The New Approach to Freedom

Together with Essays on the Separation of Money and State

by E.C. Riegel

Edited By
Spencer Heath MacCallum and George Morton

∞∞∞∞∞

THE HEATHER FOUNDATION
Los Angeles California

Author Preface

Self-government, so-called, is the art of governing government. It has been slowly and painfully developed. Now, through an Open Sesame to tyranny offered by the universal ignorance of money, it is threatened with becoming a lost art. The state's modern method of deceiving the citizen with counterfeit money menaces civilization through a confusion of monetary tongues and renders society unfit for self government until its ignorance of money shall be dispelled and government of government restored by the separation of money and state. In view of the transcendency of this issue, where is there a friend of freedom who will not give its solution priority over any and all other reforms?

I ask you, Earnestly, E. C .Riegel

Editorial Preface

THIS BOOK was printed privately by its author in 1949, under the name of the Valun Institute for Monetary Research, of New York City. The author died in 1954. When I acquired his papers from the widow of his friend and colleague, Major Ivan Firth, on the latter''s death ten years later, the papers included a small inventory of a few hundred copies of this paperback booklet. Among the people to whom I gave copies was Harry Browne, who was later to write a series of best-selling, popular books on personal economic survival in troubled times. In one of these (You Can Profit from a Monetary Crisis, Macmillan, New York, 1974), he made this reference to The New Approach to Freedom: ""The best explanation of the free market I''ve seen." The result was a flurry of orders that are still continuing at the rate of several per week. It was obvious that the supply would soon be exhausted. I decided to reprint the booklet, therefore, to keep it available, and this also seemed a good time to read through and organize Riegel''s papers——a task I had procrastinated for ten years. Perhaps new material would come to light that should be printed with it. This led to an extraordinary discovery: the manuscript of a major book, Flight From Inflation, which Riegel had managed (painfully, as his correspondence revealed, because of the progressive effects of Parkinson''s disease) to complete before his death. The existence of such a manuscript had been totally unsuspected by me. There were also numerous essays, as well as a partial file of correspondence covering the last ten years of his active life. Reading these papers, both for the thinking they contained and for the occasional glimpses into the extraordinary personality of E. C. Riegel, especially his idealism and his uncompromising personal integrity, was a fascinating education. Bringing Riegel into print, therefore, in a way appropriate to the highly original views which he had to offer the world, now became a primary objective. With the very able help of friend and associate, George Morton, I edited Flight and prepared it for simultaneous publication with New Approach.

In preparing the present edition of The New Approach to Freedom, I made very little change in the main text beyond some judicious pruning. The Appendix material, however, which sets out Riegel''s thoughts on the practical application of his monetary ideas, seemed wholly inadequate, particularly now in the light of the newly discovered Flight From Inflation. I have deleted it entirely, therefore, and in its place pieced together a new essay in Riegel''s own words but drawn from various places in his unpublished writings. This essay, "" Design Requirements for a Personal Enterprise Monetary System,"" describes only the main features that Riegel believed a natural monetary system would have to incorporate in order to be successful. The reader who is interested in the more practical aspects of Riegel''s thought, therefore, as well as a further development of his underlying philosophy, is referred to Flight From Inflation. The presentation of the Valun Plan in the latter volume is more complete and differs in substance from that in the first (pamphlet) edition of The New Approach to Freedom. In addition to these changes, I have added eight short essays, previously unpublished, that I feel will add interest to this little volume.

In all of his writings, Riegel was interested in human freedom. In the present volume, that is the main thrust, and the understanding of money is presented as a vehicle to serve that end. In Flight From Inflation, on the other hand, understanding money and inflation is *the main subject, and the implications for human freedom are secondary, even if very much present. Because of this difference in orientation, it did not seem appropriate to try to combine both in a single volume. Each has its separate integrity. The material in each is complementary to the other, and the degree of over-lap is not enough to detract from either. The reader who enjoys this volume, therefore, is invited to look into Riegel's major presentation of his monetary ideas in Flight From Inflation.*

S.H.M.

San Pedro, CaliforniaJuly 21,1975

Foreword

WHY IS IT that human aspirations to freedom are thwarted in spite of all the devices that man has thus far adopted? To answer that question and offer a new approach is the purpose of this book.

Man has ever dreamed of a promised land of freedom and steadily pursued his ideal. Though ever dissatisfied with today's accomplishment, he has held to his hope of tomorrow. He has rejected the autocratic idea of government and adopted the democratic. But in his assertion of self-sovereignty he has, through ignorance, abdicated his most vital inherent power. He has not only permitted the state to pervert this power, but he has actually thrust it upon the state, to the inevitable miscarriage of all his devices to conserve freedom.

So universal is this innocence of self-power and this self-imposed frustration in the pursuit of freedom that man is himself the tyrant over man, and no imposing power exists to be overthrown. Only a revolution in the mind of the individual is needed to accomplish the greatest stroke for freedom of all time. The present perplexity induced by the world-wide perversion of the social order is conducive to introspection as the impotency of the state becomes apparent in its effort to free man from a vice that man has imposed upon himself. Man must free the state, not the state the man.

When the earth was believed to be flat, the belief was based upon the immediately obvious and hence was universal. Until there arose thinkers who dared to challenge the obvious, mankind remained oblivious of its self imposed physical, intellectual and moral limitations.

So it is today. The obvious must be challenged by reason. A universal misconception must be abandoned and replaced with the true concept to effect the liberation of mankind——indeed, to save it from decline into another dark age. What is this universal misconception?

It is the belief that money issuance is a function of the state. True, men divide in their ideas as to just how the function is to be performed, some believing that so called safeguards must be imposed, others at the other end of the gamut believing that the state alone should exert the money power, to the complete exclusion of private issue. Take a world poll of the academies, the parliaments, the banking houses, the market places, urban and rural homes. Include persons of all ages, from the child barely conscious of money to the gray heads, and you will find 100 percent holding to the superstition that the state serves some indispensable part in the monetary system. From school primer to scholarly tome, all literature salutes the political money idea. Is it not just as obvious to us that money and state are inseparable as it was to ancient man that the world was flat? Do we not see the Government's name stamped on bills and coins? And if we are enlightened enough to know that checks are as truly money as currency, do we not see the Government issuing checks? Do we not see the banking system under the apparent necessity of regulation by Government? Is not the monetary unit defined by law, and are there not innumerable laws apparently regulating it?

Set against this evidence and traditional belief the statement——which this book undertakes to prove——that no government ever has or ever can emit anything but counterfeit money, which gains its substance by robbing the genuine money with which it blends, and the issue is sharply joined between old and new thought. If the new thought, which asserts that money can spring only from private sources, is correct, it may be realized that society has enslaved itself under a false concept and left unopened the door to the liberating concept of the new approach to freedom.

