency) payable in money of the United States; and the term "coin or currency" means coin or currency of the United States, including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations.

Term "obligation" defined.

"Coin or currency."

SEC. 2. The last sentence of paragraph (1) of subsection (b) of section 43 of the Act entitled "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes", approved May 12, 1933, is amended to read as follows:

National Economic Emergency Act, amended. Ante, p. 52.

"All coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues, except that gold coins, when below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight."

Coins and currencies as legal tender.

Abrased gold coins, according to weight.

Approved, June 5, 1933, 4.40 p.m.

[CHAPTER 49.]

AN ACT

To provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes.

June 6, 1933. [S. 510.] [Public, No. 30.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) in order to promote the establishment and maintenance of a national system of public employment offices there is hereby created in the Department of Labor a bureau to be known as the United States Employment Service, at the head of which shall be a director. The director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive a salary at the rate of \$8,500 per annum.

National cooperative employment service. United States Employment Service created in Department of Labor.

Appointment, etc., of Director

(b) Upon the expiration of three months after the enactment of this Act the employment service now existing in the Department of Labor shall be abolished; and all records, files, and property (including office equipment) of the existing employment service

Existing service to be abolished; personnel and property transferred.

1 **17.5 Public Law 97-258, Sept. 13, 1982, 96 Stat. 1068**

2 Shows all the enactments of Congress that were repealed by the enactment of Title 31 into law. Included in the list is H.J.R.-
3 192.
4

REPEALS

31 USC note
prec. 101.

SEC. 5. (a) The repeal of a law by this Act may not be construed as a legislative inference that the provision was or was not in effect before its repeal.

(b) The laws specified in the following schedule are repealed, except for rights and duties that matured, penalties that were incurred, and proceedings that were begun before the date of enactment of this Act:

Schedule of Laws Repealed

Statutes at Large

Date	Chapter or Public Law	Section	Statutes at Large	
			Volume	Page
1874				
Jan. 29	19 .....	.....	18	6
May 12	168 .....	.....	18	45
June 20	328	1 (4th par. under heading "Mint at Denver, Colorado"), 4, 5.	18	97, 109
	343	6.....	18	124
June 22	419 .....	.....	18	202
June 23	455	1 (3d par. under heading "National Currency", par. immediately before heading "Smithsonian Institution").	18	206, 216
	476 .....	.....	18	275
1875				
Jan. 14	15 .....	.....	18	296
Feb. 18	80	1 (3d, 4th complete pars. on p. 317, 11th par. on p. 319).	18	317, 319
Mar. 3	129	1 (6th par. 3d sentence under heading "War Department").	18	359
	130	2 (pars. for the offices of the Auditors).....	18	397
	149 .....	.....	18	481
1876				
June 30	156	5.....	19	64
July 22	P.R. 17.....	1 (words after last semicolon).....	19	215
1877				
Feb. 27	69	(3d-9th, 11th, 13th complete pars. on p. 249).	19	249
Mar. 3	105	(provisos in par. under heading "Bureau of Engraving and Printing").	19	353
1878				
Feb. 28	20 .....	.....	20	25
May 31	146 .....	.....	20	87
June 8	170 .....	.....	20	102
June 19	312 .....	.....	20	167
	329	1 (1st, 2d sentences on p. 191, last par. under heading "Mint at Denver, Colorado", par. immediately before heading "Office of the Attorney General").	20	191, 205
1879				
Feb. 14	68	(2d par. words after 1st semicolon under heading "Bureau of Provisions and Clothing").	20	288
June 9	12 .....	.....	21	7
June 21	34	3 (last sentence words after semicolon).....	21	30
Dec. 22	2 .....	.....	21	59
1881				
Feb. 1	33 .....	.....	21	322
Mar. 1	95 .....	.....	21	374
Mar. 3	133	2.....	21	457

Schedule of Laws Repealed—Continued

Statutes at Large

Date	Chapter or Public Law	Section	Statutes at Large	
			Volume	Page
1882				
May 26	190		22	97
June 22	236		22	108
July 12	290	12	22	165
Aug. 5	389	5	22	256
Aug. 7	433	1 (2d, 6th complete pars. on p. 312)	22	312
1883				
Mar. 3	143	(2d proviso on p. 616)	22	616
1884				
July 5	217	(last par.)	23	113
July 7	334	3 (proviso and sentence immediately after proviso under heading "War Department").	23	258
1885				
Feb. 16	123		23	306
1886				
Mar. 31	41		24	9
1887				
Mar. 3	362	(last par. under heading "Engraving and Printing").	24	515
	396	3	24	635
1889				
Mar. 2	411	1 (6th proviso under heading "Engraving and Printing", par. under heading "Vaults for Storage of Silver").	25	945, 955
1890				
June 30	640	(1st par. last sentence under heading "Bureau of Provisions and Clothing").	26	197
July 11	667	1 (1st par. under heading "Treasury Department").	26	236
July 14	708		26	289
Aug. 30	837	1 (3d proviso under heading "Pay"), 4	26	399, 413
Sept. 26	944		26	484
	945		26	485
Oct. 1	1256	9	26	646
1891				
Feb. 24	284	(par. under heading "Military Telegraph Lines").	26	779
Mar. 3	541	1 (1st par. words between 1st and 2d semicolons under heading "Auditor of the Treasury for the Post Office Department"), 3.	26	920, 948
1892				
July 16	196	1 (par. immediately before heading "Third Auditor").	27	194
1893				
Feb. 27	168	(2d proviso on p. 479)	27	479
Nov. 1	8		28	4
1894				
Mar. 29	49		28	47
July 31	174	4, 5 (1st par.), 6, 7 (less par. amending § 456), 8-16, 19-27.	28	205, 206, 207, 210
Aug. 13	281		28	278
Aug. 27	349	25	28	552
1895				
Mar. 2	177	4	28	807
	187	(1st par. under heading "Treasury Department").	28	844

Schedule of Laws Repealed—Continued

Statutes at Large

Date	Chapter or Public Law	Section	Statutes at Large	
			Volume	Page
1896				
May 28	252	1 (par. immediately before heading "Treasury Department"), 5.	29	148, 179
June 8	373	(last par. under heading "Engraving and Printing").	29	275
June 11	420	1 (6th par. on p. 414)	29	414
1897				
Feb. 19	265	1 (2d par. under heading "Office of Comptroller of the Treasury").	29	550
Mar. 3	376 .....	.....	29	624
June 4	2	1 (4th proviso on p. 18, 1st par. under heading "Recoinage, Reissue, and Transportation of Minor Coins").	30	18, 27
1898				
Mar. 11	57 .....	.....	30	274
May 21	348 .....	.....	30	420
June 13	448	32, 34	30	466, 467
July 7	571	(7th par. under heading "Mints and Assay Offices").	30	661
1900				
Mar. 14	41	1, 3-8, 11, 14	31	45, 46, 48, 49
June 6	791	1 (proviso in par. under heading "Back Pay and Bounty").	31	637
1901				
Mar. 2	800 .....	.....	31	877
	803	(3d par. on p. 910)	31	910
Mar. 3	867 .....	.....	31	1446
1902				
May 27	887	(1st par. under heading "State Claims")	32	235
June 3	985	(last par.)	32	309
June 28	1301	1 (8th par. related to supplies for U.S. courts and judicial officers).	32	476
	1302	8 (words between 6th comma and proviso)	32	484
1903				
Feb. 14	552	2	32	826
Mar. 3	1010	(par. under heading "Clothing and Small-Stores Fund").	32	1191
1904				
Mar. 18	716	1 (proviso on p. 109)	33	109
Apr. 13	1253	6	33	178
Apr. 28	1762	1 (proviso immediately before heading "Revenue-Cutter Service").	33	460
1905				
Mar. 3	1484	4	33	1257
Dec. 21	3	1	34	5
1906				
Feb. 27	510	3	34	48
Mar. 23	1129 .....	.....	34	84
Apr. 24	1861 .....	.....	34	132
May 26	2558 .....	.....	34	202
June 12	3078	(4th par. under heading "National Trophy and Medals for Rifle Contests").	34	258
June 19	3484 .....	.....	34	301
June 30	3914	3, 7-10	34	762, 763

Schedule of Laws Repealed—Continued

Statutes at Large

Date	Chapter or Public Law	Section	Statutes at Large	
			Volume	Page
1907				
Feb. 26	1635	1 (2d par. under heading "Treasury Department").	34	949
Mar. 2	2507	(par. immediately before heading "Board of Ordnance and Fortification").	34	1062
	2511	(proviso on p. 1166, proviso words before 1st semicolon under heading "Incidental Expenses").	34	1166, 1167
Mar. 4	2918	1, 2	34	1289
	2918	1 (1st par. under heading "Back Pay and Bounty", 3d par. under heading "United States Courts").	34	1356, 1360
1908				
May 18	173		35	164
May 26	198	1 (last par. on p. 295)	35	295
May 27	206	(last par. on p. 411, par. beginning on p. 415 amending §§ 3646, 3647).	35	411, 415
May 30	223		35	474
1909				
Feb. 23	174		35	643
Mar. 3	252	(last par. beginning on p. 750)	35	750
	269	10	35	842
Mar. 4	297	1 (proviso on p. 866)	35	866
	299	7-9	35	1027
	314		35	1065
Aug. 5	6	39, 40	36	117
1910				
Feb. 4	25		36	192
Mar. 2	71		36	231
June 17	297	1 (par. immediately before heading "Office of the Supervising Architect").	36	487
June 25	384	7, 8	36	773
	385	(last par. on p. 776, 1st-3d pars. immediately before heading "Bureau of Navigation").	36	776, 792
1911				
Mar. 2	190		36	964
	195		36	1013
Mar. 3	209	(par. immediately before heading "Ordnance Department").	36	1056
Mar. 4	237	1 (last par. under heading "Office of Comptroller of the Treasury").	36	1190
	239	(2d proviso, 3d proviso 1st-24th words under heading "Contingent, Navy", last par. on p. 1279).	36	1267, 1279
	242	(par. immediately before heading "Board of Ordnance and Fortification").	36	1344
	267		36	1354
	268		36	1354
	285	1 (par. immediately before heading "Life-Saving Service").	36	1387
1912				
Aug. 23	350	1 (last par. under heading "Office of the Comptroller of the Treasury", last par. under heading "Assay Office at Salt Lake City, Utah", 2d par. under heading "Department of Justice"), 6, 7, 9.	37	375, 384, 404, 414, 415
Aug. 24	355	1 (4th par. under heading "Engraving and Printing"), 7.	37	430, 487
Aug. 26	408	1 (2d par. words before 1st proviso under heading "Treasury Department").	37	595

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Date	Chapter or Public Law	Section	Statutes at Large	
			Volume	Page
1913				
Mar. 2	93	(1st, 2d provisos on p. 710)	37	710
Mar. 4	141	2 (last sentence)	37	737
	142	4	37	790
June 23	3	3	38	75
Dec. 23	6	11(n), 26	38	251, 274
1914				
Apr. 27	72	(last proviso beginning on p. 363, par. immediately before heading "Ordnance Department").	38	363, 369
June 30	130	(par. immediately before heading "Bureau of Construction and Repair", 5th par. under heading "Increase of the Navy").	38	405, 413
July 6	136		38	454
July 16	141	1 (12th complete par. on p. 471), 5	38	471, 508
1915				
Mar. 4	142	10	38	1054
	143	1 (last proviso beginning on p. 1078, 3d proviso on p. 1080, 3d proviso on p. 1084).	38	1078, 1080, 1084
	147	4	38	1161
1916				
Mar. 21	52		39	37
June 3	134	124 (proviso)	39	216
June 12	142		39	225
July 1	209	1 (3d par. on p. 275, 2d par. on p. 277)	39	275, 277
Aug. 11	313	(last proviso on p. 491)	39	491
	314	(1st proviso on p. 504)	39	504
Aug. 29	417	(2d proviso under heading "Pay, Miscellaneous").	39	557
	418	1 (5th proviso on p. 622, 1st proviso on p. 635).	39	622, 635
Sept. 7	451	13 (proviso)	39	733
Sept. 8	464	1 (pars. under heading "United States Employees' Compensation Commission").	39	821
1917				
Mar. 3	159	400 (last proviso), 401	39	1003
	163	1 (1st par. under heading "Treasury Department").	39	1083
Apr. 24	4		40	35
May 12	12	(3d proviso on p. 72)	40	72
June 12	27	1 (4th par. under heading "Miscellaneous Objects, Treasury Department").	40	118
July 9	36		40	242
Sept. 24	56		40	288
Oct. 6	79	1 (1st par. under heading "Office of the Secretary").	40	347
1918				
Apr. 4	44		40	502
Apr. 23	63		40	535
June 1	91		40	594
July 1	114	(2d proviso under heading "Bureau of Ordnance").	40	721
July 9	142		40	844
	143	ch. III (1st par.), ch. XVIII (last par.)	40	878, 892
Sept. 24	176	2, 7	40	966, 967
Nov. 4	201	1 (last par. under heading "Post Office Department").	40	1035
Dec. 2	1		40	1051
1919				
Mar. 3	99	6	40	1309
	100		40	1309
Dec. 24	15		41	370

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Date	Chapter or Public Law	Section	Statutes at Large	
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1920				
May 10	176		41	595
	177		41	595
May 12	182		41	597
May 21	194	7	41	613
May 29	214	1 (last par. under heading "Office of Comptroller of the Treasury", 1st-4th pars. under heading "Independent Treasury").	41	647, 654
June 5	240	(pars. under heading "Advances to Disbursing Officers").	41	975
1921				
Feb. 22	70	7	41	1144
Mar. 1	89	1 (2d par. under heading "Bureau of Supplies and Accounts", 2d par. on p. 1170).	41	1169, 1170
Mar. 3	124	1 (words after last semicolon under heading "Bureau of Engraving and Printing").	41	1271
Mar. 4	153		41	1363
	161	1 (1st par. under heading "Miscellaneous Objects, Treasury Department").	41	1374
May 27	14	403	42	17
June 10	18		42	20
June 16	23	1 (last par. last sentence under heading "Office of the Secretary").	42	36
July 12	44	1 (last par. words after 1st proviso under heading "Contingent, Bureau of Ordnance"), 3.	42	128, 139
Nov. 23	136	1401, 1402	42	321
1922				
Feb. 2	45		42	362
Feb. 17	55	(related to appointment and duties of Deputy and Under Secretaries, vacancy in office of Secretary of the Treasury, 2d proviso and sentence after proviso on p. 388).	42	366, 367, 388
June 19	228		42	662
Sept. 22	427	7	42	1042
Dec. 28	17		42	1066
1923				
Jan. 3	22	(related to appointment and duties of Deputy and Under Secretaries, vacancy in office of Secretary of the Treasury, 2d par. under heading "Bureau of Engraving and Printing", 2d proviso and sentence after proviso on p. 1109).	42	1087, 1099, 1109
Jan. 24	38		42	1172
Feb. 13	71		42	1226
	72	(last par. under heading "General Accounting Office").	42	1231
Feb. 26	113		42	1287
Feb. 28	146		42	1325
Mar. 2	178	(1st complete par. on p. 1391)	42	1391
	179		42	1427
1924				
Mar. 17	58		43	23
Apr. 4	84	(related to appointment and duties of Deputy and Under Secretaries, vacancy in office of Secretary of the Treasury, 1st par. on p. 69, 2d proviso and sentence after proviso on p. 83).	43	64, 69, 83
May 23	203	(2d par. under heading "Fuel and Transportation").	43	195
Dec. 5	4	1 (5th par. under heading "Marshals, District Attorneys, Clerks, and Other Expenses of United States Courts").	43	687

Schedule of Laws Repealed—Continued

Statutes at Large

Date	Chapter or Public Law	Section	Statutes at Large	
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1925				
Jan. 14	79	5, 6	43	749
Jan. 21	86		43	763
Jan. 22	87	(words before 1st proviso under heading "Office of the Secretary", 2d par. under heading "Division of Bookkeeping and Warrants", last proviso beginning on p. 781 and sentence after proviso).	43	764, 767, 781
Feb. 24	302		43	965
Mar. 3	482		43	1253
1926				
Feb. 26	27	1125, 1200	44	122, 125
Mar. 2	43	1 (last proviso and sentence after proviso on p. 154).	44	154
Apr. 15	146	101 (proviso on p. 267).....	44	267
May 17	307		44	559
May 21	355	(1st, 2d complete pars. on p. 605).....	44	605
June 22	650		44	761
July 3	775		44	888
1927				
Jan. 26	58	1 (last proviso and sentence after proviso on p. 1045).	44	1045
1928				
Mar. 7	135		45	198
Apr. 10	334		45	413
May 29	901	1(1), (6), (7), (10), (11), (17), (20), (21), (23), (58), (89), (106).	45	986, 987, 990, 992, 994
1929				
Feb. 20	274		45	1249
Mar. 2	483	(last proviso under heading "Maintenance, Bureau of Supplies and Accounts").	45	1461
June 17	26		46	19
1930				
Apr. 11	131		46	154
June 12	470		46	580
June 17	497	522.....	46	739
1931				
Mar. 3	433		46	1506
1932				
June 30	314	501, 601, 602.....	47	415, 417
July 21	520	308.....	47	724
1933				
Mar. 3	212	1 (last par. on p. 1492), 13	47	1492, 1516
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May 9	265		48	679
May 10	277	512, 518	48	758, 760
May 14	286		48	776
May 26	355		48	807
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Mar. 18	149		49	1165
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1937				
Jan. 23	5		50	4
Apr. 27	140	1 (par. under heading "Clothing, Naval Reserve").	50	107
	143		50	119
May 14	180	1 (2d par. last proviso on p. 140).	50	140
June 24	377		50	306
June 28	384		50	322
July 8	444	8, 9	50	481
Aug. 14	631		50	647
1938				
Apr. 26	175	1 (par. under heading "Clothing, Naval Reserve").	52	235
May 26	285		52	447
1939				
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Apr. 26	103		53	624
May 10	119	4	53	738
May 25	149	1 (par. under heading "Clothing, Naval Reserve").	53	769
July 6	260		53	998
July 20	336		53	1071
Aug. 5	442		53	1209
Aug. 7	566	"Sec. 6"	53	1263
Aug. 10	665	4-7	53	1359
1940				
Mar. 25	71	101 (1st proviso on p. 59)	54	59
Apr. 30	175		54	175
June 25	419	302	54	526
Sept. 18	722	322	54	955
Oct. 9	779	(less 1 (related to § 3737))	54	1029
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June 21	213		55	255
June 30	265		55	395
Nov. 21	489		55	777
	499		55	781
Dec. 17	591	301 (next-to-last sentence before heading "Independent Agencies").	55	819
Dec. 26	629		55	862
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1942				
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Mar. 28	205		56	189
Apr. 28	247	301 (par. under heading "Executive Office of the President", 1st par. proviso under heading "Bureau of Accounts").	56	234, 244
June 1	320		56	306
July 2	472	505	56	506
July 20	507		56	661
July 25	524	101 (par. 2 under heading "Office for Emergency Management", par. under heading "Bureau of the Public Debt").	56	707, 720
Dec. 2	659		56	1028
Dec. 18	767		56	1064
Dec. 24	821		56	1086
1943				
Mar. 18	17	101 (last par. under heading "Bureau of the Mint").	57	32
Apr. 11	52		57	63
Apr. 29	76		57	68
June 15	125	(less 1(c), 3 (1st proviso))	57	152
June 26	150		57	219
July 1	185	1 (4th complete par. on p. 352, words after last semicolon in par. immediately before heading "Medical Department").	57	352, 357
July 3	189		57	372
July 12	223		57	520
	228	1 (last proviso on p. 530)	57	530
Dec. 23	377		57	608
1944				
June 9	240		58	272
June 27	286	101 (last par. on p. 371), 213	58	371, 387
June 28	301	1 (last proviso immediately before heading "Office of War Information").	58	539
	304	303	58	623
July 1	357		58	648
Dec. 13	552		58	800
Dec. 21	631		58	844
Dec. 23	716		58	921
	720		58	923
1945				
Apr. 3	51		59	47
May 3	106	214	59	134
May 29	135		59	225
June 12	186	4	59	238
July 17	319	1 (last proviso immediately before heading "Office of Inter-American Affairs").	59	476
July 31	339	7(a), 9	59	514, 516
Nov. 8	453	153	59	574
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Aug. 2	744	101 (proviso under heading "Office of Scientific Research and Development").	60	809, 810
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Aug. 7	756	25	60	856
	770	1(47), (48)	60	870
1947				
May 19	78		61	101
June 5	98		61	129
June 14	104		61	132
June 25	147		61	180
July 9	211		61	282
July 11	222	101 (4th par. on p. 282)	61	308
July 26	338		61	493
July 30	358	307	61	584
Aug. 1	438		61	717
	441		61	720
Aug. 4	455	3	61	730
1948				
June 3	400	101 (par. immediately before heading "International Activities").	62	308
June 19	510		62	488
	558	101 (words before proviso in par. under heading "Bureau of Internal Revenue"), 302 (last par.).	62	561
June 25	646	7	62	986
Aug. 10	832	501(b)	62	1283
1949				
June 10	187		63	167
June 30	285	13	63	356
	286	101 (pars. under headings "Refund of Moneys Erroneously Received and Covered", "Payments of Unclaimed Moneys").	63	358, 359
July 6	299		63	407
July 20	354	101 (par. under heading "Emergencies in the Diplomatic and Consular Service").	63	449
Aug. 24	506	309	63	662
Aug. 27	517	7(b)	63	668
Oct. 10	662	101 (par. under heading "General Provision-Department of Justice").	63	746
1950				
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May 10	172		64	157
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May 17	188	203	64	170
June 14	233		64	212
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June 28	383	402(m)	64	273
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Aug. 17	735	10(a)	64	462
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June 2	121	ch. XI (proviso immediately before heading "Independent Offices").	65	61
Aug. 11	301	101 (proviso under heading "Bureau of Engraving and Printing").	65	184
Aug. 31	376	501	65	290
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Oct. 22	533	101 (par. under heading "Emergencies in the Diplomatic and Consular Service").	65	577
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Oct. 27	591		65	658
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Nov. 1	664	1307	65	756
1952				
May 15	289	2	66	73
June 27	477	403(a)(9)	66	279
July 3	548		66	321
July 5	578	101 (last par. under heading "General Accounting Office").	66	399
July 9	600		66	479
July 10	651	101 (par. under heading "Emergencies in the Diplomatic and Consular Service").	66	550
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1953				
June 16	115		67	61
July 23	256		67	229
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	302	101 (par. under heading "Bureau of the Budget").	67	299
Aug. 1	303		67	317
	305	604, 611, 621	67	349, 350, 353
Aug. 5	328	101 (par. under heading "Emergencies in the Diplomatic and Consular Service").	67	368
Aug. 7	340	1314	67	438
1954				
Mar. 17	99		68	29
May 13	201	6	68	95
June 4	264	1	68	175
June 24	359	101 (proviso under heading "General Accounting Office").	68	280
June 30	427		68	336
July 2	456	101 (par. under heading "Emergencies in the Diplomatic and Consular Service").	68	414
July 15	509		68	482
July 22	557		68	496
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Aug. 23	840		68	774
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June 30	256		69	241
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1956				
June 7	376		70	255
June 19	409		70	297
June 20	414	101 (last complete par. on p. 300)	70	300
June 25	442		70	336
July 9	535		70	518
	536		70	519
July 25	727		70	647
July 26	741	201(a)	70	667
July 27	748	1302	70	694
July 28	769		70	703
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1958				
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May 27	85-426	213	72	143
June 30	85-477	502(c)	72	272
Aug. 23	85-726	1407	72	808
Aug. 25	85-759		72	852
Aug. 26	85-762		72	859
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1960				
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1961				
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June 29	88-327		78	225
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1966				
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June 29	89-473		80	221
July 18	89-506	6	80	307
July 19	89-508	(less 4)	80	308
July 26	89-520		80	329
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June 30	94-334		90	793
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1939.....	1	1-3	53	1423
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1940.....	3	1, 2	54	1231
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1952.....	1	2(b).....	66	823
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Executive Orders

Date	Order No.	Section
1983 June 10	6166	4
1984 May 29	6728	

Approved September 13, 1982.

LEGISLATIVE HISTORY—H.R. 6128:

HOUSE REPORT No. 97-651 (Comm. on the Judiciary).
CONGRESSIONAL RECORD, Vol. 128 (1982):

Aug. 9, considered and passed House.
Aug. 20, considered and passed Senate.

1 **17.6 Letter from Federal Reserve Board About the Definition of the Word “Dollar”**

2 The letter dated December 13, 2006 starting on the next page is a response from the Federal Reserve Board about an inquiry
3 by a Senator John Ensign of the United States Senate concerning the definition of the word “dollar”. You can also find this
4 exhibit on our website at the address below:

Ogilvie Letter, Exhibit #06.001
<http://sedm.org/Exhibits/ExhibitIndex.htm>

5

AFFIDAVIT OF Bret W. Ogilvie

In the name of Jesus Christ I do Solemnly Swear and depose that the following is true and correct.

I

That I did send an email to United States Senator from Nevada Senator John Ensign by and through Senator Ensign's official web site and that the attached documents include the words which I sent in that email.

II


16th That I did receive all of the attached documents by first class mail on December, in the year of our Lord 2006.

III

That the attached document is a copy I personally made and I know it to be a true and correct copy of the original.

IV

Further this Affiant saith naught.

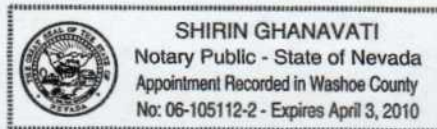


Bret W. Ogilvie

SUBSCRIBED and SWORN to me on this 29th day of December, 2006 A.D.



NOTARY PUBLIC in said State and County



JOHN ENSIGN
NEVADA

COMMITTEES:
ARMED SERVICES
COMMERCE, SCIENCE, AND
TRANSPORTATION
HEALTH, EDUCATION, LABOR,
AND PENSIONS
BUDGET
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510-2805

October 17, 2006

356 RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510-2805
(202) 224-6244

333 LAS VEGAS BOULEVARD, SOUTH
SUITE 8203
LAS VEGAS, NV 89101
(702) 388-6605

400 SOUTH VIRGINIA STREET
SUITE 738
RENO, NV 89501
(775) 686-5770

600 EAST WILLIAM STREET
SUITE 304
CARSON CITY, NV 89701
(775) 885-9111

website: ensign.senate.gov

Mr. Bret Ogilvie

██████████
Reno, Nevada ██████████

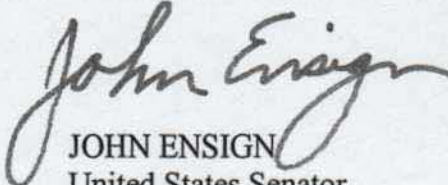
Dear Mr. Ogilvie:

Thank you for taking the time to contact me regarding the Federal Reserve, and our currency. I am grateful to hear from a fellow Nevadan, and appreciate the opportunity to address your concerns.

After reviewing your letter, I have taken the liberty of contacting the Federal Reserve on your behalf, and I have asked that they respond to you directly, as well as forward a copy of their response to me.

Thank you again for your comments regarding this issue. Please feel free to contact me again on any issue of importance to you.

Sincerely,



JOHN ENSIGN
United States Senator

JE/Mail

JOHN ENSIGN
NEVADA

COMMITTEES:
ARMED SERVICES
COMMERCE, SCIENCE, AND
TRANSPORTATION
HEALTH, EDUCATION, LABOR,
AND PENSIONS
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CARSON CITY, NV 89701
(775) 885-9111

website: ensign.senate.gov

Mr. Donald J. Winn
Federal Reserve
20th & C Streets, NW
Washington D.C. 20551

CLO: #185
CCS: 06-9092
RECVD: 10/27/06

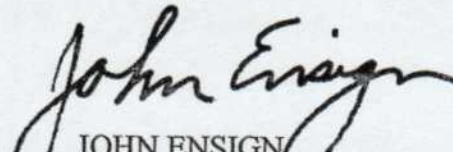
Legal

Dear Mr. Winn:

I have received the enclosed letter from Mr. Bret Ogilvie. Due to the desire of my office to be responsive to all inquiries, your consideration of -- and response to -- the enclosed letter will be greatly appreciated. Please reply directly to the constituent, and forward a copy of the responses to me, marked to the attention of Courtney Albregts in my Washington office.

Thank you in advance for your assistance with this matter.

Sincerely,


JOHN ENSIGN
United States Senator

iawrmmsg.txt
Capitol Correspond
Incoming Email Message

Constituent ID: 321830

Mr. Bret Ogilvie

Reno, NV

Email:

Phone(s): (H)

Activity Created: 10/16/2006
File Location: 372196
Interest Code(s): BUCK

Incoming Message:

Pls. buck to the federal reserve.
RSP: Yes.

Date Received: 10/16/2006 11:56:36 PM

Topic/Subject Desc: Budget

I am currently running for the Office here in Nevada. A question has arisen that I have been unable to answer. The current Nevada Secretary of State and the Office of the Attorney General of Nevada have been unable to answer it. On the campaign finance statements it says that candidates must report the number of dollars they receive and spend. The problem is that there appears to be several types of dollars in the United States today.

1.

http://www.usmint.gov/mint_programs/american_eagles/index.cfm?action=American_eagle_Silver_Proof

"The American Eagle Silver Proof Coin contains 99.9% silver. The one ounce coin has a \$1 face value and is 1.598 inches in diameter, contains 0.999 silver troy ounces and weighs 1.0000 troy ounces."

2.

http://www.usmint.gov/mint_programs/american_eagles/index.cfm?action=American_eagle_Gold_Proof

All American Eagle Gold Proof Coins are legal tender and contain 91.67% (22kt) gold. The gold weight, and diameter will vary with each coin denomination, as specified below Each coin is backed by the U.S. Government for weight and content.

3.

Naturally there is also the regular Federal Reserve Note.

The problem is that it takes between 15 and 30 Federal Reserve Notes to exchange for one silver dollar. Several candidates for office this year paid their filing fee with at least one silver dollar and they received only face value for that silver dollar. If you buy stamps from a United States Post Office or pay a filing fee to a United States District Court they accept the Federal Reserve Notes or the silver or gold dollars at their face value. This seems to be odd to say the least. How can it cost 30 Federal Reserve Notes to "buy" a silver dollar from the government but the government does not give you credit for 30 Federal Reserve Notes if you pay with silver or gold.

The Bible says in Prov. 20:10 Divers weights, and divers measures, both of them are alike abomination to the Lord.

iawrmmsg.txt

I would like to know the legal definition of a dollar. Since the word dollar is found in the Constitution any change in its original meaning would seem to need a Constitutional amendment. If a dollar does not mean the same as a dollar in 1789 then we could also jst change the meaning of any word in the Constitution like the word navy or state to mean something different and then the Constitution would be meaningless.

According to the Constitution of the United States of America, Article 8, Congress shall have the power "To coin Money, regulate the value thereof, and of foreign Coin, and fix the Standard of Weights and Measures;"

Since Congress has this power please tell me what a "dollar" is. It cannot mean two things with different values or it would be a violation of the Constitution to "fix the Standard of Weights and Measures."

The Constitution also states: Section. 10. No State shall... make any Thing but gold and silver Coin a Tender in Payment of Debts;

Since the United States Mint is now coining gold and silver dollars with face value denominations can you please explain to me how Nevada can "make any Thing but gold and silver Coin a Tender in Payment of debts...?"