It is a remarkable fact that no constitution of any state, nor any declaration of human rights, has ever proclaimed the right of freedom of money issue. Yet this right is inseparable from the right of bargain or exchange, which is the very foundation of liberty. Man's ignorance of the laws of money has blinded him to the very touchstone of freedom, without which the state cannot be curbed or his own capacity for progress and prosperity facilitated. We stand now at the dawn of a new approach to the ages old problem of human emancipation from superstition, with prospect of a tremendous lift to the spirit of conquest over the forces of darkness and depression.

Since all schools of monetary thought honor the political money concept, it follows that the new approach is a challenge to all. It matters little whether the reader has been academically taught his ideas of money or whether he has merely absorbed them; he must be prepared to reexamine the subject, without prejudice, if he could gain the mastery and liberation that this book promises.

There are no black beasts or scapegoats in this treatise upon which the reader can pin the blame for the evils from which we suffer and thus ease his conscience or vent his emotions. Where guilt is found, the finger points straight at you, and there are no alibis. There are no monetary master minds who have conspired to enslave or exploit society by imposing the prevailing system. All are as ignorant of the fundamentals of money as you, though some are cunning enough to favorably align themselves with the existing order, just as you would like to do.

But since all responsibility is yours, so is all power. Is it not a satisfaction to begin the study of a problem that offers a solution within your own power to realize? For once you are not confronted with the discouraging, if not hopeless, endeavor of seeking relief through political action with all that that involves. You are indeed sovereign, if you but realize that your money power is your sovereign power. You need no political laws to liberate your power for prosperity and peace; you are the master of your fate by natural law, if you but discover that law.

Realize that the state's power of disservice as well as service springs solely from your delegation of wholesome power and your imposition of perversive power . Money power is one power that you cannot delegate, nor can the state usurp it. It can only pervert it and thus pervert the whole social order. You and your fellows must exert it, for unless you exert it, this greatest of all social agencies lies fallow and human progress is stayed.

As you scan the world scene with all its miseries, its drab outlook, the discouraging prospect of a solution for humanity's problems by political means, and the remoteness from you of the capitols through which promised salvation is desperately hoped for, you are saddened by a sense of frustration. But if you realize that the citadel of power is your own home and that yours is the majesty and sovereignty, sadness will be dispelled by gladness. To bring this transformation, you must comprehend the power of money and that you are the money power.

The world is not flat, as we now know, and the money power of the state is a delusion. The inherency of money power in man is a fact, as we shall learn. This revolution in the minds of men will assure freedom, for freedom is constituted in unrestricted power to exchange, which in turn means prosperity and peace.

CHAPTER 1

What is Freedom?

SELF PRESERVATION is the first law of nature, and self advancement is the second. We cannot quarrel with this natural order even if we would. But one can pay lip tribute to the natural law and at the same time rob words of their full meaning. Do we realize that when we salute the natural law, we honor the so-called capitalistic or private enterprise system and accept it as the sole possible way of life?

Unfortunately, the terms capitalism and private enterprise are interpreted as the pursuit of segments of the community rather than the whole. An employee is as much a private enterpriser as an employer and as much a capitalist, because he strives for self-advancement and owns tools of production and things of consumption. Because of the bias attaching to the quoted terms, we shall henceforth use the term personal enterprise, or personal enterprise system, since all enterprise, all profits, all consumption are personal.

Man is induced to personal enterprise by hope of gain, but this hope may be inspired by illusion as well as reality. He may be "educated" to accept a detour to his objective rather than taking the direct route, but he is always inspired by his acquisitive instincts—personal gain. Socialism, communism, fascism and all other forms of state interventionism are but unintelligent methods of pursuing the personal enterprise system. There is but one productive way of life, and that is the personal enterprise system. But to date, it has always been encumbered by the delusion that the state can intervene helpfully. The personal enterprise system has never had to be "sold" to man, and that very fact proves that it is natural and not synthetic. Conclusive proof of its basic truth is the invariable appeal to the citizen's self interest by every advocate of state intervention, however deceptive the means proposed of attainment be.

Not only is man beset by the delusion that the state is or can be his helper in his pursuit of gain, but his acquisitive instincts are attacked on moral grounds as selfish. Selfishness is confused with greed, which is the antithesis of selfishness. For a greedy person covets the property of others, and thus sets up against himself a resistance that defeats his hope of unfair gain. Selfishness in its various gradations constitutes the cultural ladder by which man ascends from the brute to the most refined civilization. It can become so sublimated that it may seem like unselfishness, yet it follows a straight line, becoming ever more intelligent and gaining gratification from ever widening orbits of social indulgences.

Yes, man is selfish, for his first law is self-preservation and his second is self-advancement. Therefore selfishness is the sublime law of being. But to be intelligently selfish, man must win the respect and cooperation of his fellows, and here is where the social order stems directly from the individualistic. Before man can win cooperation, he must be able and willing to give it, and to do so he must develop himself materially and spiritually. Until he has attained the selfish level of cooperation with his fellows, no social order exists. Society could not have got started on the socialistic principle, ""from each according to his ability;" it began and develops on the principle "to each according to his ability".

Cooperation comes into existence when men are able to gratify one another's desires, and this ability arises when they can produce more of a given thing than they have immediate use for. In other words, cooperation finds its expression in exchange. Whatever promotes exchange promotes cooperation and economic and social advancement. Conversely, whatever impedes exchange is anti-social. Exchange, then, is the criterion of social and economic progress. The growth of freedom is entirely the growth of unhampered exchange.

Man is civilized to the exact extent that he has developed his exchange facilities. A people enjoying free exchange are a liberated people, and such have never yet existed, due largely to the interference of the state. Beginning on a barter basis, man slowly raised the social order until an escape from the limitations of barter became necessary. Then he invented money, which, properly understood and utilized, removes all limitations to progress.

The secret of productivity is in the specialization of labor, i.e. concentration upon a particular task regardless of the individual's immediate or remote need for the product thereof. Obviously, the value of such product is dependent upon its exchangeability, or as we say in a money economy, upon its salability. Just to the degree of salability is it feasible to pursue the production of a given commodity. So we see that exchange limits or expands production in accordance as it (exchange) is facile, and this facility is governed by the intelligence or ignorance that prevails over the monetary system. If man would be liberated, he must master money.

Natural law, inspiring personal enterprise, induces man to help himself by helping others. To advance himself, he must contemplate and gratify the wants of others, who in turn gratify his wants through the process of specialization of labor and exchange. Thus we see that personal enterprise is cooperative and social. The individual cannot determine his vocation or activity in contempt of the wishes of his fellows, for it is they who decide the value to them of such activity and reward him accordingly. Every man is the servant of every other man. This is the law of life. Therefore the most intelligently selfish individual is the most socially minded, productive, creative.