Thank you for your help.

Sincerely

Bret W. Ogilvie

702 382 8891



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

December 13, 2006

Mr. Bret W. Ogilvie
[REDACTED]
Reno, NV [REDACTED]

Dear Mr. Ogilvie:

Senator Ensign referred your letter regarding dollars to the Federal Reserve for response. In your letter, you request the legal definition of a dollar in light of Article I, Section 8, clause 5 and Article I, Section 10, clause 1 of the United States Constitution.

Article I, Section 8, clause 5 of the Constitution gives Congress the power to "coin money and regulate its value." Article I, Section 10, clause 1 states, "No State shall . . . coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts" The Supreme Court of the United States has determined that the term "bills of credit" refers to a paper medium of exchange amounting to "currency" and that states cannot issue currency. Craig v. Missouri, 4 Pet. 29 U.S. 410, 425 (1830); Byrne v. Missouri, 8 Pet. (33 U.S.) 40 (1834). The Supreme Court also determined, in the Legal Tender Cases (Juilliard v. Greenman), 110 U.S. 421 at 436 (1884) that Article I, section 10 applies only to the states and not to the Federal Government. Consequently, while no state government may "emit bills of credit" or make anything other than gold or silver coin a legal tender in payment of debts, the federal government is not limited in what it may designate as legal tender. In Hagar v. Reclamation Dist. No. 108, 111 U.S. 701 (1884), the Supreme Court held that, while Congress has the power to declare currency a legal tender in payment of taxes, Congress had not exercised its power. After the Hagar decision, Congress amended the statutory description of legal tender to correct the challenged defect, and enacted a predecessor version to 31 U.S.C. 5103, the "Legal Tender Statute." 31 U.S.C. § 5103 currently states:

United States coins and currency (including Federal Reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes and dues. Foreign gold or silver coins are not legal tender for debts.

Congress exercised its power to coin money and regulate its value by delegating those functions to the Federal Reserve through the Federal Reserve Act in 1913.

Since then, it has become well settled as a matter of law that the Federal Reserve System is legal under the U.S. Constitution

“Money” is not defined in the Federal Reserve Act or elsewhere in the United States Code. “Money” is generally understood to mean any medium of exchange that freely circulates from hand to hand. A “dollar” is the standard unit of money in our monetary system, just like the English call their standard unit of money a “pound” and the Japanese call their standard unit of money a “yen.” A dollar is defined at 31 U.S.C. § 5101, which currently states:

United States money is expressed in dollars, dimes or tenths, cents or hundredths, and mills or thousandths. A dime is a tenth of a dollar, a cent is a hundredth of a dollar, and a mill is a thousandth of a dollar.

In the United States today, there are only two kinds of money in use in significant amounts: currency or “cash” (primarily Federal Reserve notes and coins in the pockets and purses of the public), and demand deposits or checking accounts. These deposits, bills, and coins all are properly referred to as “money.” Both “cash” (currency and coin) and demand deposits are “money” to an equal degree for economic purposes, since \$1 in currency/coin and \$1 in demand deposits are freely convertible into each other. Milam v. U.S., 524 F.2d 629 (9th Cir. 1974), is typical of numerous federal court cases rejecting the proposition that the Constitution requires “money” or “dollars” to be either gold or silver. In that case, the U.S. Court of Appeals for the Ninth Circuit observed: “While we agree that golden eagles, double eagles and silver dollars were lovely to look at and delightful to hold, we must at the same time recognize that time marches on Appellant is entitled to redeem his [Federal Reserve] note, but not in precious metal. Simply stated, we find his contentions frivolous.” Id.

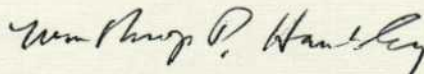
At earlier times in history, the dollar was legally defined to the extent of its value in terms of a set amount or weight of silver or gold. The dollar has not been “defined” in terms of a set amount of gold or silver, or in terms of a set value of some other kind, for many years. The legal tender value of a dollar is the same regardless of whether the dollar is a currency note or coin of any kind of metal. For example, a one-dollar currency note issued at some point in the 1800’s would probably have a numismatic value well in excess of its face value because of its historical age and rarity. Nevertheless, its legal tender value is that of its face value: one dollar. Similarly, gold or silver one-dollar coins have the same legal tender value as a one-dollar Federal Reserve note, even though their value in terms of their weight in precious metal is typically greater than their face value. The Secretary of the Treasury is authorized by law to mint the gold and silver coins currently issued and to sell the coins so minted at a price equal to the

Mr. Bret W. Ogilvie
Page 3

market value of the bullion at the time of sale plus the cost of minting, marketing, and distributing such coins. 31 U.S.C. § 5112. These same coins are, however, legal tender as defined in Section 5103 of Title 31. 31 U.S.C. § 5103. For this reason, most people choose not to make payments with gold or silver coins, or with currency notes that have great numismatic value, since they have value that exceeds their legal tender value, and creditors cannot be compelled to consider them as payment in amounts greater than their face value.

I hope this information is helpful. Please let me know if I can be of any further assistance.

Sincerely,



Winthrop P. Hambley
Assistant to the Board



State of Nevada
County of Washoe
I certify this is a true and correct copy
of a document in the possession of
Bret W. Ogilvie

1 **17.7 Letter from Congressman Beers of Nevada About the Definition of the Word “Dollar”**

2 The letter dated January 14, 2008 starting on the next page is a response from Congressman Bob Beers of the Nevada
3 Assembly to an inquiry by a constituent about the definition of the word “dollar”. You can also find this exhibit on our
4 website at the address below:

Congressman Beers Letter, Exhibit #06.007
<http://sedm.org/Exhibits/ExhibitIndex.htm>

5



STATE OF NEVADA ASSEMBLY
BOB BEERS
Assemblyman
355 CAVALLA STREET
HENDERSON, NV 89074

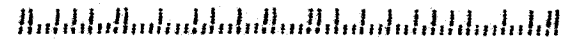
LAS VEGAS NV 890

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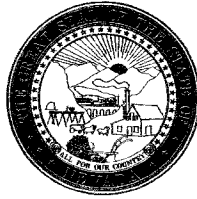


Christopher and Lisa Sorrell
2657 Windmill Pkwy #588
Henderson, Nevada 89074

89074+3384



BOB BEERS
ASSEMBLYMAN
District No. 21



COMMITTEES:
Education
Government Affairs
Health and Human Services

Nevada Assembly

SEVENTY-FOURTH SESSION

DISTRICT OFFICE:
355 Cavalla Street
Henderson, Nevada 89074
Office: (702) 434-8066

LEGISLATIVE BUILDING:
401 S. Carson Street
Carson City, Nevada 89701-4747
Office: (775) 684-8839
Fax No.: (775) 684-8533
www.leg.state.nv.us

Christopher and Lisa Sorrell
2657 Windmill Pkwy #588
Henderson, Nevada 89074

1-14-08

Dear Christopher and Lisa,

According to a monograph written by Edwin Vieira, Jr., even those who purport to print our money don't really know what a dollar is.

No statute defines - or ever has defined - the "one dollar" Federal Reserve Note "FRN" as *the* "dollar," or even as a species of "dollar." Moreover, the *United States Code* provides that FRNs "shall be redeemed in lawful money on demand at the Treasury Department of the United States...or at any Federal Reserve bank." Thus, FRNs are not themselves "lawful money" - otherwise, they would not be "redeemable in lawful money." And if FRNs are not even "lawful money," it is inconceivable that they are somehow "dollars," the very units in which all "United States money is expressed."

People are confused on this point because of the insidious manner in which FRNs "evolved" - actually, *degenerated* is a more appropriate verb - from the late 1920s until today. FRNs of Series 1928 through Series 1950E carried the obligation "The United States of America will pay to the bearer on demand [some number of] dollars." Prior to 1934, the notes carried the inscription "Redeemable in gold on demand at the United States Treasury, or in gold or lawful money at any Federal Reserve Bank." After 1934, the notes carried the inscription "this note...is redeemable in lawful money at the United States Treasury, or at any Federal Reserve Bank" (*post-1934*). Starting with Series 1963, the words "will pay to the bearer on demand" no longer appear; and each FRN simply states a particular denomination in "dollars."

The replies you received to your query from both John Ensign's office and the Treasury Department reveal just how confused this situation is. Being a man who considers his word his bond, I would have to say that the FRN is and remains a contract; whether or not the government chooses to admit this...they printed the things. At the top of the contract they proudly proclaim it to be a Federal Reserve Note. At the bottom they declare the value, as in the dollar bill as One Dollar. The value of goods or services the note may purchase has changed, albeit not for the better. However, if you hold a 1900 \$20 gold piece, you can still purchase what that coin could buy when it was minted.

The situation with coinage is more complex, but equally (if not more) confusing. The *United States Code* provides for three different types of coinage denominated in "dollars": namely, base-metallic coinage, gold coinage, and silver coinage.

The base-metallic coinage consists of "a dollar coin," weighing "8.1 grams," "a half dollar coin," weighing "11.34 grams"; "a quarter coin," weighing "5.67 grams"; and "a dime coin," weighing "2.268 grams." All of these coins are composed of copper and nickel. The weights of the dime, the quarter, and the half dollar are in the correct arithmetical proportions, the one to each of the others. But the "dollar" is disproportionately light (or the other coins disproportionately heavy). In this series of base metallic coins, then, the questions naturally arise: Is the "dollar" a cupro-nickel coin weighing "8.1 grams"? Or is it two cupro-nickel coins (or four or ten coins) collectively weighing 22.68 grams? Or is it both? Or is it neither, but something else altogether, to which the weights of these coins are irrelevant?

Similarly, the gold coinage consists of "a fifty dollar gold coin" that "weighs 33.931 grams, and contains one troy ounce of fine gold"; "a twenty-five dollar gold coin" that "contains one-half ounce of fine gold"; "a ten dollar gold coin" that "contains one fourth ounce of fine gold"; and "a five dollar gold coin" that "contains one tenth ounce of fine gold." The "fifty dollar," "twenty-five dollar," and "five dollar" coins are in the correct arithmetical proportions each to the others. But the "ten dollar" coin is not. Therefore, is a "dollar" one-fiftieth or one-fortieth of an ounce of gold? It appears to be undecided.

I would have to say that, based on the oath I took when I assumed this office; the US Government has not upheld its part on a contract begun back when it first began printing monetary notes. We still trade the notes for goods and services, but the trust is no longer there.

A handwritten signature in black ink, appearing to read 'Bob Beers', with a long horizontal line extending to the right.

Assemblyman Bob Beers
355 Cavalla Street
Henderson, NV 89074
702-434-8066

1 **17.8 Letter from Congressman Heller of Nevada About the Definition of the Word “Dollar”**

2 The letter dated July 11, 2007 starting on the next page is a response from Congressman Dean Heller of the United States
3 House of Representatives to an inquiry by a constituent about the definition of the word “dollar”. You can also find this
4 exhibit on our website at the address below:

<p><i>Congressman Dean Heller Letter</i>, Exhibit #06.008 http://sedm.org/Exhibits/ExhibitIndex.htm</p>

5

Congress of the United States
House of Representatives
Washington, DC 20515-2802

July 11, 2007

Bret Ogilvie
2530 Sunline Dr
Reno, NV 89523-2084

Dear Bret:

Thank you for responding to my recent letter regarding the value of the U.S. dollar. I appreciate your continued interest in this issue.

To begin with, I apologize for the confusion my previous letter caused. To clarify, 31 U.S.C. 5116(b)(2) does in fact address the sale of silver and not the dollar. As you pointed out, 31 U.S.C. 5112(e) contains the most accurate definition of a dollar coin, which by statute must contain .999 ounce fine silver.

However, as we both know, paper dollars are used much more frequently in circulation, and the U.S. Code does not contain a specific definition of a dollar bill. According to 31 U.S.C. 5115(a)(2), the Treasury is authorized to print currency notes of "at least one dollar." No law mandates use of the dollar bill, but clearly it has been a more convenient mode of legal tender for Americans in recent decades. As you are likely aware, the Coinage Act of 1965, which modified 31 U.S.C. 5103, states: "United States coins and currency (including federal reserve notes) are legal tender for all debts, public charges, taxes, and dues." Whether individuals utilize coins or paper currency is a matter of personal choice. Similarly, no federal statute mandates that a private business, a person or an organization must accept currency or coins as for payment for goods or services. Private businesses are free to develop their own policies on whether or not to accept cash unless state law says otherwise.

Again, thank you for staying in touch with me. Please continue keeping me informed of the issues that matter to you.

Sincerely,



DEAN HELLER
Member of Congress

1 **17.9 Legal Tender Cases, 110 U.S. 421 (1884)**

2 This case by the U.S. Supreme Court held that Congress has the right to make its debts or obligations or “notes” into “money”.

3



'THE LEGAL-TENDER CASES'
 U.S. 1884

Supreme Court of the United States
 'THE LEGAL-TENDER CASES.'
 JUILLIARD
 v.
 GREENMAN.
 March 3, 1884.

In Error to the Circuit Court of the United States for
 the Southern District of New York.

FIELD, J., dissenting.

West Headnotes

United States 393 90

393 United States
 393VI Fiscal Matters
 393k90 k. Treasury Notes, Certificates, and
 Other Securities Intended to Circulate as Money.
 Most Cited Cases
 Act Cong. May 31, 1878, c. 146, 20 Stat. 87, 31
 U.S.C.A. § 404, providing that notes of the United
 States issued during the War of the Rebellion, under
 acts of congress declaring them to be legal
 tender in payment of private debts, and since the
 close of the war redeemed and paid in gold coin at
 the treasury, shall be reissued and kept in circula-
 tion, is constitutional, under the express power to
 borrow money and the power incidental thereto to
 provide a national currency.

Constitutional Law 92 2580

92 Constitutional Law
 92XX Separation of Powers
 92XX(C) Judicial Powers and Functions
 92XX(C)5 Political Questions
 92k2580 k. In General. Most Cited Cases
 (Formerly 92k68(1))

The constitutional power of congress to make treas-
 ury notes of the United States legal tender in pay-
 ment of private debts may be exercised in time of
 peace as well as time of war; the question whether
 the exigency is such as to require the exercise of
 such power being a political question, to be deter-
 mined by congress, and not a judicial question.

Payment 294 3

294 Payment
 294I Requisites and Sufficiency
 294k3 k. Constitutional and Statutory Provi-
 sions. Most Cited Cases
 Under Act Cong. May 31, 1878, c. 146, 20 Stat. 87,
 31 U.S.C.A. § 404, which enacts that notes of the
 United States, issued during the war of the Rebel-
 lion, under acts of congress declaring them to be a
 legal tender in payment of private debts, and since
 the close of the war redeemed and paid in gold coin
 at the treasury, shall be reissued and kept in circula-
 tion, is constitutional, and notes so reissued are a
 legal tender.

Payment 294 3

294 Payment
 294I Requisites and Sufficiency
 294k3 k. Constitutional and Statutory Provi-
 sions. Most Cited Cases
 Congress has the constitutional power to make the
 treasury notes of the United States a legal tender in
 payment of private debts in time of peace as well as
 in time of war.

Payment 294 12(4)

294 Payment
 294I Requisites and Sufficiency
 294k12 Particular Kinds of Money or Cur-
 rency
 294k12(4) k. Confederate Money or Se-
 curities. Most Cited Cases
 Under Act Cong. May 31, 1878, c. 146, 20 Stat. 87,
 31 U.S.C.A. § 404, which enacts that notes of the

United States, issued during the war of the Rebellion, under acts of congress declaring them to be a legal tender in payment of private debts, and since the close of the war redeemed and paid in gold coin at the treasury, shall be reissued and kept in circulation, notes so reissued are a legal tender.

****123 *422** *Wm. Allen Butler and Geo. F. Edmunds*, for plaintiff in error.

***435** *Thos. H. Talbot and Jas. McKeen*, for defendant in error.

GRAY, J.

***421** Juilliard, a citizen of New York, brought an action against Greenman, a citizen of Connecticut, in the circuit court of the United States for the Southern district of New York, alleging that the plaintiff sold and delivered to the defendant, at his special instance and request, 100 bales of cotton, of the value and for the agreed price of \$5,122.90; and that the defendant agreed to pay that sum in cash on the delivery of the cotton, and had not paid the same or any part thereof, except that he had paid the sum of \$22.90 on account, and was now justly indebted to the plaintiff therefor in the sum of \$5,100; and demanding judgment for this sum, with interest and costs. The defendant in his answer admitted the citizenship of the parties, the purchase and delivery of the cotton, and the agreement to pay therefor, as alleged; and averred that, after the delivery of the cotton, he offered and tendered to the plaintiff, in full payment, \$22.50 in gold coin of the United States, 40 cents in silver coin of the United States, and two United States notes, one of the denomination of \$5,000 and the other of the denomination of \$100, of the description known as United States legal tender notes, purporting by recital thereon to be legal tender, at their respective face values, for all debts, public and private, except duties on imports and interest on the public debt, and which, after having been presented for payment, and redeemed and paid in gold coin, since January 1, 1879, at the United States subtreasury in New York, had been reissued and kept in circulation under and in pursuance of the act of congress of May 31, 1878, c. 146; that at the time of offering and

tendering these notes, and coin to the plaintiff the sum sum of \$5,122.90 was the entire amount due and owing in payment for the cotton, but the plaintiff declined to receive the notes in payment of \$5,100 thereof; and that the defendant had ever since remained, and still was, ready and willing to pay to the plaintiff the sum of \$5,100 in these notes, and brought these notes into court, ready to be paid to the plaintiff, if he would accept them. The plaintiff demurred to the answer, upon the grounds that the defense, consisting of new matter, was insufficient in law upon its face, and that the facts stated in the answer did not constitute any defense to the cause of action alleged. The circuit court overruled the demurrer and gave judgment for the defendant, and the plaintiff sued out this writ of error.

***436** The amount which the plaintiff seeks to recover, and which, if the tender pleaded is insufficient in law, he is entitled to recover, is \$5,100. There can, therefore, be no doubt of the jurisdiction of this court to revise the judgment of the circuit court. Act Feb. 16, 1875, c. 77, § 3, (18 St. 315.) The notes of the United States, tendered in payment of the defendant's debt to the plaintiff, were originally issued under the acts of congress of February 25, 1862, c. 33; July 11, 1862, c. 142; and March 3, 1863, c. 73, passed during the war of the rebellion, and enacting that **these notes should 'be lawful money and a legal tender in payment of all debts, public and private,** within the United States,' except for duties on imports and interest on the public debt. 12 St. 345, 532, 709. The provisions of the earlier acts of congress, so far as it is necessary for the understanding of the recent statutes to quote them are re-enacted in the following provisions of the Revised Statutes:

'Sec. 3579. When any United States notes are returned to the treasury, they may be reissued, from time to time, as the exigencies of the public interest may require.

****124** 'Sec. 3580. When any United States notes returned to the treasury are so mutilated or other-

wise injured as to be unfit for use, the secretary of the treasury is authorized to replace the same with others of the same character and amounts.

‘Sec. 3581. Mutilated United States notes, when replaced according to law, and all other notes which by law are required to be taken up and not reissued, when taken up shall be destroyed in such manner and under such regulations as the secretary of the treasury may prescribe.

‘Sec. 3582. The authority given to the secretary of the treasury to make any reduction of the currency, by retiring and canceling United States notes, is suspended.’

‘Sec. 3588. United States notes shall be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt.’

The act of January 14, 1875, c. 15, ‘to provide for the resumption***437** of specie payments,’ enacted that on and after January 1, 1879, ‘the secretary of the treasury shall redeem in coin the United States legal tender notes then out-standing, on their presentation for redemption at the office of the assistant treasurer of the United States in the city of New York, in sums of not less than fifty dollars;’ and authorized him to use for that purpose any surplus revenues in the treasury and the proceeds of the sales of certain bonds of the United States. 18 St. 296. The act of May 31, 1878, c. 146, under which the notes in question were reissued, is entitled ‘An act to forbid the further retirement of United States legal tender notes,’ and enacts as follows: ‘From and after the passage of this act it shall not be lawful for the secretary of the treasury or other officer under him to cancel or retire any more of the United States legal tender notes. And when any of said notes may be redeemed or be received into the treasury under any law, from any source whatever, and shall belong to the United States, they shall not be retired, canceled or destroyed, but they shall be reissued and paid out again and kept

in circulation: provided, that nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law. All acts and parts of acts in conflict herewith are hereby repealed.’ 20 St. 87.

The manifest intention of this act is that the notes which it directs, after having been redeemed, to be reissued and kept in circulation, shall retain their original quality of being a legal tender. The single question, therefore, to be considered, and upon the answer to which the judgment to be rendered between these parties depends, is whether notes of the United States, issued in time of war, under acts of congress declaring them to be a legal tender in payment of private debts, and afterwards in time of peace redeemed and paid in gold coin at the treasury, and then reissued under the act of 1878, can, under the ***438** constitution of the United States, be a legal tender in payment of such debts. Upon full consideration of the case, the court is unanimously of opinion that it cannot be distinguished in principle from the cases heretofore determined, reported under the names of the *Legal-tender Cases*, 12 Wall. 457; *Dooley v. Smith*, 13 Wall. 604; *Railroad Co. v. Johnson*, 15 Wall. 195; and *Maryland v. Railroad Co.* 22 Wall. 105; and all the judges, except Mr. Justice FIELD, who adheres to the views expressed in his dissenting opinions in those cases, are of opinion that they were rightly decided.

The elaborate printed briefs submitted by counsel in this case, and the opinions delivered in the *Legal-tender Cases*, and in the earlier case of *Hepburn v. Griswold*, 8 Wall. 630, which those cases overruled, forcibly present the arguments on either side of the question of the power of congress to make the notes of the United States a legal tender in payment of private debts. Without undertaking to deal with all those arguments, the court has thought it fit that the grounds of its judgment in the case at bar should be fully stated. No ****125** question of the scope and extent of the implied powers of congress under the constitution can be satisfactorily dis-

cussed without repeating much of the reasoning of Chief Justice MARSHALL in the great judgment in *McCulloch v. Maryland*, 4 Wheat. 316, by which the power of congress to incorporate a bank was demonstrated and affirmed, notwithstanding the constitution does not enumerate, among the powers granted, that of establishing a bank or creating a corporation,

The people of the United States by the constitution established a national government, with sovereign powers, legislative, executive, and judicial. 'The government of the Union,' said Chief Justice MARSHALL, 'though limited in its powers, is supreme within its sphere of action;' 'and its laws, when made in pursuance of the constitution, form the supreme law of the land.' 'Among the enumerated powers of government, we find the great powers to lay and collect taxes; to borrow money; to regulate commerce; to declare and conduct a war; and to raise and support armies and navies. The sword and *439 the purse, all the external relations, and no inconsiderable portion of the industry of the nation, are intrusted to its government.' 4 Wheat. 405-407. A constitution, establishing a frame of government, declaring fundamental principles, and creating a national sovereignty, and intended to endure for ages, and to be adapted to the various crises of human affairs, is not to be interpreted with the strictness of a private contract. The constitution of the United States, by apt words of designation or general description, marks the outlines of the powers granted to the national legislature; but it does not undertake, with the precision and detail of a code of laws, to enumerate the subdivisions of those powers, or to specify all the means by which they may be carried into execution. Chief Justice MARSHALL, after dwelling upon this view, as required by the very nature of the constitution, by the language in which it is framed, by the limitations upon the general powers of congress introduced in the ninth section of the first article, and by the omission to use any restrictive term which might prevent its receiving a fair and just interpretation, added these emphatic words: 'In considering this question, then, we must

never forget that it is *a constitution* we are expounding.' 4 Wheat. 407. See, also, page 415.

The breadth and comprehensiveness of the words of the constitution are nowhere more strikingly exhibited than in regard to the powers over the subjects of revenue, finance, and currency, of which there is no other express grant than may be found in these few brief clauses:

'The congress shall have power--

'To lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States.

'To borrow money on the credit of the United States.

'To regulate commerce with foreign nations, and among the several states, and with the Indian tribes.'

'To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.'

*440 The section which contains the grant of these and other principal legislative powers concludes by declaring that the congress shall have power--

'To make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this constitution in the government of the United States, or in any department or officer thereof.'

By the settled construction and the only reasonable interpretation of this clause the words 'necessary and proper' are not limited to such measures as are absolutely and indispensably necessary, without which the powers granted must fail of execution, but they include all appropriate means which **126 are conducive or adapted to the end to be accomplished, and which, in the judgment of congress,

will most advantageously effect it. That clause of the constitution which declares that 'the congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States,' either embodies a grant of power to pay the debts of the United States or presupposes and assumes that power as inherent in the United States as a sovereign government. But, in whichever aspect it be considered, neither this nor any other clause of the constitution makes any mention of priority or preference of the United States as a creditor over other creditors of an individual debtor. Yet this court, in the early case of *U. S. v. Fisher*, 2 Cranch, 358, held that, under the power to pay the debts of the United States, congress had the power to enact that debts due to the United States should have that priority of payment out of the estate of an insolvent debtor which the law of England gave to debts due to the crown. In delivering judgment in that case, Chief Justice MARSHALL expounded the clause giving congress power to make all necessary and proper laws, as follows: 'In construing this clause, it would be incorrect, and would produce endless difficulties, if the opinion should be maintained that no law was authorized *441 which was not indispensably necessary to give effect to a specified power. Where various systems might be adopted for that purpose, it might be said, with respect to each, that it was not necessary, because the end might be obtained by other means. Congress must possess the choice of means, and must be empowered to use any means which are in fact conducive to the exercise of a power granted by the constitution. The government is to pay the debt of the Union, and must be authorized to use the means which appear to itself the most eligible to effect that object.' 2 Cranch, 396.

In *McCulloch v. Maryland* he more fully developed the same view, concluding thus: 'We admit, as all must admit, that the powers of the government are limited, and that its limits are not to be transcended. But we think the sound construction of the constitution must allow to the national legislature that dis-

cretion, with respect to the means by which the powers it confers are to be carried into execution, which will enable that body to perform the high duties assigned to it, in the manner most beneficial to the people. Let the end be legitimate, let it be within the scope of the constitution and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution, are constitutional.' 4 Wheat. 421. The rule of interpretation thus laid down has been constantly adhered to and acted on by this court, and was accepted as expressing the true test by all the judges who took part in the former discussions of the power of congress to make the treasury notes of the United States a legal tender in payment of private debts. The other judgments delivered by Chief Justice MARSHALL contain nothing adverse to the power of congress to issue legal tender notes.

By the articles of confederation of 1777, the United States, in congress assembled, were authorized 'to borrow money or emit bills on the credit of the United States;' but it was declared that 'each state retains its sovereignty, freedom, and independence, and every power, jurisdiction, and right which is *442 not by this confederation expressly delegated to the United States in congress assembled.' Article 2; art. 9, § 5; 1 St. 4, 7. Yet, upon the question whether, under those articles, congress, by virtue of the power to emit bills on the credit of the United States, had the power to make bills so emitted a legal tender, Chief Justice MARSHALL spoke very guardedly, saying: 'Congress emitted bills of credit to a large amount, and did not, perhaps could not, make them a legal tender. This power resided in the states.' *Craig v. Missouri*, 4 Pet. 410, 435. But in the constitution, as he had before observed in *McCulloch v. Maryland*, 'there is no phrase which, like the articles of **127 confederation, excludes incidental or implied powers, and which requires that everything granted shall be expressly and minutely described. Even the tenth amendment, which was framed for the purpose of quieting the excessive jealousies which had been excited, omits the word

'expressly,' and declares only that the powers 'not delegated to the United States, nor prohibited to the states, are reserved to the states or to the people;' thus leaving the question, whether the particular power which may become the subject of contest has been delegated to the one government or prohibited to the other, to depend on a fair construction of the whole instrument. The men who drew and adopted this amendment had experienced the embarrassments resulting from the insertion of this word in the articles of confederation, and probably omitted it to avoid those embarrassments.⁴ Wheat. 405, 406. The sentence sometimes quoted from his opinion in *Sturges v. Crowninshield* had exclusive relation to the restrictions imposed by the constitution on the powers of the states, and especial reference to the effect of the clause prohibiting the states from passing laws impairing the obligation of contracts, as will clearly appear by quoting the whole paragraph: 'Was this general prohibition intended to prevent paper money? We are not allowed to say so, because it is expressly provided that no state shall 'emit bills of credit;' neither could these words be intended to restrain the states from enabling debtors to discharge their debts by the tender of property of no real value to the creditor, because for that subject also particular provision*443 is made. Nothing but gold and silver coin can be made a tender in payment of debts.'Id. 122, 204.

Such reports as have come down to us of the debates in the convention that framed the constitution afford no proof of any general concurrence of opinion upon the subject before us. The adoption of the motion to strike out the words 'and emit bills' from the clause 'to borrow money and emit bills on the credit of the United States' is quite inconclusive. The philippic delivered before the assembly of Maryland by Mr. Martin, one of the delegates from that state, who voted against the motion, and who declined to sign the constitution, can hardly be accepted as satisfactory evidence of the reasons or the motives of the majority of the convention. See 1 Elliot, Deb. 345, 370, 376. Some of the members of the convention, indeed, as appears by Mr. Madis-

on's minutes of the debates, expressed the strongest opposition to paper money. And Mr. Madison has disclosed the grounds of his own action by recording that 'this vote in the affirmative by Virginia was occasioned by the acquiescence of Mr. Madison, who became satisfied that striking out the words would not disable the government from the use of public notes, so far as they could be safe and proper, and would only cut off the pretext for a paper currency, and particularly for making the bills a tender, either for public or private debts.'But he has not explained why he thought that striking out the words 'and emit bills' would leave the power to emit bills, and deny the power to make them a tender in payment of debts. And it cannot be known how many of the other delegates, by whose vote the motion was adopted, intended neither to proclaim nor to deny the power to emit paper money, and were influenced by the argument of Mr. Gorham, who 'was for striking out, without inserting any prohibition,' and who said: 'If the words stand, they may suggest and lead to the emission.'⁵The power, so far as it will be necessary or safe, will be involved in that of borrowing.'5 Elliot, Deb. 434, 435, and note. And after the first clause of the tenth section of the first article had been reported in the form in which it now stands, forbidding the states to make anything but gold or silver coin a tender in payment of debts, or to pass *444 any law impairing the obligation of contracts, when Mr. Gerry, as reported by Mr. Madison, 'entered into observations inculcating the importance of public faith, and the propriety of the restraint put on the states from impairing the obligation of contracts; alleging that congress ought to be laid under the like prohibitions;' and made a motion to **128 that effect; he was not seconded.Id. 546.As an illustration of the danger of giving too much weight, upon such a question, to the debates and the votes in the convention, it may also be observed that propositions to authorize congress to grant charters of incorporation for national objects were strongly opposed, especially as regarded banks, and defeated.Id. 440, 543, 544. The power of congress to emit bills of credit, as well as to incorporate national banks, is

now clearly established by decisions to which we shall presently refer.