THE ENFORCER OF THE NATURAL LAW

Nature does not make a law without a policing agency. The natural law has a natural enforcer. In the process of exchange, there is the rule of competition, or comparison, whereby equity is established. Buyers, on one side of the trading line, compete with each other, and sellers, on the other side, compete with each other. Thus both buyers and sellers are assured of a square deal.

Competition compels cooperation, for he who will not deal fairly is defeated by his competitor. Therefore, that exchange that operates under the freest competition is the fairest. Such stigmatic phrases as unbridled competition and cut-throat competition reflect on the user rather than on the principle of competition, for no such conditions can possibly exist. Competition always maintains the perfect balance, since buyer restrains buyer and seller restrains seller. The market price under free competition is above criticism, for no higher judgment can possibly be invoked than the composite will of those who trade.

Under a money economy, competition is particularly essential, since values are expressed in terms of the monetary unit, or value unit, and values would not be determinable without the comparison process of competition. Thus competition is indispensable to the operation of a monetary system.

The natural phenomena of the personal enterprise system are specialization of labor, exchange, and competition. No man planned it so; it is purely natural, and any man-made laws professing to support them or thwart them are the purest profanation. All spring out of the acquisitive instincts, guided by natural intelligence.

The regulatory power of competition is all-pervasive when left to natural operation. Any effort to thwart it by monopoly is self-defeating if the state does not intervene, first to bias exchange and, later, to "outlaw monopoly." Under free competition, any trader who tries to escape its discipline may make a temporary gain, but when the reaction sets, finds himself suffering a loss. This is the penalty for violating the natural law of the personal enterprise system.

Competition subserves the law of progress and brings society to ever higher living standards. This it does by withholding patronage from the obsolescent and bestowing it upon the modern or improved. Competition is constantly regrouping buyers so as to bring the majority into support of the better. Thus it carries on a constant elective process that carries the democratic principle far beyond its political operation. It establishes majorities without tyranny over minorities. Everyone may patronize the product or maker of his choice by paying the price that its category merits.

Competition is social insurance. It is constantly operating for the benefit of society as a whole and against the individual's impulses of greed. By restraining the avarice of each, it works for the benefit of all, and by thus defeating the anti-social impulses brings greater benefit to each member of society. Man could not progress in the social scale or sustain his progress, but for the law of competition.

It is not given man to think socially. He thinks only individually, which is in accordance with the law of his being. But governing him against self-destruction is the law of competition, or enforced cooperation.

Man does not govern himself; he is governed by his fellows. Each man polices every other man, thus reciprocally keeping each within the bounds of equity and decency, or, as a penalty for transgression, imposing economic or social ostracism. Thus there is among men a natural government, unheralded by proclamation or formal constitution.

This government is far more effective in maintaining an orderly society than is political government. In fact, as we shall see, the latter is a disturber to a much greater degree than it is a harmonizer. The reason why the natural government is more pervasive and persuasive is not only that it is taxless, but that it actually pays dividends to its constituency by reason of the social advancement that its laws procure. It governs by positive good, and punishes only negatively, by diminishing that good through fellow-reaction to unpopular conduct.

No man can enjoy life without the respect, patronage and society of his fellows, and he need not be tried and convicted in any formal procedure to lose these. He can be punished more severely by silence and avoidance than by any positive penalty. From fellow judgment there is no appeal; it is a court of first and last resort.

Specialization of labor, exchange, and competition, the triune principle of the personal enterprise system and the sublime law of nature, cannot be improved. Hence any plan of the political planners may be looked upon as an attempt at subversion and an effort to advance the planners at the expense of society. Any plan to "protect," "improve," or "curb" the personal enterprise system is perversive, though this does not imply that the private or personal enterprise system is operating perfectly or has ever done so, because it has never been free of political perversion. It has always been the victim of political planners.

THE BREAKER OF THE NATURAL LAW

The motive of the individual is to get as much and give as little as possible. But for this motive, man could never have lifted himself above the brute. It causes him to invent methods of reducing labor, and, thus, with a given amount of energy expenditure, he constantly increases his productivity and raises his standard of living. But the get-much-give-little motive not only leads to greater production, it also tempts man to take the production of others. Therefore, man must be governed for the social good. The law of competition is this government.

Competition is a world government. It reigns wherever there are exchanges and social relations among men. It has no capitol, but operates in every market place and over every counter. It detects the non-cooperator and the cheater and swiftly metes out condign punishment. It is the acme of fairness. It disciplines the rich as well as the poor, the great and the humble, with even-handed justice. This irks the would-be lawbreaker.

Generally speaking, competition is liked by buyers and disliked by sellers. Since all of us are both sellers and buyers, it may be seen that none of us counts the law of competition an unmixed blessing. We are not divided fifty-fifty, however, in our support of, or our aversion for the law, because some of us act more often as buyers and others act more often as sellers. A wage or salary worker may sell his services in a single sale covering a period of weeks, months or years, while he is a buyer several times a day. Naturally he is more buyer-conscious, and is generally called a consumer. Employers and merchandisers buy services or goods in larger quantities——fewer transactions——than they sell them. Hence they are more seller conscious, and among them are the greatest number of would-be breakers of the law of competition.

Now, how does the law-breaking impulse find an escape from the strict and impartial law of competition? Paradoxically, it finds it in that which is commonly regarded as the law-enforcing agency: political government. Through the centuries, the state has masqueraded as the upholder of law and order. But in fact, it is the great propagator of lawlessness and disorder. It would appear as the palladium of our liberties, whereas its laws and enactments tend continuously to destroy them. It is to the capitols of the world that the would-be breakers of the natural law look for devices to bias exchange in their favor. Being the supreme monopoly in its realm, the state is the mother of all other monopolies that plague mankind. But for its intervention in the economic affairs of men, no monopoly could endure but a brief period and at heavy cost to the projectors. Yet here, again, it presents itself as the protector of the people against monopoly. Does it not enact anti-monopoly laws to prove it to the unthinking? It does not reveal, however, how, through its power to tax, grant patents, licenses, subsidies, tariffs, preferentials, and, above all, by its control of the monetary system, it restrains competition and, thereby, establishes and maintains monopolies.

Through its power to bias exchange in favor of pressure groups, the state attracts the lobbyists and special pleaders who do not like the natural law of competition applied to themselves. Their example is followed by more and more groups until, ultimately, unless curbed or thwarted, they must impair the personal enterprise system to the point of paralysis, with consequent dictatorship and social devolution.

The process is insidious, because it is only the minority among the citizenry who are seller conscious and tend to utilize the state in a conspiracy against competition. To organized groups within this minority, the politician looks for election, because they can marshal votes or supply campaign funds. Usually, not more than half the qualified electors go to the polls, thus making it possible for approximately one quarter of the total to decide the election. So-called democracy——in the political sphere——functions, not by the rule of the majority, but by the rule of organized minorities. Among these minorities are, of course, many dupes, who gain no special advantage therefrom, but fall in the class of the great majority who are exploited thereby. Thus it is possible for minority groups within the minority to prostitute the state and render it the enemy of the natural order.

These attacks upon the personal enterprise system are invariably made under the pretense of aiding it. Witness the statement of President Truman in his message of July 30, 1948, to the Congress:

> We are now challenged to carry out the pledge to the American people contained in the Employment Act of 1946 that it shall be the policy of our Government to "utilize all its plans, functions and resources...to promote maximum employment, production and purchasing power" in an economy of free enterprise.

Here is stated in concise language the purpose of Congress and the Executive to deliver the kiss of death to competitive enterprise, since every measure to ““promote" competitive enterprise acts but to further distort it. There would be no unemployment or failure of production or purchasing power but for the intervention of government in free and competitive enterprise.

It is difficult to explain the obsession of the public mind favorable to the state, in view of its present and historic record of practices adverse to the public interest.

In the complex interlacing of the effects of the state's intervention in commerce, it is invariably able to deflect blame from itself to business for the bad consequences, all the time posing as a friend of free, competitive enterprise. It even succeeds in stigmatizing as black marketeers those who keep competitive exchange alive in the face of laws of the state to suppress it.

Whatever may be the real or professed ideals of those who organize and conduct political governments, the record shows that all that has been accomplished thus far is the concentration of power——power which invariably is captured by self-seeking and often secret groups who use it to thwart the operation of natural laws. It stands in the midst of natural men as a ready-made mechanism useful for conspiracies against the public interest and available to those who wish to gang up against the people to exploit and mislead them.

There appears to be no safeguard against this but to drastically curb the power of the state. This book is designed to show a heretofore unused implement for this purpose—a new approach to freedom.

SELF GOVERNMENT

Self government is a clichéé of political democracy, which latter phrase is the name of a fiction. Democracy and self government begin and end in commerce. Once power is delegated to the state, self government is, to that extent, surrendered. The only self government man can enjoy is that which he reserves to himself and does not delegate to others. The highest attainment of "political democracy" and "political self government" can only be the minimization of interference with the operation of actual democracy and self government that is natural to man through his bargaining power in the market place.

Man has not yet devised a scheme of living that permits full self government. He has ever been under the illusion that the goal can be attained by political processes, whereas these processes are the very ones that obstruct him. The best that he can hope for from the state is the least obstruction.

The natural government of man is the free market. Here alone equality, democracy, and self government obtain, because the exchange system offers free choice to everyone and automatically rewards for service and punishes for disservice. The synthetic checks and balances that constitution builders so laboriously and futilely construct in political government are present in natural form in the free market, for seller restrains seller and buyer restrains buyer under the beneficent law of competition, which is the law of cooperation. For every evil manifestation in the free market there is a natural corrective, and this corrective power flows directly from the individual and merges with that of other individuals similarly disposed. Thus there arises automatically and instantly a juncture of the virtuous forces to overcome the vicious.

The common concept of the market is that it is purely a materialistic mechanism where avarice must be governed by an outside force. But it is the most spiritual agenda possible to contrive. It contains within it the power to amalgamate the idealism of its members in invariable triumph over evil, and it is the only such agency available to man. The free market can bring to earth an approximation of the kingdom of heaven, for it would enforce the golden rule.

Man has never enjoyed a free market, because political government has always interfered with its benign operation. The imbalance between traders thus created has induced man to seek compensatory interferences, thus progressively magnifying political government intervention and reducing democracy and self government.

The market place is the only realm where man can be sovereign, and the so-called self government of the state is but a curbing of that sovereignty. Every power of the state is a diminishment of the power of the individual——a reduction of self government. If man could realize that every enactment of a political law means the repeal of a natural law, and that it is by the latter alone he can govern, and that the free market is the ideal government for which he yearns, the trend toward statism would be reversed and liberty gained.

The most effective political law by which the state invades self government and democracy is that which enables it to counterfeit the citizen's money ballot by which alone he can exercise his sovereignty over the market and govern government. Until man denies to the state this invasive power, the pursuit of freedom is useless, for with his money power lost he is doomed to subjection. We must govern through the market or be governed by the state, as nature abhors a vacuum. Where democratic government ends, there tyrannic government begins. If we will not govern ourselves democratically through the exercise and protection of our money ballot in the market place, the political ballot becomes a mockery as an instrument of democratic defense against tyranny. Our concern over the growing apathy among the citizenry in the exercise of their political franchise should be directed toward assuring the integrity and power of the people's money ballot, for our money ballot and not our political ballot is our instrument of democracy and self government.

Indeed, a people that do not know the difference between money created by personal enterprise and mock money created by the state, have not the qualification for self government in these modern times when the new method of counterfeiting through bank "loans" is resorted to so freely by political governments. We shall explore this at greater length. For now, let it suffice that monetary illiteracy disqualifies the voter in the only democracy wherein he can exercise self government. It leaves him with the delusive political ballot, which he vainly casts in an effort to stay the progressive enslavement that results from the corruption of his money ballot.

All the declarations of freedom and magna cartas of history, devoted to winning and protecting the political ballot, could not equal the liberating power of a declaration of the separation of money and state, entailing as it would, the free exercise of an incorruptible money ballot.

WHAT IS FREEDOM?

Freedoms may be numbered from four to forty, but these are but branches of the trunk freedom which is unrestricted exchange. Freedom, on the civilized plane, began with exchange and has expanded as exchange has expanded.

We are free in the degree that we are able to enjoy social intercourse. This enjoyment is measured by our mental and material wealth, which in turn depends upon our productivity, and this depends upon our exchange facility, since we produce for ourselves only indirectly through exchanges with our fellows. Thus exchange is the neck of the bottle of freedom and enjoyments.

So-called political freedom is negative in that its maximum is attained by the least intervention in our affairs which leaves us free to enlarge our freedom by our cooperative efforts with our fellows. This ideal state has never been attained, as the state has always impeded exchange and thus impeded freedom. Constitutional guarantees, in so far as they are effective, are merely restraints upon the state's powers of invasion of human rights. They bring no freedom. They merely undertake to curb the state and leave unimpeded our pursuit of freedom. There are no political methods for gaining freedom.