The words 'to borrow money,' as used in the constitution, to designate a power vested in the national government, for the safety and welfare of the whole people, are not to receive that limited and restricted interpretation and meaning which they would have in a penal statute, or in an authority conferred, by law or by contract, upon trustees or agents for private purposes. The power 'to borrow money on the credit of the United States' is the power to raise money for the public use on a pledge of the public credit, and may be exercised to meet either present or anticipated expenses and liabilities of the government. It includes the power to issue, in return for the money borrowed, the obligations of the United States in any appropriate form, of stock, bonds, bills or notes; and in whatever form they are issued, being instruments of the national government, they are exempt from taxation by the governments of the several states. *Weston v. Charleston City Council*, 2 Pet. 449; *Banks v. Mayor*, 7 Wall. 16; *Bank v. Sup'rs*, 7 Wall. 26. Congress has authority to issue these obligations in a form adapted to circulation from hand to hand in the ordinary transactions of commerce and business. In order to promote and facilitate such circulation, to adapt them to use as currency, and to make them more current in the market, it may *445 provide for their redemption in coin or bonds, and may make them receivable in payment of debts to the government. So much is settled beyond doubt, and was asserted or distinctly admitted by the judges who dissented from the decision in the *Legaltender Cases*, as well as by those who concurred in that decision. *Veazie Bank v. Fenno*, 8 Wall. 533, 548; *Hepburn v. Griswold*, Id. 616, 636; *Legaltender Cases*, 12 Wall. 543, 544, 560, 582, 610, 613, 637. It is equally well settled that congress has the power to incorporate national banks, with the capacity, for their own profit as well as for the use of the government in its money transactions, of issuing bills which, under ordinary circumstances, pass from hand to hand as money at their nominal value, and which, when so current,

the law has always recognized as a good tender in payment of money debts, unless specifically objected to at the time of the tender. *U. S. Bank v. Bank of Georgia*, 10 Wheat. 333, 347; *Ward v. Smith*, 7 Wall. 447, 451. The power of congress to charter a bank was maintained in *McCulloch v. Maryland*, 4 Wheat. 316, and in *Osborn v. U. S. Bank*, 9 Wheat. 738, chiefly upon the ground that it was an appropriate means for carrying on the money transactions of the government. But Chief Justice MARSHALL said: 'The currency which it circulates, by means of its trade with individuals, is believed to make it a more fit instrument for the purposes of government than it could otherwise be; and, if this be true, the capacity to carry on this trade is a faculty indispensable to the character and objects of the institution.'⁹ Wheat. 864. And Mr. Justice JOHNSON, who concurred with the rest of the court in upholding the power to incorporate a bank, gave the further reason that it tended to give effect to 'that power over the currency of the country which the framers of the constitution evidently intended to give to congress alone.' Id. 873.

The constitutional authority of congress to provide a currency for the whole country is now firmly established. In *Veazie Bank v. Fenno*, 8 Wall. 533, 548, Chief Justice CHASE, in delivering the opinion of the court, said: 'It cannot be doubted that under the constitution the power to provide a *446 circulation of coin is given to congress. And it is settled by the uniform **129 practice of the government, and by repeated decisions, that congress may constitutionally authorize the emission of bills of credit.' Congress, having undertaken to supply a national currency, consisting of coin, of treasury notes of the United States, and of the bills of national banks, is authorized to impose on all state banks, or national banks, or private bankers, paying out the notes of individuals or of state banks, a tax of 10 per cent. upon the amount of such notes so paid out. *Veazie Bank v. Fenno, supra; Nat. Bank v. U.S.* 101 U. S. 1. The reason for this conclusion was stated by Chief Justice CHASE, and repeated by the present chief justice, in these words: 'Having

thus, in the exercise of undisputed constitutional powers, undertaken to provide a currency for the whole country, it cannot be questioned that congress may, constitutionally, secure the benefit of it to the people by appropriate legislation. To this end, congress has denied the quality of legal tender to foreign coins, and has provided by law against the imposition of counterfeit and base coin on the community. To the same end, congress may restrain, by suitable enactments, the circulation as money of any notes not issued under its own authority. Without this power, indeed, its attempts to secure a sound and uniform currency for the country must be futile.'8 Wall, 549;101 U. S. 6.

By the constitution of the United States, the several states are prohibited from coining money, emitting bills of credit, or making anything but gold and silver coin a tender in payment of debts. But no intention can be inferred from this to deny to congress either of these powers. Most of the powers granted to congress are described in the eighth section of the first article; the limitations intended to be set to its powers, so as to exclude certain things which might otherwise be taken to be included in the general grant, are defined in the ninth section; the tenth section is addressed to the states only. This section prohibits the states from doing some things which the United States are expressly prohibited from doing, as well as from doing some things which the United States are expressly authorized to do, and from doing some things which are *447 neither expressly granted nor expressly denied to the United States. Congress and the states equally are expressly prohibited from passing any bill of attainder or *ex post facto* law, or granting any title of nobility. The states are forbidden, while the president and senate are expressly authorized, to make the treaties. The states are forbidden, but congress is expressly authorized, to coin money. The states are prohibited from emitting bills of credit; but congress, which is neither expressly authorized nor expressly forbidden to do so, has, as we have already seen, been held to have the power of emitting bills of credit, and of making every provision for their

circulation as currency, short of giving them the quality of legal tender for private debts, even by those who have denied its authority to give them this quality. It appears to us to follow, as a logical and necessary consequence, that congress has the power to issue the obligations of the United States in such form, and to impress upon them such qualities as currency for the purchase of merchandise and the payment of debts, as accord with the usage of sovereign governments. The power, as incident to the power of borrowing money, and issuing bills or notes of the government for money borrowed, of impressing upon those bills or notes the quality of being a legal tender for the payment of private debts, was a power universally understood to belong to sovereignty, in Europe and America, at the time of the framing and adopting of the constitution of the United States. The governments of Europe, acting through the monarch or the legislature, according to the distribution of powers under their respective constitutions, had and have as sovereign a power of issuing paper money as of stamping coin. This power has been distinctly recognized in an important modern case, ably argued and fully considered, in which the emperor of Austria, as king of Hungary, obtained from the English court of chancery an injunction against the issue in England, without his **130 license, of notes purporting to be public paper money of Hungary. *Austria v. Day*, 2 Giff. 628, and 3 De Gex, F. & J. 217. The power of issuing bills of credit, and making them, at the discretion of the legislature, a tender in payment of private debts, had long been exercised in this country*448 by the several colonies and states; and during the revolutionary war the states, upon the recommendation of the congress of the confederation, had made the bills issued by congress a legal tender. See *Craig v. Missouri*, 4 Pet. 435, 453;*Briscoe v. Bank of Kentucky*, 11 Pet. 257, 313, 334-336;*Legal-tender Cases*, 12 Wall. 557, 558, 622; Phillipps on American Paper Currency, *passim*. The exercise of this power not being prohibited to congress by the constitution, it is included in the power expressly granted to borrow money on the credit of the United States.

This position is fortified by the fact that congress is vested with the exclusive exercise of the analogous power of coining money and regulating the value of domestic and foreign coin, and also with the paramount power of regulating foreign and interstate commerce. Under the power to borrow money on the credit of the United States, and to issue circulating notes for the money borrowed, its power to define the quality and force of those notes as currency is as broad as the like power over a metallic currency under the power to coin money and to regulate the value thereof. Under the two powers, taken together, congress is authorized to establish a national currency, either in coin or in paper, and to make that currency lawful money for all purposes, as regards the nation government or private individuals. The power of making the notes of the United States a legal tender in payment of private debts, being included in the power to borrow money and to provide a national currency, is not defeated or restricted by the fact that its exercise may affect the value of private contracts. If, upon a just and fair interpretation of the whole constitution, a particular power or authority appears to be vested in congress, it is no constitutional objection to its existence, or to its exercise, that the property or the contracts of individuals may be incidentally affected. The decisions of this court, already cited, afford several examples of this.

Upon the issue of stock, bonds, bills, or notes of the United States, the states are deprived of their power of taxation to the extent of the property invested by individuals in such obligations,*449 and the burden of state taxation upon other private property is correspondingly increased. The 10 per cent. tax, imposed by congress on notes of state banks and of private bankers, not only lessens the value of such notes, but tends to drive them, and all state banks of issue, out of existence. The priority given to debts due to the United States over the private debts of an insolvent debtor diminishes the value of these debts, and the amount which their holders may receive out of the debtor's estate. So, under the power to coin money and to regulate its value, congress

may (as it did with regard to gold by the act of June 28, 1834, c. 95, and with regard to silver by the act of February 28, 1878, c. 20) issue coins of the same denominations as those already current by law, but of less intrinsic value than those, by reason of containing a less weight of the precious metals, and thereby enable debtors to discharge their debts by the payment of coins of the less real value. A contract to pay a certain sum in money, without any stipulation as to the kind of money in which it shall be paid, may always be satisfied by payment of that sum in any currency which is lawful money at the place and time at which payment is to be made. 1 Hale, P. C. 192-194; Bac. Abr. 'Tender, B. 2;' Poth. Cont. No. 416; Pardessus Droit Commercial, Nos. 204, 205; *Searight v. Calbraith*, 4 Dall. 325. As observed by Mr. Justice STRONG, in delivering the opinion of the court in the *Legal-tender Cases*, 'Every contract for the payment of money, simply, is necessarily subject to the constitutional power of the government over the currency, whatever that power may be, and the obligation of the parties is, therefore, assumed with reference to that power.' 12 Wall. 549.

**131 Congress, as the legislature of a sovereign nation, being expressly empowered by the constitution 'to lay and collect taxes, to pay the debts and provide for the common defense and general welfare of the United States,' and 'to borrow money on the credit of the United States,' and 'to coin money and regulate the value thereof and of foreign coin;' and being clearly authorized, as incidental to the exercise of those great powers, to emit bills of credit to charter national banks, and *450 to provide a national currency for the whole people, in the form of coin, treasury notes, and national bank bills; and the power to make the notes of the government a legal tender in payment of private debts being one of the powers belonging to sovereignty in other civilized nations, and not expressly withheld from congress by the constitution; we are irresistibly impelled to the conclusion that the impressing upon the treasury notes of the United States the quality of being a legal tender in payment of private debts is

an appropriate means, conducive and plainly adapted to the execution of the undoubted powers of congress, consistent with the letter and spirit of the constitution, and therefore within the meaning of that instrument, 'necessary and proper for carrying into execution the powers vested by this constitution in the government of the United States.'

Such being our conclusion in matter of law, the question whether at any particular time, in war or in peace, the exigency is such, by reason of unusual and pressing demands on the resources of the government, or of the inadequacy of the supply of gold and silver coin to furnish the currency needed for the uses of the government and of the people, that it is, as matter of fact, wise and expedient to resort to this means, is a political question, to be determined by congress when the question of exigency arises, and not a judicial question, to be afterwards passed upon by the courts. To quote once more from the judgment in *McCulloch v. Maryland*: 'Where the law is not prohibited, and is really calculated to effect any of the objects intrusted to the government, to undertake here to inquire into the degree of its necessity would be to pass the line which circumscribes the judicial department, and to tread on legislative ground.'⁴ Wheat. 423.

It follows that the act of May 31, 1878, c. 146, is constitutional and valid, and that the circuit court rightly held that the tender in treasury notes, reissued and kept in circulation under that act, was a tender of lawful money in payment of the defendant's debt to the plaintiff.

Judgment affirmed.

*451 FIELD, J., *dissenting*.

From the judgment of the court in this case, and from all the positions advanced in its support, I dissent. The question of the power of congress to impart the quality of legal tender to the notes of the United States, and thus make them money and a standard of value, is not new here. Unfortunately, it has been too frequently before the court, and its latest decision, previous to this one, has never been

entirely accepted and approved by the country. Nor should this excite surprise; for whenever it is declared that this government, ordained to establish justice, has the power to alter the condition of contracts between private parties, and authorize their payment or discharge in something different from that which the parties stipulated, thus disturbing the relations of commerce and the business of the community generally, the doctrine will not and ought not to be readily accepted. There will be many who will adhere to the teachings and abide by the faith of their fathers. So the question has come again, and will continue to come until it is settled so as to uphold, and not impair, the contracts of parties, to promote and not defeat justice.

If there be anything in the history of the constitution which can be established with moral certainty, it is that the framers of that instrument intended to prohibit the issue of legal-tender notes both by the general government and by the states, and thus prevent interference with the contracts of private parties.**132 During the revolution and the period of the old confederation, the continental congress issued bills of credit, and upon its recommendation the states made them a legal tender, and the refusal to receive them an extinguishment of the debts for which they were offered. They also enacted severe penalties against those who refused to accept them at their nominal value, as equal to coin, in exchange for commodities. And previously, as early as January, 1776, congress had declared that if any person should be 'so lost to all virtue and regard for his country' as to refuse to receive in payment the bills then issued, he should, on conviction thereof, be 'deemed, published, and treated as an enemy of his county, and precluded*452 from all trade and intercourse with the inhabitants of the colonies.' Yet this legislation proved ineffectual; the universal law of currency prevailed, which makes promises of money valuable only as they are convertible into coin. The notes depreciated until they became valueless in the hands of their possessors. So it always will be; legislative declaration cannot make the promise of a thing the equivalent of the thing it-

self.

The legislation to which the states were thus induced to resort was not confined to the attempt to make paper money a legal tender for debts; but the principle that private contracts could be legally impaired, and their obligation disregarded, being once established, other measures equally dishonest and destructive of good faith between parties were adopted. What followed is thus stated by Mr. Justice STORY, in his Commentaries: 'The history, indeed,' he says, 'of the various laws which were passed by the states, in their colonial and independent character, upon this subject, is startling at once to our morals, to our patriotism, and to our sense of justice. Not only was paper money issued and declared to be a tender in payment of debts, but laws of another character, well known under the appellation of tender laws, appraisement laws, installment laws, and suspension laws, were from time to time enacted, which prostrated all private credit and all private morals. By some of these laws the due payment of debts was suspended; debts were, in violation of the very terms of the contract, authorized to be paid by installments at different periods; property of any sort, however worthless, either real or personal, might be tendered by the debtor in payment of his debts; and the creditor was compelled to take the property of the debtor, which he might seize on execution, at an appraisement wholly disproportionate to its known value. Such grievances and oppressions, and others of a like nature, were the ordinary results of legislation during the revolutionary war and the intermediate period down to the formation of the constitution. They entailed the most enormous evils on the country, and introduced a system of fraud, chicanery, and profligacy which destroyed all private confidence and all industry and enterprise.' Vol. 2, § 1371.

***453** To put an end to this vicious system of legislation which only encouraged fraud, thus graphically described by STORY, the clauses which forbid the states from emitting bills of credit or making anything but gold and silver a tender in payment of

debts, or passing any law impairing the obligation of contracts, were inserted in the constitution. 'The attention of the convention, therefore,' says Chief Justice MARSHALL, 'was particularly directed to paper money and to acts which enable the debtor to discharge his debt otherwise than was stipulated in the contract. Had nothing more been intended, nothing more would have been expressed, but, in the opinion of the convention, much more remained to be done. The same mischief might be effected by other means. To restore public confidence completely, it was necessary, not only to prohibit the use of particular means by which it might be effected, but to prohibit the use of any means by which the same mischief might be produced. The convention appears to have intended to establish a great principle, that contracts should be inviolable.' *Sturges v. Crowninshield*, 4 Wheat. 206. It would be difficult to believe, even in the absence of the historical ****133** evidence we have on the subject, that the framers of the constitution, profoundly impressed by the evils resulting from this kind of legislation, ever intended that the new government, ordained to establish justice, should possess the power of making its bills a legal tender, which they were unwilling should remain with the states, and in which the past had proved so dangerous to the peace of the community, so disturbing to the business of the people, and so destructive of their morality.