To gain freedom, we must invent methods of maximizing our productivity and minimizing our labor expenditure therefore. But it is useless to strive for this, except in so far as we develop our exchange capacity, since it is through the reciprocal action of exchange that production is digested. Our ability to invent methods of labor saving and increasing production has thus far outrun our ability to facilitate exchange. This deficiency stands astride our path of progress.

All the impediments to exchange spring from the state, for which man in his ignorance of natural laws is to blame. The state's perverseness does not arise from the design of statesmen, but from its receptivity to the schemes of pressure groups and the lack in the minds of its constituency of a true concept of the bounds of proper state activities. There is a deep superstition in the citizens' minds that projects the state as the supreme instrument of progress and prosperity, and thus man gives moral support to plans and schemes that subvert both the state and the economy.

This belief in the efficacy of political intervention in the personal enterprise system, with resultant increasing political perversion and restriction of freedom, is a force running counter to the liberating power of mechanical inventiveness seeking to reduce the labor price of production and enlarge freedom. The former has greatly retarded the latter, and, if the trend continues, will gain the ascendancy and reverse the social movement into devolution. The danger of this is very real, because as increasing intervention by the state causes greater distortion of personal enterprise, blame falls, not upon the true cause, but upon the seeming malfunctioning of business, the remedy for which is wrongly thought to be greater and greater political control, until dictatorship results.

From this false diagnosis of economic maladies spring the so-called ideologies of socialism, communism, fascism, and so forth. No one ever ideologizes personal enterprise; it has no ideology .It is not a way of life; it is the way of life. It is unplanned and springs from the natural impulses of man. It is not even necessary that it be understood, because man naturally and instinctively engages in it. But it is necessary to understand what is inimical to it. That which is inimical to it is inimical to freedom.

Consider whatever intercourse you may desire with your fellow man, and you will find that it is facilitated or retarded by the extent to which you and he have enjoyed freedom of exchange, even though there be no material exchange in the particular intercourse you visualize. Life is constituted in freedom of intercourse and mutual agreement, and exchange is the touchstone of mutual agreement because it implies satisfaction to both parties. Anything that impedes free exchange is a force against harmony and mutuality and an antisocial influence. All political laws controlling exchange limit man's right of untrammeled choice and strike at the very base of his freedom.

CHAPTER 2

What is Money?

CIVILIZATION began with exchange, and exchange began with barter. Barter means the exchange of things for things, with each transaction complete in itself, leaving no claim or obligation by either trader. Obviously, such transactions require contact of two traders, each of whom has something the other wants. Such contacts are not easy to make, and an escape from this limited exchange method had to be found to permit man to raise his standard of living beyond that of bare necessities.

The first device resorted to was to adopt, for a criterion of value, some commodity that was in common use. A list of the commodities adopted in this way at various times and places would include salt, hides, grains, cattle, tobacco, metals, and so forth. The trader accepting these found them useful not only to himself, but on account of their general acceptance, he was assured that he could use them to secure desired commodities in exchange. This was the first step in the process of liberating exchange, a process that would culminate with money. A refinement in this important first step came about with the adoption of precious metals such as gold and silver as intermediating commodities. This manifested a greater emphasis upon usefulness for exchange rather than for consumption, and marked the final phase of whole barter, or value-for-value exchange, before the dawn of money.

Because of the use of precious metals as the last and highest phase of whole barter exchange, the next step in the direction and harbinger of money was the introduction of a promise to deliver these metals. The belief persists to this day that money, to be sound, must promise the delivery of gold or silver. The essential quality of money, however, is its promise to deliver value in any commodity at the choice of the holder. But in spite of the specification of a given commodity stipulated in the promise, the promise came closer to being money than anything previous because it involved a time interval between the first transaction and the final completion of the exchange, when value has been received on both sides. It introduced also the element of faith.

The need for money has always been far in advance of the implements available for utilizing it. Because the need was and always is so urgent, the trader has accepted anything that has offered the prospect of effecting non-direct barter exchange. In doing so, he has exposed himself to the devices of the charlatan as well as the sincere reformer. He has had no rationale to guide him. The only logic he has been able to employ has been to choose the better media when two or more have been available.

Why has man consistently endeavored to escape simple barter when, because of its very simplicity, it has offered security against deception while monetary systems have invariably betrayed him? Why must man have money? It is neither a tool of production nor a product. It is neither food, raiment, housing nor adornment. It has no value, yet it is indispensable to modern man.

Why indispensable? Because man's wealth producing potentialities through specialization of labor cannot be exploited unless the exchange of goods and services can be split in two parts, with one trader receiving value and the other receiving only the prospect of value. Therefore what man has been striving for is the opportunity to acquire without coincidentally surrendering value. If he must complete the exchange in one transaction, he is reduced to simple barter, and simple barter requires him to find someone who has what he wants and wants what he has. To do this requires so much time and effort that he loses what he might otherwise gain from the specialization of labor.

Visualize two persons facing each other, one holding a value that the other desires, and the other holding nothing of value. How can they do business? Obviously the empty-handed, would-be trader must have some means of inducing the possessing trader to transfer the desired value. If he asks what the possessor would like in exchange and promises to deliver this desired commodity at a later time, and if this promise is accepted and the possessor surrenders his value, the promisor has established credit. But the transaction is not a monetary transaction, even though the promisee accepts a written evidence of the promise. Here, then, we should pause to comprehend that money and credit are not synonymous. The promisor has not gained the freedom of money, because he must now seek and find and deliver the specific commodity pledged. The barter transaction has been only partly split, by the introduction of the time interval. To invoke the facility of monetary exchange, the would-be trader must deliver requisitionary power upon some unidentified trader or traders who can and will surrender an equivalent value at the holder's option.

The utilization of money as the medium of exchange does not mean departure from barter. It is but a method of splitting barter completely in two halves. The acceptor of money gives value therefore but receives only a promise of value, which, when conveyed to a subsequent seller, requisitions his half of the split-barter transaction. Introducing a time element into barter and giving the acceptor the power to requisition his half from any trader and in any commodity, at any time, is what expedites and multiplies exchange, thus releasing more and greater variety of production and hence raising living standards.

While money is the liberator of exchange, it is also the vehicle of human trust and confidence. Its substance is the pledge that he who takes will also give. This pledge of faith is the basis of the power to issue money. In simple terms, it means that he who would issue money to cover his purchases must be prepared to redeem his pledge by selling. In other words, persons who enter a monetary exchange agree to give and take things in trade, at the market price, on the tender of the monetary instrument from any quarter. Thus every trader relies upon the pledge of the issuer that he will honor his issue on demand.