The great historian of our country has recently given to the world a history of the convention, the result of years of labor in the examination of all public documents relating to its formation and of the recorded opinions of its framers; and thus he writes: 'With the full recollection of the need or seeming need of paper money in the revolution, with the menace of danger in future time of war from its prohibition, authority to issue bills of ***454** credit that should be legal tender was refused to the general government by the vote of nine states against New Jersey and Maryland. It was Madison who decided the vote of Virginia, and he has left his testimony that 'the pretext for paper currency, and par-

ticularly for making the bills a tender, either for public or private debts, was cut off.' This is the interpretation of the clause made at the time of its adoption, alike by its authors and by its opponents, accepted by all the statesmen of that age, not open to dispute because too clear for argument, and never disputed so long as any one man who took part in framing the constitution remained alive. History cannot name a man who has gained enduring honor by causing the issue of paper money. Wherever such paper has been employed it has, in every case, thrown upon its authors the burden of exculpation under the plea of pressing necessity.' Bancroft's History of the formation of the constitution of the United States, vol. 2, p. 134. And when the convention came to the prohibition upon the states, the historian says that the clause, 'No state shall make anything but gold and silver a tender in payment of debts,' was accepted without a dissentient state. 'So the adoption of the constitution,' he adds, 'is to be the end forever of paper money, whether issued by the several states or by the United States, if the constitution shall be rightly interpreted and honestly obeyed.' Id. 137.

For nearly three-quarters of a century after the adoption of the constitution, and until the legislation during the recent civil war, no jurist and no statesman of any position in the country ever pretended that a power to impart the quality of legal tender to its notes was vested in the general government. There is no recorded word of even one in favor of its possessing the power. All conceded, as an axiom of constitutional law, that the power did not exist.

Mr. Webster, from his first entrance into public life in 1812, gave great consideration to the subject of the currency, and in an elaborate speech on that subject, made in the senate in 1836, then sitting in this room, he said: *455 'Currency, in a large and perhaps just sense, includes not only gold and silver and bank bills, but bills of exchange also. it may include all that adjusts exchanges and settles balances in the operations of trade and business; but if we understand by currency the legal money of the

country, and that which constitutes a legal tender for debts, and is the standard measure of value, then undoubtedly nothing is included but gold and silver. Most unquestionably there is no legal tender, and there can be no legal tender in this country, under the authority of this government or any other, but gold and silver, either the coinage of our own mints or foreign coins at rates regulated by congress. This is a constitutional principle, perfectly plain and of the highest importance. The states are expressly prohibited from making anything but gold and silver a legal tender in payment of debts; and although no such express prohibition is applied to congress, yet, as congress has no power granted to it in this respect but to coin money and to regulate the value of **134 foreign coins, it clearly has no power to substitute paper or anything else for coin as a tender in payment of debts and in discharge of contracts. Congress has exercised this power fully in both its branches; it has coined money and still coins it; it has regulated the value of foreign coins, and still regulates their value. The legal tender, therefore, the constitutional standard of value, is established and cannot be overthrown. To overthrow it would shake the whole system.'⁴ Webster's Works, 271.

When the idea of imparting the legal-tender quality to the notes of the United States, issued under the first act of 1862, was first broached, the advocates of the measure rested their support of it on the ground that it was a war measure, to which the country was compelled to resort by the exigencies of its condition, being then sorely pressed by the confederate forces, and requiring the daily expenditure of enormous sums to maintain its army and navy and to carry on the government. The representative who introduced the bill in the house declared that it was a measure of that nature, 'one of necessity and not of choice;' that the times were extraordinary; and that extraordinary measures must be resorted to in order to save our government and preserve our nationality. Speech of Spaulding, *456 of New York; Cong. Globe, 1861-62, pt. 1, 523. Other members of the house frankly confessed their

doubt as to its constitutionality, but yielded their support of it under the pressure of this supposed necessity.

In the senate also the measure was pressed for the same reasons. When the act was reported by the committee on finance, its chairman, while opposing the legal-tender provision, said: 'It is put on the ground of absolute, overwhelming necessity; that the government has now arrived at that point when it must have funds, and those funds are not to be obtained from ordinary sources, or from any of the expedients to which we have heretofore had recourse, and therefore this new, anomalous, and remarkable provision must be resorted to in order to enable the government to pay off the debt that it now owes, and afford circulation which will be available for other purposes.' Cong. Globe, 1861-62, pt. 1, 764. And upon that ground the provision was adopted, some of the senators stating that in the exigency then existing money must be had, and they therefore sustained the measure, although they apprehended danger from the experiment. 'The medicine of the constitution,' said Senator Sumner, 'must not become its daily food.' Id. 800. A similar necessity was urged upon the state tribunals and this court in justification of the measure, when its validity was questioned. The dissenting opinion in *Hepburn v. Griswold* referred to the pressure that was upon the government at the time to enable it to raise and support an army, and to provide and maintain a navy. Chief Justice CHASE, who gave the prevailing opinion in that case, also spoke of the existence of the feeling when the bill was passed that the provision was necessary. He favored the provision on that ground when secretary of the treasury, although he had come to that conclusion with reluctance, and recommended its adoption by congress. When the question as to its validity reached this court, this expression of favor was referred to, and by many it was supposed that it would control his judicial action. But after long pondering upon the *457 subject, after listening to repeated arguments by able counsel, he decided against the constitutionality of the provision; and,

holding in his hands the casting vote, he determined the judgment of the court. He thus preferred to preserve his integrity as a judicial officer rather than his consistency as a statesman. In his opinion he thus referred to his previous views: 'It is not surprising that amid the tumult of the late civil war, and under the influence of apprehensions for the safety of the republic almost universal, different views, never before entertained by American statesmen or jurists, were adopted by many. The time was not favorable to considerate reflection upon the constitutional limits of legislative or executive authority. If power was assumed from patriotic motives, the assumption found **135 ready justification in patriotic hearts. Many who doubted yielded their doubts; many who did not doubt were silent. Some who were strongly averse to making government notes a legal tender felt themselves constrained to acquiesce in the views of the advocates of the measure. Not a few who then insisted upon its necessity, or acquiesced in that view, have, since the return of peace, and under the influence of the calmer time, reconsidered their conclusions, and now concur in those which we have just announced. These conclusions seem to us to be fully sanctioned by the letter and spirit of the constitution.' 8 Wall. 625.

It must be evident, however, upon reflection that, if there were any power in the government of the United States to impart the quality of legal tender to its promissory notes, it was for congress to determine when the necessity for its exercise existed; that war merely increased the urgency for money; it did not add to the powers of the government nor change their nature; that if the power existed it might be equally exercised when a loan was made to meet ordinary expenses in time of peace, as when vast sums were needed to support an army or a navy in time of war. The wants of the government could never be the measure of its powers. But in the excitement and apprehensions of the war these considerations were unheeded; the measure was passed as one of overruling *458 necessity in a perilous crisis of the country. Now it is no longer advocated

as one of necessity, but as one that may be adopted at any time. Never before was it contended by any jurist or commentator on the constitution that the government, in full receipt of ample income, with a treasury overflowing, with more money on hand than it knows what to do with, could issue paper money as a legal tender. What was in 1862 called the 'medicine of the constitution' has now become its daily bread. So it always happens that whenever a wrong principle of conduct, political or personal, is adopted on a plea of necessity, it will be afterwards followed on a plea of convenience.

The advocates of the measure have not been consistent in the designation of the power upon which they have supported its validity, some placing it on the power to borrow money, some on the coining power, and some have claimed it as an incident to the general powers of the government. In the present case it is placed by the court upon the power to borrow money, and the alleged sovereignty of the United States over the currency. It is assumed that this power, when exercised by the government, is something different from what it is when exercised by corporations or individuals, and that the government has, by the legal tender provision, the power to enforce loans of money, because the sovereign governments of European countries have claimed and exercised such power. 'The words "to borrow money," says the court, "are not to receive that limited and restricted interpretation and meaning which they would have in a penal statute or in an authority conferred by law or by contract upon trustees or agents for private purposes.' And it adds that "the power, as incident to the power of borrowing money and issuing bills or notes of the government for money borrowed, of impressing upon those bills or notes the quality of being a legal tender for the payment of private debts, was a power universally understood to belong to sovereignty, in Europe and America, at the time of the framing and adoption of the constitution of the United States. The governments*459 of Europe, acting through the monarch or the legislature, according to the distribution of powers under

their respective constitutions, had and have as sovereign a power of issuing paper money as of stamping coin,' and that 'the exercise of this power not being prohibited to congress by the constitution, it is included in the power expressly granted to borrow money on the credit of the United States.'

As to the terms 'to borrow money,' where, I would ask, does the court find any authority for giving to them a different interpretation in the constitution from what they receive when used in other instruments, as in the **136 charters of municipal bodies or of private corporations, or in the contracts of individuals? They are not ambiguous; they have a well-settled meaning in other instruments. If the court may change that in the constitution, so it may the meaning of all other clauses; and the powers which the government may exercise will be found declared, not by plain words in the organic law, but by words of a new significance resting in the minds of the judges. Until some authority beyond the alleged claim and practice of the sovereign governments of Europe be produced, I must believe that the terms have the same meaning in all instruments, wherever they are used; that they mean a power only to contract for a loan of money, upon considerations to be agreed between the parties. The conditions of the loan, or whether any particular security shall be given to the lender, are matters of arrangement between the parties; they do not concern any one else. They do not imply that the borrower can give to his promise to refund the money any security to the lender outside of property or rights which he possesses. The transaction is completed when the lender parts with his money and the borrower gives his promise to pay at the time and in the manner and with the securities agreed upon. Whatever stipulations may be made, to add to the value of the promise, or to secure its fulfillment, must necessarily be limited to the property, rights, and privileges, which the borrower possesses. Whether he can add to his promises any element which will induce others *460 to receive them beyond the security which he gives for their payment depends upon his power to control such element. If

he has a right to put a limitation upon the use of other persons' property, or to enforce an exaction of some benefit from them, he may give such privilege to the lender; but if he has no right thus to interfere with the property or possession of others, of course he can give none. It will hardly be pretended that the government of the United States has any power to enter into an engagement that, as security for its notes, the lender shall have special privileges with respect to the visible property of others, shall be able to occupy a portion of their lands or their houses, and thus interfere with the possession and use of their property. If the government cannot do that, how can it step in and say, as a condition of loaning money, that the lender shall have a right to interfere with contracts between private parties? A large proportion of the property of the world exists in contracts, and the government has no more right to deprive one of their value by legislation operating directly upon them than it has a right to deprive one of the value of any visible and tangible property. No one, I think, will pretend that individuals or corporations possess the power to impart to their evidences of indebtedness any quality by which the holder will be able to affect the contracts of other parties, strangers to the loan; nor would any one pretend that congress possesses the power to impart any such quality to the notes of the United States, except from the clause authorizing it to make laws necessary and proper to the execution of its powers. That clause, however, does not enlarge the expressly designated powers; it merely states what congress could have done without its insertion in the constitution. Without it congress could have adopted any appropriate means to borrow; but that can only be appropriate for that purpose which has some relation of fitness to the end, which has respect to the terms essential to the contract, or to the securities which the borrower may furnish for the repayment of the loan. The quality of legal tender does not touch the terms of the contract; that is complete without it; nor does it stand as a security for the loan, for *461 a security is a thing pledged, over which the borrower has some control, or in which he holds some interest.

The argument presented by the advocates of legal tender is, in substance, this: The object of borrowing is to raise funds, the addition of the quality of legal tender to the notes of the government will induce parties to take them, and funds will thereby be more readily loaned. But the same thing may be **137 said of the addition of any other quality which would give to the holder of the notes some advantage over the property of others, as, for instance, that the notes should serve as a pass on the public conveyances of the country, or as a ticket to places of amusement, or should exempt his property from state and municipal taxation, or entitle him to the free use of the telegraph lines, or to a percentage from the revenues of private corporations. The same consequence—a ready acceptance of the notes—would follow; and yet no one would pretend that the addition of privileges of this kind with respect to the property of others, over which the borrower has no control, would be in any sense an appropriate measure to the execution of the power to borrow. Undoubtedly the power to borrow includes the power to give evidences of the loan in bonds, treasury notes, or in such other form as may be agreed between the parties. These may be issued in such amounts as will fit them for circulation, and for that purpose may be made payable to bearer, and transferable by delivery. Experience has shown that the form best fitted to secure their ready acceptance is that of notes payable to bearer, in such amounts as may suit the ability of the lender. The government, in substance, says to parties with whom it deals: Lend us your money, or furnish us with your products or your labor, and we will ultimately pay you, and as evidence of it we will give you our notes, in such form and amount as may suit your convenience, and enable you to transfer them; we will also receive them for certain demands due to us. In all this matter there is only a dealing between the government and the individuals who trust it. The transaction concerns no others. The power which authorizes it is a very different one from a *462 power to deal between parties to private contracts in which the government is not interested, and to compel the receipt of these promises to pay

in place of the money for which the contracts stipulated. This latter power is not an incident to the former; it is a distinct and far greater power. There is no legal connection between the two—between the power to borrow from those willing to lend and the power to interfere with the independent contracts of others. The possession of this latter power would justify the interference of the government with any rights of property of other parties, under the pretense that its allowance to the holders of the notes would lead to their more ready acceptance, and thus furnish the needed means.

The power vested in congress to coin money does not in my judgment fortify the position of the court, as its opinion affirms. So far from deducing from that power any authority to impress the notes of the government with the quality of legal tender, its existence seems to me inconsistent with a power to make anything but coin a legal tender. The meaning of the terms ‘to coin money’ is not at all doubtful. It is to mould metallic substances into forms convenient for circulation and to stamp them with the impress of the government authority indicating their value with reference to the unit of value established by law. Coins are pieces of metal of definite weight and value, stamped such by the authority of the government. If any doubt could exist that the power has reference to metallic substances only it would be removed by the language which immediately follows, authorizing congress to regulate the value of money thus coined and of foreign coin, and also by clauses making a distinction between coin and the obligations of the general government and of the states. Thus, in the clause authorizing congress ‘to provide for the punishment of counterfeiting the securities and current coin of the United States,’ a distinction is made between the obligations and the coin of the government.

Money is not only a medium of exchange, but it is a standard of value. Nothing can be such standard which has not intrinsic*463 value, or which is subject to frequent changes in value. From the earliest period in the history of civilized nations we find

pieces of gold and silver used as money. These metals are scattered over the world in small quantities; they are susceptible of **138 division, capable of easy impression, have more value in proportion to weight and size, and are less subject to loss by wear and abrasion than any other material possessing these qualities. It requires labor to obtain them; they are not dependent upon legislation or the caprices of the multitude; they cannot be manufactured or decreed into existence; and they do not perish by lapse of time. They have, therefore, naturally, if not necessarily, become throughout the world a standard of value. In exchange for pieces of them, products requiring an equal amount of labor are readily given. When the product and the piece of metal represent the same labor, or an approximation to it, they are freely exchanged. There can be no adequate substitute for these metals. Says Mr. Webster, in a speech made in the house of representatives in 1815: ‘The circulating medium of a commercial community must be that which is also the circulating medium of other commercial communities, or must be capable of being converted into that medium without loss. It must also be able not only to pass in payments and receipts among individuals of the same society and nation, but to adjust and discharge the balance of exchanges between different nations. It must be something which has a value abroad as well as at home, by which foreign as well as domestic debts can be satisfied. The precious metals alone answer these purposes. They alone, therefore, are money, and whatever else is to perform the functions of money must be their representative, and capable of being turned into them at will. So long as bank paper retains this quality it is a substitute for money; divested of this, nothing can give it that character.’³ Webster's Works, 41. The clause to coin money must be read in connection with the prohibition upon the states to make anything but gold and silver coin a tender in payment of debts. The two taken together*464 clearly show that the coins to be fabricated under the authority of the general government, and as such to be a legal tender for debts, are to be composed principally, if not entirely, of the

metals of gold and silver. Coins of such metals are necessarily a legal tender to the amount of their respective values, without any legislative enactment, and the statute of the United States providing that they shall be such tender is only declaratory of their effect when offered in payment.