A society accustomed to trade on the basis of its faith in its money is vulnerable to deception as it never was on the whole barter system. It is imperative, therefore, that man master money, so that he can assure the fidelity of the promise implicit in what he accepts as money, and can not only exclude from the issue power all unworthy of it, but can admit to it all of those who are worthy of it——including those now excluded under the existing political monetary system.

If money is to fulfill its function as the liberator of exchange, it must be protected from pollution by false issuers, and it must also be free to draw its supply from all worthy sources. The broader its base, the higher can be its apex and the greater its service to mankind.

MONEY THE ORGANIZER

For economic and social advancement, men must specialize their labor and facilitate their exchanges. To reap the fruits of this operation, they must organize in cooperative groups even though widely dispersed. Money fulfills this function through its circulation. The whole cooperative scheme is made up of monetary circles, tying together men who mostly are strangers to one another but who have a common interest in the cooperative circle. Money organizes these circles of cooperators on a democratic basis, for each in turn is able to choose his supplier. While each has contact with and knowledge of only the ones immediately to the right and left of him, i.e. the ones to whom he sold and from whom he bought, the circle formed by the money that passed through his hands may involve scores or hundreds of others, all of whom are essential to the successful operation of his exchange.

Let us take a hypothetical example. An Ohio clothing merchant borrows a sum of money from a bank which he sends to a New York clothing manufacturer, who sends it to an Australian wool grower, who sends it to a supplier in England, who sends it to his supplier in Argentina, who sends it to a French supplier, who sends it to a Swedish supplier, who sends it to a supplier in the East Indies, who sends it to a Cuban supplier, and so forth until it gets back to the merchant in Ohio who started the circle. Such a circle is very unlikely, because it is confined to wholesale traders without the money getting into the hands of employees through payrolls at some point. This was avoided in the example because the ramifications would have been too complex to follow.

The point intended to be conveyed by the example is that the Ohio merchant started and finished a monetary circle that went around the world and effected exchanges among traders who were strangers to each other, except that each knew his supplier and his customer. Of such circles the economic and social fabric is woven. Visualize the intricate interlacing of economic interest and activity if some or all of the factors in the circle borrowed money from their banks and started new monetary circles of their own, and contemplate how essential to the economy it is that this power to issue be widely held.

We are apt to think that money circulates indefinitely, but this is a mistake. Money has a life span that lasts from issue to redemption. This does not imply that individual issues are identified. It means that an equivalent amount is normally retired by the issuer through payment of his bank "loan," and thus the money is retired. Nor is there a definite life span. Some monetary circles are longer than others. The length is determined by when in the circle a buyer is found for the goods or services offered by the issuer. Also, an issuer can balance his account by retiring money from circles other than the one that he initiated He discharges his obligation to the economy by retiring from any quarter whatsoever an equal amount of money as compared to his own issue.

Money is the organizer of true cooperators, i.e. those who meet competition, and the eliminator of those who do not. Thus it raises standards of living and culture ever to higher levels. It is the greatest civilizing agent available to man, and his greatest liberator. An eloquent statement of the social order, as developed through the use of money in exchange, is given by Spencer Heath:

> The social organization raises the individual member from the state of being as a *creature*, dependent on and arbitrarily enslaved to environment, into freedom and

abundance, dependent on but not enslaved by the society of which he is a functioning part. Without the services of his fellow social units, his whole life is ruled by the exigencies of environment and circumstance. His life is determined without regard to his choice or will, and he must obey, under penalty of his death and the extinction of his race. But when he enters into the social relationship of serving many persons and being by many served, the productivity, the creativeness of this golden rule of exchange lifts him out of an almost completely necessitous state and into a relative abundance that relieves him from the compulsions of an un-socialized environment and endows him with wide alternatives and options for the exercise of his spontaneous will. And when he has entered, his acts of service and exchange are by voluntary contracts under consent of his own will in accord with that of his fellow man——the 'social will'——as its unforced expressions arise in the forums of exchange. Out of the fruitfulness of the services performed and exchanged, this as yet too limited mutual freedom and accord of individual wills, the energies of men are emancipated to activities not prescribed by necessities from without but by preference and choice——by realizations of the intrinsic and spontaneous will. For this gift of freedom to its members, the society is requited with all spontaneous researches, discoveries, and recreations and the practice and enjoyment of the esthetic and creative arts.*

* *Citadel, Market and Altar*, The Heather Foundation, 1957, page 196 (from the book draft prior to publication).

SYSTEM AND UNIT

The word "money" has two meanings: the concept and the instrument that manifests the concept. The monetary concept is a bookkeeping concept and system of split-barter trading in which money springs from a debit and is returned by an offsetting credit. The debits represent money issued and the credits money accepted. The monetary instrument may specify the transferee, as with a check, or it may take the form of currency (bills and coins), which specifies no transferee and is valid in the hands of any holder.

The moving instruments evidencing the bookkeeping process need have no intrinsic value. They are floating ledger items that, on reaching the authorizing bank which acts as central bookkeeper and clearing house for the system, cause the transfer of their sum from the account of the transferer to the transferee. The system is thus a reflection of and dependent upon the private book records of traders. When a trader sends through the monetary system a money manifest, he figuratively tears a page from his ledger to permit the entry to pass through the system.

The bank has no power to issue money in any form. It merely authorizes traders to do so by incurring debits on the books of the system. The only way that such an issue of money can be effected is for the issuer to write an order on the authorizing bank. Thus the check becomes the initial form of money. If it is desired that the credit be transferred to a specific person, the check so states. If it is intended to convey the credit to unidentified persons, it orders the bank to supply currency. Thus we see that checks are the initiating form of money, and that currency is but a transformation. It should be noted also that the currency is as much the issue of the check writer who requisitioned it as was his check. In effect, he merely ordered the bank to certify his credit by issuing instruments in the name of the bank, who in exchange for assuming the liability acquired a credit from the check writer's account. To think of currency as money and checks as "substitute money" is profoundly mistaken.

The authorizing bank has power neither to issue nor to loan money, though it seems at a cursory glance to exert both these powers. It loans neither its capital, its surplus or its depositors' funds. It merely authorizes the borrower, so-called, to increase the money supply, and its deposits show an immediate increase in the sum of the so-called loan. The currency that the bank gives out may bear a bank's name or that of the Government, but it is nevertheless the issue of the writer of the check that requisitioned it.

Money, as we have seen, has no value, and this is not any less true of currency. Money merely permits value in the abstract, dissociated from any specific commodity, to be exchanged for an equivalent value in any commodity at any time or place, at the behest of the holder. While metallic coins are useful as currency for small transactions or making change, the fact that they may have intrinsic value does not, therefore, make them superior to paper as money. Indeed, the reverse is true. For to the extent of their intrinsic value, they are not money at all, but instruments of whole barter. They are only monetary (split-barter) instruments for the balance of their face sum. A commodity can never act as money, for the very purpose of money is to obviate the necessity of transfer of value from the buyer to the seller and, thusly, to escape the limitation of whole barter and gain the freedom and facility of split barter.

As money is the mathematics of value, so a sum of money is expressed in terms of an abstract unit of value. Such a value unit might be arrived at initially by equating it with the value of any commodity or group of commodities a given point in time. Whatever value might be selected in this way then becomes the unit, or the figure 1. To establish it as the monetary unit, however, there must be actual exchanges, whereunder buyers issue and sellers accept the issue on the basis selected. Such actual exchanges establish the power of the unit, and the acceptors, i.e. the sellers, then have a fixed power established in their minds and undertake to get in exchange for the units as much or greater value than they gave. Thus a monetary unit is established by the precedent of actual exchanges and in no other way. No law or authority can give a fixed power to a monetary unit. It must be fixed in actual competitive trade.

At the inception of a new monetary unit, it would be theoretically correct to launch it at par with some item or items of commodity value. Since we already have operating monetary units in existence, however, it would only be necessary in practice to base a new unit upon some such existing unit or fraction or multiple. For if we made up a market basket of some or all commodities that are now passing in exchange and tabulated, say, their dollar prices, we would find that one dollar represented some fraction of the whole. In other words, all existing monetary units are already based upon a market basket, and a new monetary unit would be based upon a market basket by accepting an existing unit as the criterion for the new. That is how the American dollar was established, by introducing it at par with the Spanish dollar then current in the States. Thereafter, it followed its own course. The Spanish dollar has long since passed out, but it provided the springboard for what has proven to be the most stable unit in the world.

Bearing in mind that value can only be determined by competition, we might now define money as follows:

Money is an obligation expressed in terms of a value unit and issued by a buyer in exchange for value from a seller. It is transferable and acceptable to other sellers for equivalent value, and is ultimately redeemed for equivalent value by the issuer.

CHAPTER 3

The Separation of Money and State

As has been stated, money operates in circles from birth by the issuer to death by the issuer. In other words, money circulation is a credit chain in which the issuer is the first and last link. The intermediate links accept it and pass it on, in the expectation that its implied promise of value will be redeemed by the issuer, who was the first to receive value therefor——though his identity is unknown. There is no way of determining when the issuer will redeem a sum equivalent to his issue, but since his credit, i.e. his power to issue money, is limited in both time and amount, he is obliged to bid for money by offering his goods or services on the market at competitive prices. Two factors are therefore indispensable to a monetary system——limitation of issue power, and competition.

Under the prevailing political monetary system, neither of these two factors is present in the so-called money issues of the state. Hence, they are not money. The state dominates the monetary system and authorizes itself to emit issues to any extent it chooses. Yet on the other hand, it offers nothing on the market with which to redeem them. Though legal by statutory law, such issues are illegal by natural law.

The state's legal counterfeit acts upon the money circulation precisely the same as illegal counterfeit issues of private criminals. But it is much more serious, because the latter, when detected, can be extracted from the circulation, whereas state issues are indistinguishable from real money and, because legalized and unlimited, do infinitely more damage.

The effect of counterfeit in the money circulation is to water it, or inflate it, thus reducing the power of each unit. This is reflected in a higher price level for goods and services. Just as water in milk increases the volume of liquid, thus requiring a larger volume for a given amount of food value, so injection of counterfeit in the money circulation reduces the power of each unit. It is a mistake, therefore, to say that the state has increased the money supply or increased purchasing power. It has merely devalued the unit and increased the number of units, without affecting the total money supply. With a greater number of monetary units bidding for a given supply of goods, the power of each unit must decline, i.e. prices must rise. This is the law of competition working its inevitable result.

While the whole money supply includes all the units accounted for in commercial bank and savings bank accounts and currency in circulation, it is only that sum that comes into the market that invokes the influence of competition. Money in the market, and goods in the market, determine the power of the unit or the price of goods. Therefore, the effect of false issues is not fully manifested while there are idle reserves and government securities outstanding that promise further units on conversion. If buyer panic should ensue and these reserves should suddenly be brought into the market, havoc would result.

When the state issues a large amount of professed money, it defers the reaction thereto by inducing the people to "save," that is, to keep from testing the power of the diluted unit in the market. Thus it puts off the day of reckoning, but creates the hazard of later sudden and cataclysmic results of its spurious money issues.

The state, having no power to issue money, cannot establish a money circulation by itself. It can only gain power for its issues by mingling them with the genuine money issued by traders. The state must therefore set up a system whereunder true money is issued by personal enterprisers, as a basis for exploiting the economy with its own issues. This is the political monetary system. It will continue to plague society until the people learn to separate money and state.

Through mock money issues, the state not only taxes the people covertly by extracting goods and services through the process of "purchasing" with worthless paper, but it also disturbs exchange by causing the power of the unit to undergo frequent changes in value, thus making it impossible for tradesmen to enter into advance commitments without great hazard or to determine accurately their costs and income. It would be deemed intolerable if the state could and did proclaim a changed power of the unit frequently and without notice, yet this effect is actually what it does covertly bring about through issuing its professed money into the circulation.

DEMOCRACY DEFEATED

This ability of governments to inject counterfeit issues into the circulation is the basis of their power to deliver wealth to pressure groups at the expense of the rest of the community. This insidious taxation underlies the whole trend toward the confiscation of wealth and the governmentalization of personal enterprise. It robs Peter, all unknown to him, to subsidize Paul, who is gratefully conscious of government largess. There comes now socialists, communists, fascists and sundry other schemers to confuse Peter who, regardless of which ism he chooses as a remedy is sure to blame business for his ills. Since government always poses before the people as their protector, obviously the thing to do is to give it more power to guard the public against "chislers," "profiteers," "black marketeers," and other wolves of business. Thus business prestige declines as political propaganda deflects upon it the blame that should fall upon government.

There is no war of ideologies. There is but an epidemic of pressure-group larcenies perpetrated against the bewildered public by means of counterfeit money. The beneficiaries of these raids would fear to issue counterfeit by their own hands, but when government does it for them, they readily join pressure groups to tap the seemingly inexhaustible fountain. Collectivist propaganda is but a collateral force in promoting seizures and controls. The influence that brings it about is the enticement offered by government of getting something for nothing. As citizens are too weak to resist this enticement, so politicians are too weak not to offer it, for to refuse "benefits" is to risk loss of office. The corrupting power of government largess cannot be allowed to continue if the social order is to avert complete demoralization.