When the constitution says, therefore, that congress shall have the power to coin money, interpreting that clause with the prohibition upon the states, it says it shall have the power to make coins of the precious metals a legal tender, for that alone which is money can be a legal tender. If this be the true import of the language, nothing else can be made a legal tender. We all know that the value of the notes of the government in the market, and in the commercial world generally, depends upon their convertibility on demand into coin; and as confidence in such convertibility increases or diminishes, so does the exchangeable value of the notes vary. So far from becoming themselves standards of value by reason of the legislative declaration to that effect, their own value is measured by the facility with which they can be exchanged into that which alone is regarded as money by the commercial world. They are promises of money, but they are not money in the sense of the constitution. The term 'money' is used in that instrument in several clauses, - in the one authorizing congress 'to borrow money;' in the one authorizing congress 'to coin money;' in the one declaring that 'no money' shall be drawn from the treasury, but in consequence of appropriations made by law; and in the one declaring that no state shall 'coin money.' And it is a settled rule of interpretation that the same term occurring in different parts of the same instrument shall be taken in the same sense, unless there is something in the context indicating that a different meaning was intended. Now, to coin money is, as I have said, to make coins out of metallic substances, and the only money the value of which congress can regulate is coined money, either of our mints, or of foreign *465 countries. It should seem, therefore, that to borrow money, is to obtain a loan of coin money; that is, money composed of the **139

precious metals, representing value in the purchase of property and payment of debts. Between the promises of the government, designated as its securities, and this money, the constitution draws a distinction, which disappears in the opinion of the court. The opinion not only declares that it is in the power of congress to make the notes of the government a legal tender and a standard of value, but that under the power to coin money and regulate the value thereof, congress may issue coins of the same denominations as those now already current, but of less intrinsic value, by reason of containing a less weight of the precious metals, and thereby enable debtors to discharge their debts by payment of coins of less real value. This doctrine is put forth as in some way a justification of the legislation authorizing the tender of nominal money in place of real money in payment of debts. Undoubtedly congress has power to alter the value of coins issued, either by increasing or diminishing the alloy they contain; so it may alter, at its pleasure, their denominations; it may hereafter call a dollar an eagle, and it may call an eagle a dollar. But if it be intended to assert that congress can make the coins changed the equivalent of those having a greater value in their previous condition, and compel parties contracting for the latter to receive coins with diminished value, I must be permitted to deny any such authority. Any such declaration on its part would be not only utterly inoperative in fact, but a shameful disregard of its constitutional duty. As I said on a former occasion: 'The power to coin money, as declared by this court, is a great trust devolved upon congress, carrying with it the duty of creating and maintaining a uniform standard of value throughout the Union, and it would be a manifest abuse of this trust to give to the coins issued by its authority any other than their real value. By debasing the coins, when once the standard is fixed, is meant giving to the coins by their form and impress a certificate of their having a relation to that standard different from that which in truth *466 they possess; in other words, giving to the coins a false certificate of their value. Arbitrary and profligate governments have often resorted to this miserable scheme of robbery,

which Mill designates as a shallow and impudent artifice, the 'least covert of all modes of knavery, which consists in calling a shilling a pound, that a debt of one hundred pounds may be canceled by the payment of one hundred shillings.' No such debasement has ever been attempted in this country, and none ever will be so long as any sentiment of honor influences the governing power of the nation. The changes from time to time in the quantity of alloy in the different coins has been made to preserve the proper relative value between gold and silver, or to prevent exportation, and not with a view of debasing them. Whatever power may be vested in the government of the United States, it has none to perpetrate such monstrous iniquity. One of the great purposes of its creation, as expressed in the preamble of the constitution, was the establishment of justice, and not a line nor a word is found in that instrument which sanctions any intentional wrong to the citizen, either in war or in peace.

But beyond and above all the objections which I have stated to the decision recognizing a power in congress to impart the legal-tender quality to the notes of the government, is my objection to the rule of construction, adopted by the court to reach its conclusions—a rule which, fully carried out, would change the whole nature of our constitution, and break down the barriers which separate a government of limited from one of unlimited powers. When the constitution came before the conventions of the several states for adoption, apprehension existed that other powers than those designated might be claimed; and it led to the first 10 amendments. When these were presented to the states they were preceded by a preamble stating that the conventions of a number of the states had, at the time of adopting the constitution, expressed a desire, 'in order to prevent misconception or abuse of its powers, that further declaratory and restrictive clauses should be added.'**140 One of them is found in the tenth amendment, which declares *467 that 'the powers not delegated to the United States by the constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.'The

framers of the constitution, as I have said, were profoundly impressed with the evils which had resulted from the vicious legislation of the states making notes a legal tender, and they determined that such a power should not exist any longer. They therefore prohibited the states from exercising it, and they refused to grant it to the new government which they created. Of what purpose is it, then, to refer to the exercise of the power by the absolute or the limited governments of Europe, or by the states previous to our constitution? Congress can exercise no power by virtue of any supposed inherent sovereignty in the general government. Indeed, it may be doubted whether the power can be correctly said to appertain to sovereignty in any proper sense, as an attribute of an independent political community. The power to commit violence, perpetrate injustice, take private property by force without compensation to the owner, and compel the receipt of promises to pay in place of money, may be exercised, as it often has been, by irresponsible authority, but it cannot be considered as belonging to a government founded upon law. But be that as it may, there is no such thing as a power of inherent sovereignty in the government of the United States. It is a government of delegated powers, supreme within its prescribed sphere, but powerless outside of it. In this country, sovereignty resides in the people, and congress can exercise no power which they have not, by their constitution, intrusted to it; all else is withheld. It seems, however, to be supposed that, as the power was taken from the states, it could not have been intended that it should disappear entirely, and therefore it must, in some way, adhere to the general government, notwithstanding the tenth amendment and the nature of the constitution. The doctrine that a power not expressly forbidden may be exercised would, as I have observed, change the character of our government. If I have read the constitution aright, if there is any weight to be given to the uniform teachings of our great jurists and of commentators*468 previous to the late civil war, the true doctrine is the very opposite of this. If the power is not in terms granted, and is not necessary and proper for the exercise of a power which is thus granted,

it does not exist. And in determining what measures may be adopted in executing the powers granted, Chief Justice MARSHALL declares that they must be appropriate, plainly adapted to the end, not prohibited, and *consistent with the letter and spirit of the constitution*. Now, all through that instrument we find limitations upon the power, both of the general government and the state governments, so as to prevent oppression and injustice. No legislation, therefore, tending to promote either can consist with the letter and spirit of the constitution. A law which interferes with the contracts of others, and compels one of the parties to receive in satisfaction something different from that stipulated, without reference to its actual value in the market, necessarily works such injustice and wrong.

There is, it is true, no provision in the constitution of the United States forbidding in direct terms the passing of laws by congress impairing the obligation of contracts, and there are many express powers conferred, such as the power to declare war, levy duties, and regulate commerce, the exercise of which affects more or less the value of contracts. Thus, war necessarily suspends intercourse between the citizens or subjects of belligerent nations, and the performance during its continuance of previous contracts. The imposition of duties upon goods may affect the prices of articles imported or manufactured, so as to materially alter the value of previous contracts respecting them. But these incidental consequences arising from the exercise of such powers were contemplated in the grant of them. As there can be no solid objection to legislation under them, no just complaint can be made ****141** of such consequences. But far different is the case when the impairment of the contract does not follow incidentally, but is directly and in terms allowed and enacted. Legislation operating directly upon private contracts, changing their conditions, is forbidden to the states; and no power to alter the stipulations of such contracts by direct legislation ***469** is conferred upon congress. There are also many considerations, outside of the fact that there is no grant of the power, which show that the framers of the con-

stitution never intended that such power should be exercised. One of the great objects of the constitution, as already observed, was to establish justice, and what was meant by that in its relations to contracts, as said by the late chief justice in his opinion in *Hepburn v. Griswold*, was not left to interference or conjecture. And in support of this statement he refers to the fact that when the constitution was undergoing discussion in the convention, the congress of the confederation was engaged in framing the ordinance for the government of the Northwest territory, in which certain articles of compact were established between the people of the original states and the people of the territory 'for the purposes,' as expressed in the instrument, 'of extending the fundamental principles of civil and religious liberty, whereon these republics, [the states united under the confederation,] their laws and constitutions, are erected.' That congress was also alive to the evils which the loose legislation of the states had created by interfering with the obligation of private contracts and making notes a legal tender for debts; and the ordinance declared that in the just preservation of rights and property no law 'ought ever to be made, or have force in the said territory, that shall in any manner whatever interfere with or affect private contracts, or engagements, *bona fide* and without fraud previously formed.' This principle, said the chief justice, found more condensed expression in the prohibition upon the states against impairing the obligation of contracts, which has always been recognized 'as an efficient safeguard against injustice;' and the court was then of opinion that 'it is clear that those who framed and those who adopted the constitution intended that the spirit of this prohibition should pervade the entire body of legislation, and that the justice which the constitution was ordained to establish was not thought by them to be compatible with legislation of an opposite tendency.' Soon after the constitution was adopted the case of *Calder v. Bull* came before this court, and it was ***470** there said that there were acts which the federal and state legislatures could not do without exceeding their authority; and among them was mentioned a law which punished a

citizen for an innocent act, and a law which destroyed or impaired the lawful private contracts of citizens. 'It is against all reason and justice,' it was added, 'for a people to intrust a legislature with such powers, and therefore it cannot be presumed that they have done it.' 3 Dall. 388. And Mr. Madison, in one of the articles in the *Federalist*, declared that laws impairing the obligation of contracts were contrary to the first principles of the social compact, and to every principle of sound legislation. Yet this court holds that a measure directly operating upon and necessarily impairing private contracts, may be adopted in the execution of powers specifically granted for other purposes because it is not in terms prohibited, and that it is consistent with the letter and spirit of the constitution.

From the decision of the court I see only evil likely to follow. There have been times within the memory of all of us when the legal-tender notes of the United States were not exchangeable for more than one-half of their nominal value. The possibility of such depreciation will always attend paper money. This inborn infirmity no mere legislative declaration can cure. If congress has the power to make the notes a legal tender and to pass as money or its equivalent, why should not a sufficient amount be issued to pay the bonds of the United States as they mature? Why pay interest on the millions of dollars of bonds now due when congress can in one day make the money to pay ****142** the principal? And why should there be any restraint upon unlimited appropriations by the government for all imaginary schemes of public improvement, if the printing-press can furnish the money that is needed for them?

U.S. 1884
The Legal Tender Cases
110 U.S. 421, 4 S.Ct. 122, 28 L.Ed. 204

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KEYCITE

CThe Legal Tender Cases, 110 U.S. 421, 4 S.Ct. 122, 28 L.Ed. 204 (U.S.N.Y., Mar 03, 1884)

History

=> 1 **The Legal Tender Cases**, 110 U.S. 421, 4 S.Ct. 122, 28 L.Ed. 204 (U.S.N.Y. Mar 03, 1884)

1 **17.10 United States of America Money Act, 1 Stat. 246-251 (1792)**

2 The United States of America Money Act was the first official act establishing the value of a dollar and creating the U.S.
3 Mint. The value of a dollar was set at the same weight in silver as the Spanish milled dollar. This act has never been repealed
4 and is still in force today. It sets the amount of silver tied to a U.S. dollar.

5

STATUTE I.

March 28, 1792.

[Obsolete.]
1795, ch. 44,
sec. 18.
President of
the U. S. may
appoint not
more than four
B. Generals.

CHAP. XIV.—*An Act supplemental to the act for making farther and more effectual provision for the protection of the frontiers of the United States.*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it shall be lawful for the President of the United States, by and with the advice and consent of the Senate, to appoint such number of brigadier generals as may be conducive to the good of the public service. Provided the whole number appointed or to be appointed, shall not exceed four.

APPROVED, March 28, 1792.

STATUTE I.

April 2, 1792.

[Obsolete.]
Secretary of
Treasury to finish
the lighthouse on
Baldhead in North
Carolina.

CHAP. XV.—*An Act for finishing the Lighthouse on Baldhead at the mouth of Cape Fear river in the State of North Carolina.*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury, under the direction of the President of the United States, be authorized, as soon as may be, to cause to be finished in such manner as shall appear advisable, the lighthouse heretofore begun under the authority of the state of North Carolina, on Baldhead at the mouth of Cape Fear river in the said state: And that a sum, not exceeding four thousand dollars, be appropriated for the same, out of any monies heretofore appropriated, which may remain unexpended, after satisfying the purposes for which they were appropriated, or out of any other monies, which may be in the treasury, not subject to any prior appropriation.

APPROVED, April 2, 1792.

STATUTE I.

April 2, 1792.

Mint established at the
seat of government.

Director to employ work-
men, &c.

CHAP. XVI.—*An Act establishing a Mint, and regulating the Coins of the United States.*(a)

SECTION 1. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, and it is hereby enacted and declared,* That a mint for the purpose of a national coinage be, and the same is established; to be situate and carried on at the seat of the government of the United States, for the time being: And that for the well conducting of the business of the said mint, there shall be the following officers and persons, namely,—a Director, an Assayer, a Chief Coiner, an Engraver, a Treasurer.

SEC. 2. *And be it further enacted,* That the Director of the mint shall employ as many clerks, workmen and servants, as he shall from time to time find necessary, subject to the approbation of the President of the United States.

SEC. 3. *And be it further enacted,* That the respective functions and

(a) The acts establishing and regulating the mint of the United States, and for regulating coins, have been: An act establishing a mint and regulating the coins of the United States passed April 2, 1792, chap. 16; an act regulating foreign coins, and for other purposes, February 9, 1793, chap. 6; an act in alteration of the act establishing a mint and regulating the coins of the United States, March 3, 1794, chap. 4; an act supplementary to the act entitled, "An act to establish a mint and regulating the coins of the United States," passed March 3, 1795, chap. 47; an act respecting the mint, May 27, 1796, chap. 33; an act respecting the mint, April 24, 1800, chap. 34; an act concerning the mint, March 3, 1801, chap. 21; an act to prolong the continuance of the mint at Philadelphia, January 14, 1818, chap. 4; an act further to prolong the continuance of the mint at Philadelphia, March 3, 1823, chap. 43; an act to continue the mint at the city of Philadelphia, and for other purposes, May 19, 1828, chap. 67; an act concerning the gold coins of the United States, and for other purposes, June 28, 1834, chap. 95; an act to establish branches of the mint of the United States, March 3, 1835, chap. 39; an act supplementary to an act entitled, "An act establishing a mint, and regulating the coins of the United States," January 18, 1837, chap. 3; an act to amend an act entitled, "An act to establish branches of the mint of the United States," February 13, 1837, chap. 14; an act amendatory of an act establishing the branch mint at Dahlonega, Georgia, and defining the duties of the assayer and coiner, 1843, ch. 46. General Index.

duties of the officers above mentioned shall be as follow: The Director of the mint shall have the chief management of the business thereof, and shall superintend all other officers and persons who shall be employed therein. The Assayer shall receive and give receipts for all metals which may lawfully be brought to the mint to be coined; shall assay all such of them as may require it, and shall deliver them to the Chief Coiner to be coined. The Chief Coiner shall cause to be coined all metals which shall be received by him for that purpose, according to such regulations as shall be prescribed by this or any future law. The Engraver shall sink and prepare the necessary dies for such coinage, with the proper devices and inscriptions, but it shall be lawful for the functions and duties of Chief Coiner and Engraver to be performed by one person. The Treasurer shall receive from the Chief Coiner all the coins which shall have been struck, and shall pay or deliver them to the persons respectively to whom the same ought to be paid or delivered: he shall moreover receive and safely keep all monies which shall be for the use, maintenance and support of the mint, and shall disburse the same upon warrants signed by the Director.

Duty of the officers.

Assayer.
Act of March 3, 1794, ch. 4, sec. 2.
Chief Coiner.

Engraver.

Treasurer.

SEC. 4. *And be it further enacted*, That every officer and clerk of the said mint shall, before he enters upon the execution of his office, take an oath or affirmation before some judge of the United States faithfully and diligently to perform the duties thereof.

To take oath.

SEC. 5. *And be it further enacted*, That the said assayer, chief coiner and treasurer, previously to entering upon the execution of their respective offices, shall each become bound to the United States of America, with one or more sureties to the satisfaction of the Secretary of the Treasury, in the sum of ten thousand dollars, with condition for the faithful and diligent performance of the duties of his office.

And give bond.
Act of March 3, 1794, ch. 4, sec. 2.

SEC. 6. *And be it further enacted*, That there shall be allowed and paid as compensations for their respective services—To the said director, a yearly salary of two thousand dollars, to the said assayer, a yearly salary of one thousand five hundred dollars, to the said chief coiner, a yearly salary of one thousand five hundred dollars, to the said engraver, a yearly salary of one thousand two hundred dollars, to the said treasurer, a yearly salary of one thousand two hundred dollars, to each clerk who may be employed, a yearly salary not exceeding five hundred dollars, and to the several subordinate workmen and servants, such wages and allowances as are customary and reasonable, according to their respective stations and occupations.(a)

Salaries.

SEC. 7. *And be it further enacted*, That the accounts of the officers and persons employed in and about the said mint and for services performed in relation thereto, and all other accounts concerning the business and administration thereof, shall be adjusted and settled in the treasury department of the United States, and a quarter yearly account of the receipts and disbursements of the said mint shall be rendered at the said treasury for settlement according to such forms and regulations as shall have been prescribed by that department; and that once in each year a report of the transactions of the said mint, accompanied by an abstract of the settlements which shall have been from time to time made, duly certified by the comptroller of the treasury, shall be laid before Congress for their information.

Accounts how and where to be settled.

SEC. 8. *And be it further enacted*, That in addition to the authority vested in the President of the United States by a resolution of the last session, touching the engaging of artists and the procuring of apparatus

President of U. S. to cause buildings to be provided.

(a) The acts relating to the salaries of the officers of the mint now in force, are: An act to continue the mint in the city of Philadelphia, May 19, 1828, chap. 67, sec. 6; an act supplementary to the act entitled, "An act establishing a mint, and regulating the coins of the United States," January 18, 1837, chap. 3, sec. 7; an act to establish branches of the mint of the United States, Feb. 13, 1837, chap. 11, sec. 2.

expense how to be defrayed.	Species of the coins to be struck.	<p>for the said mint, the President be authorized, and he is hereby authorized to cause to be provided and put in proper condition such buildings, and in such manner as shall appear to him requisite for the purpose of carrying on the business of the said mint; and that as well the expenses which shall have been incurred pursuant to the said resolution as those which may be incurred in providing and preparing the said buildings, and all other expenses which may hereafter accrue for the maintenance and support of the said mint, and in carrying on the business thereof, over and above the sums which may be received by reason of the rate per centum for coinage herein after mentioned, shall be defrayed from the treasury of the United States, out of any monies which from time to time shall be therein, not otherwise appropriated.</p>
	Eagles.	<p>SEC. 9. <i>And be it further enacted,</i> That there shall be from time to time struck and coined at the said mint, coins of gold, silver, and copper, of the following denominations, values and descriptions, viz. EAGLES—each to be of the value of ten dollars or units, and to contain two hundred and forty-seven grains and four eighths of a grain of pure, or two hundred and seventy grains of standard gold. HALF EAGLES—each to be of the value of five dollars, and to contain one hundred and twenty-three grains and six eighths of a grain of pure, or one hundred and thirty-five grains of standard gold. QUARTER EAGLES—each to be of the value of two dollars and a half dollar, and to contain sixty-one grains and seven eighths of a grain of pure, or sixty-seven grains and four eighths of a grain of standard gold. DOLLARS OR UNITS—each to be of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four sixteenth parts of a grain of pure, or four hundred and sixteen grains of standard silver. HALF DOLLARS—each to be of half the value of the dollar or unit, and to contain one hundred and eighty-five grains and ten sixteenth parts of a grain of pure, or two hundred and eight grains of standard silver. QUARTER DOLLARS—each to be of one fourth the value of the dollar or unit, and to contain ninety-two grains and thirteen sixteenth parts of a grain of pure, or one hundred and four grains of standard silver. DISMES—each to be of the value of one tenth of a dollar or unit, and to contain thirty-seven grains and two sixteenth parts of a grain of pure, or forty-one grains and three fifth parts of a grain of standard silver. HALF DISMES—each to be of the value of one twentieth of a dollar, and to contain eighteen grains and nine sixteenth parts of a grain of pure, or twenty grains and four fifth parts of a grain of standard silver. CENTS—each to be of the value of the one hundredth part of a dollar, and to contain eleven penny-weights of copper. HALF CENTS—each to be of the value of half a cent, and to contain five penny-weights and half a penny-weight of copper. (a)</p>
	Half Eagles.	
	Quarter Eagles.	
	Dollars or Units.	
	Half Dollars.	
	Quarter Dol- lars.	
	Dimes.	
	Half Dimes.	
	Cents.	
	Half Cnts. Act of May 8, 1792.	
Of what de- vices.		<p>SEC. 10. <i>And be it further enacted,</i> That, upon the said coins respectively, there shall be the following devices and legends, namely: Upon one side of each of the said coins there shall be an impression emblematic of liberty, with an inscription of the word Liberty, and the year of the coinage; and upon the reverse of each of the gold and silver coins there shall be the figure or representation of an eagle, with this inscription, "UNITED STATES OF AMERICA" and upon the reverse of each of the copper coins, there shall be an inscription which shall express the denomination of the piece, namely, cent or half cent, as the case may require.</p> <p>SEC. 11. <i>And be it further enacted,</i> That the proportional value of gold to silver in all coins which shall by law be current as money within</p>

(a) The acts regulating the gold and silver coins of the United States, are: An act establishing a mint and regulating the coins of the United States, April 2, 1792, chap. 16, sec. 9; an act concerning the gold coins of the United States, and for other purposes, June 28, 1834, chap. 9; an act supplementary to the act entitled "An act to establish a mint, and regulating the coins of the United States, January 18, 1837, chap. 3, sec. 8, 9, 10.

the United States, shall be as fifteen to one, according to quantity in weight, of pure gold or pure silver; that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments, with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals.(a)

Proportional value of gold to silver.

SEC. 12. *And be it further enacted,* That the standard for all gold coins of the United States shall be eleven parts fine to one part alloy; and accordingly that eleven parts in twelve of the entire weight of each of the said coins shall consist of pure gold, and the remaining one twelfth part of alloy; and the said alloy shall be composed of silver and copper, in such proportions not exceeding one half silver as shall be found convenient; to be regulated by the director of the mint, for the time being, with the approbation of the President of the United States, until further provision shall be made by law. And to the end that the necessary information may be had in order to the making of such further provision, it shall be the duty of the director of the mint, at the expiration of a year after commencing the operations of the said mint, to report to Congress the practice thereof during the said year, touching the composition of the alloy of the said gold coins, the reasons for such practice, and the experiments and observations which shall have been made concerning the effects of different proportions of silver and copper in the said alloy.(b)

Standard for gold coins, and alloy how to be regulated.

Director to report the practice of the mint touching the alloy of gold coins.

SEC. 13. *And be it further enacted,* That the standard for all silver coins of the United States, shall be one thousand four hundred and eighty-five parts fine to one hundred and seventy-nine parts alloy; and accordingly that one thousand four hundred and eighty-five parts in one thousand six hundred and sixty-four parts of the entire weight of each of the said coins shall consist of pure silver, and the remaining one hundred and seventy-nine parts of alloy; which alloy shall be wholly of copper.(c)

Standard for silver coins—alloy how to be regulated.

Alloy.

SEC. 14. *And be it further enacted,* That it shall be lawful for any person or persons to bring to the said mint gold and silver bullion, in order to their being coined; and that the bullion so brought shall be there assayed and coined as speedily as may be after the receipt thereof, and that free of expense to the person or persons by whom the same shall have been brought. And as soon as the said bullion shall have been coined, the person or persons by whom the same shall have been delivered, shall upon demand receive in lieu thereof coins of the same species of bullion which shall have been so delivered, weight for weight, of the pure gold or pure silver therein contained: *Provided nevertheless,* That it shall be at the mutual option of the party or parties bringing such bullion, and of the director of the said mint, to make an immediate exchange of coins for standard bullion, with a deduction of one half per cent. from the weight of the pure gold, or pure silver contained in the said bullion, as an indemnification to the mint for the time which will necessarily be required for coining the said bullion, and for the advance which shall have been so made in coins. And it shall be the duty of the Secretary of the Treasury to furnish the said mint from time to time whenever the state of the treasury will admit thereof, with such sums as may be necessary for effecting the said exchanges, to be replaced as speedily as may be out of the coins which shall have been made of the bullion for which the monies so furnished shall have been exchanged; and the said deduction of one half per cent. shall constitute a fund towards defraying the expenses of the said mint.

Persons may bring gold and silver bullion, to be coined free of expense;

Act of April 24, 1800, ch. 34. how the director may exchange coins therefor, deducting half per cent.

Duty of Secretary of Treasury herein.

The half per cent. to constitute a fund, &c.

Order of delivering coins to persons bringing bullion, and

SEC. 15. *And be it further enacted,* That the bullion which shall be brought as aforesaid to the mint to be coined, shall be coined, and the equivalent thereof in coins rendered, if demanded, in the order in which

(a) See note to section 9. Vol. I.—32

(b) See note to section 9.

(c) See note to section 9.

penalty on giving undue preference, &c.
Act of March 3, 1793, ch. 36.

the said bullion shall have been brought or delivered, giving priority according to priority of delivery only, and without preference to any person or persons; and if any preference shall be given contrary to the direction aforesaid, the officer by whom such undue preference shall be given, shall in each case forfeit and pay one thousand dollars; to be recovered with costs of suit. And to the end that it may be known if such preference shall at any time be given, the assayer or officer to whom the said bullion shall be delivered to be coined, shall give to the person or persons bringing the same, a memorandum in writing under his hand, denoting the weight, fineness and value thereof, together with the day and order of its delivery into the mint.

Coins made a lawful tender,

SEC. 16. *And be it further enacted*, That all the gold and silver coins which shall have been struck at, and issued from the said mint, shall be a lawful tender in all payments whatsoever, those of full weight according to the respective values herein before declared, and those of less than full weight at values proportional to their respective weights.

and to be made conformable to the standard weights, &c.

SEC. 17. *And be it further enacted*, That it shall be the duty of the respective officers of the said mint, carefully and faithfully to use their best endeavours that all the gold and silver coins which shall be struck at the said mint shall be, as nearly as may be, conformable to the several standards and weights aforesaid, and that the copper whereof the cents and half cents aforesaid may be composed, shall be of good quality.

The Treasurer to reserve not less than three pieces of each coin to be assayed;

SEC. 18. And the better to secure a due conformity of the said gold and silver coins to their respective standards, *Be it further enacted*, That from every separate mass of standard gold or silver, which shall be made into coins at the said mint, there shall be taken, set apart by the treasurer and reserved in his custody a certain number of pieces, not less than three, and that once in every year the pieces so set apart and reserved, shall be assayed under the inspection of the Chief Justice of the United States, the Secretary and Comptroller of the Treasury, the Secretary for the department of State, and the Attorney General of the United States, (who are hereby required to attend for that purpose at the said mint, on the last Monday in July in each year,) or under the inspection of any three of them, in such manner as they or a majority of them shall direct, and in the presence of the director, assayer and chief coiner of the said mint; and if it shall be found that the gold and silver so assayed, shall not be inferior to their respective standards herein before declared more than one part in one hundred and forty-four parts, the officer or officers of the said mint whom it may concern shall be held excusable; but if any greater inferiority shall appear, it shall be certified to the President of the United States, and the said officer or officers shall be deemed disqualified to hold their respective offices.

when and by whom, &c.

1801, ch. 21.

Penalty on debasing the coins.

SEC. 19. *And be it further enacted*, That if any of the gold or silver coins which shall be struck or coined at the said mint shall be debased or made worse as to the proportion of fine gold or fine silver therein contained, or shall be of less weight or value than the same ought to be pursuant to the directions of this act, through the default or with the connivance of any of the officers or persons who shall be employed at the said mint, for the purpose of profit or gain, or otherwise with a fraudulent intent, and if any of the said officers or persons shall embezzle any of the metals which shall at any time be committed to their charge for the purpose of being coined, or any of the coins which shall be struck or coined at the said mint, every such officer or person who shall commit any or either of the said offences, shall be deemed guilty of felony, and shall suffer death.

Money of account to be expressed in dollars, &c.

SEC. 20. *And be it further enacted*, That the money of account of the United States shall be expressed in dollars or units, dismes or tenths, cents or hundredths, and milles or thousandths, a disme being the tenth part of a dollar, a cent the hundredth part of a dollar, a mille the thou-

sandth part of a dollar, and that all accounts in the public offices and all proceedings in the courts of the United States shall be kept and had in conformity to this regulation.

APPROVED, April 2, 1792.

STATUTE I.

CHAP. XVII.—*An Act supplementary to the act for the establishment and support of lighthouses, beacons, buoys, and public piers.*

April 12, 1792.

1789, ch. 9.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That all expenses which shall accrue from the first day of July next, inclusively, for the necessary support, maintenance, and repairs of all lighthouses, beacons, buoys, the stakeage of channels, on the sea-coast, and public piers, shall continue to be defrayed by the United States, until the first day of July, in the year one thousand seven hundred and ninety-three, notwithstanding such lighthouses, beacons, or public piers, with the lands and tenements thereunto belonging, and the jurisdiction of the same, shall not in the mean time be ceded to, or vested in the United States, by the state or states respectively, in which the same may be, and that the said time be further allowed, to the states respectively to make such cession.

Expenses of beacons, &c. to be borne till July 1793.

1793, ch. 27.

SEC. 2. *And be it further enacted,* That the secretary of the treasury be authorized to cause to be provided, erected, and placed, a floating beacon, and as many buoys, as may be necessary for the security of navigation, at and near the entrance of the harbor of Charleston, in the state of South Carolina. And also to have affixed three floating beacons in the bay of Chesapeak; one at the north end of Willoughby's Spit, another at the tail of the Horse Shoe; and the third on the shoalest place of the middle ground.

Floating beacons to be placed at Charleston harbor and Chesapeake bay.

APPROVED, April 12, 1792.

STATUTE I.

CHAP. XVIII.—*An Act to erect a Lighthouse on Montok Point in the state of New York.*

April 12, 1792.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That as soon as the jurisdiction of such land on Montok Point in the state of New York as the President of the United States shall deem sufficient and most proper for the convenience and accommodation of a lighthouse shall have been ceded to the United States it shall be the duty of the secretary of the treasury, to provide by contract which shall be approved by the President of the United States, for building a lighthouse thereon, and for furnishing the same with all necessary supplies, and also to agree for the salaries or wages of the person or persons who may be appointed by the President for the superintendence and care of the same; and the President is hereby authorized to make the said appointments. That the number and disposition of the lights in the said lighthouse shall be such as may tend to distinguish it from others, and as far as is practicable, prevent mistakes.

Lighthouse on certain conditions to be built on Montok Point in State of N. Y.

APPROVED, April 12, 1792.

The following act of Congress, although strictly a private act, has application to so large a body of lands in the state of Ohio, as to justify its insertion in the form of a note.

An act for ascertaining the Bounds of a Tract of Land purchased by John Cleves Symmes.

Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That the President of the United States be and he hereby is authorized at the request of John Cleves Symmes, or his agent or agents, to alter the contract made between the late board of treasury and the said John Cleves Symmes, for the sale of a tract of land of one million of acres, in such manner that the said tract may extend from the mouth of the Great Miami, to the mouth of the Little Miami, and