To obscure the logical consequence of injecting into the money stream billions of counterfeit units, governments resort to suppressive price controls. With the operation of the law of supply and demand, which is cardinal to free exchange, thus impeded, industry becomes atrophied, thereby developing a public demand for government operation. The sin of counterfeiting leads government to one vice after another in an effort to escape the consequences of the original sin. It is this fleeing from the consequences of past errors, rather than consciously pursuing a goal, that is bringing dictatorship upon us. Government is being transformed by escapism into a tyranny of expediency. This explains the seeming paradox of the constant trend toward dictatorship in the face of official declarations espousing liberty.

The first act of the ambitious politician is to grasp the "money" issuing power of government. By this means he literally buys his way to his objectives. Its value to him lies in the fact that through it he can escape public resistance to taxation. To balance the budget requires that the cost of each project be immediately revealed to the electorate through obvious taxation. By counterfeiting money, he not only escapes the sales resistance to his projects, but he even creates the illusion of prosperity by the temporary stimulus given to business by spending. Of course, an unbalanced budget means merely deferred taxation, through inflated prices, but it can be deferred until the objective is attained, and, even then, blame can be escaped by crying "stop thief" at private business.

Examine the methods of any and every dictator or would-be dictator or blundering escapist, and we find that his essential tool is money counterfeiting. All else is propaganda and stage property. Without this tool, government would be compelled to be honest and frugal, because every citizen resists taxation if it does not fool him.

Without the money-counterfeiting tool of government, there could be no war except by popular mandate, because the price would have to be consciously and immediately paid. The would-be war maker first of all conquers and subdues his own people by the narcotic of counterfeit money. If the people would hold the veto power of war, they must deny to their government the power to counterfeit money.

Nor does communism necessarily come upon a people through a political coup or revolution. Its most insidious and dangerous process is evolutionary by means of counterfeit money, in spite of lip service sincerely rendered by politicians and reassuringly accepted by the people. To issue counterfeit dollars into the money stream is to reduce the power of all other dollars, and thus the frugal elements of the community are continuously drained and the communistic aim of leveling wealth is accomplished. As this process of robbing the productive proceeds, it destroys the incentive to production and thus sabotages personal enterprise.

The resultant impoverization and demoralization is not attributed by the public to the government issue of mock money. The blame falls upon the personal enterprise system. Thus the public mind becomes conditioned to turn from personal enterprise and to look to government for salvation, and this produces the popular support for the assumption by government of the means of production and distribution. Under the confusing and confounding term inflation, which is caused by government counterfeit in the money circulation, communization is actually proceeding and being blindly supported by personal enterprisers who think they are operating under a free economy. Under the mock money process, our so-called free economy is but a transmission belt to communism.

Monetary power is man's sovereign power. He must exert it and protect it if he would govern government and commerce and gain mastery of life. Without such mastery, we cannot have democracy, we cannot have prosperity, we cannot have peace.

THE SEPARATION OF MONEY AND STATE

Due to the general ignorance of the laws of money, men have not been alerted to the danger to both the economy and the state in admitting the latter to participation in the monetary system. In America there had been, in the experience of both the Colonies and the Continental Government, the evil of government currency issues, and for that reason the Constitutional Convention deliberately voted down the proposition to permit the Government to issue currency, or what was then called "bills of credit".*

* Max Ferrand, *Records of The Constitution*, Volume 2; E. H. Scott, *Madison''s Journal of the Constitution*, Charles Morris, *Making of the Constitution*.

But it was not clear and is not clear to most people today, that the power to "borrow" money from a commercial bank is actually the power to create money. Therefore striking from:

> *Art. 1, Sec. 8, Par 5.* "Congress shall have power to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures."

the words, "and emit bills of credit," did not, as was intended, deny the Government the right to exert the issue power, because of the insertion of the following clause:

> *Art. 1, Sec. 8, Par 2.* "Congress shall have power to borrow money on the credit of the United States."

This latter clause, if interpreted as the power to borrow already created money from the people, and not from commercial banks, would be consistent with the intent of the Constitution makers to deny the Government the power to create "money," or, speaking more clearly, the power to counterfeit, since, as we have seen, no statutory law can empower a government to issue money in contravention of the natural law that only a competitive trader can be a money issuer. But this clause did not limit the Government to borrowing actually existing money, but authorized "borrowing" from commercial banks. This power, when exerted by a competitive trader, is the power to create money; on the part of government, it is the power to counterfeit money.

Article I, Section 8, Paragraph 5, quoted above, is popularly misinterpreted as a grant of power to issue. But the debates over the clause, as evidenced by the decision to strike the words, "emit bills of credit," show that the clause was intended merely to grant power to stipulate what should be the coin of the realm, and to mint (but not emit) coins from metal brought to the mint by private owners. Congress has never interpreted this clause otherwise, and consequently no malpractice has resulted therefrom.

Prior to the Civil War, the Government borrowed very little money, and if any portion thereof was "borrowed" from banks, it was trivial. But with the coming of the Civil War, a step was taken that its proponent, Salmon P. Chase, Secretary of the Treasury, admitted was unconstitutional, though he justified it on the grounds of great emergency. The Government, for the first time, emitted "bills of credit," commonly called "greenbacks." However, these were in modest amounts, and even presently the total issue of currency by the Government is a modest amount compared to its loading the circulation with "borrowed" money through checks drawn on banks which go to inflate bank deposits and the circulation.

We cannot, however, be precise as to the authorship of our 28 billions of currency, for as previously stated, the identity of the issuer of currency is lost in the process of transforming a check draft into currency. We cannot know what part sprang from checks that were drawn against deposits created by Government "borrowings" from banks, but we do know that the part that bears only the Government's name (mostly silver certificates) is only about four billion dollars. The balance are Federal Reserve notes which, though bearing the Government's "guarantee," are nevertheless the liability of the Federal Reserve banks whose name they bear. The common mistake is to count only currency bills and coins as money, whereas the total money supply includes all bank deposits, commercial and savings. Money springs from a ledger account on the books of a central bookkeeper under the present system, a commercial bank, and its initial form is a check, from which currency springs. Because only the lesser portion of business is transacted by currency, the greater amount of the money supply remains in bank deposits and is transferred by means of checks.

At the beginning of this chapter, we stated that the two essentials for a money issuer are limitation of issue and competitive trading, and we also stated that governments give nothing in exchange for their issue. That there is no limitation to government issues, and that it does not bid in the market for the redemption of money, is patent. But the reader may take exception to the statement that it gives nothing in exchange for the money (taxes) it collects. Government "service" consists mostly of disservice, but whatever its actual service may or may not be, it does not offer it in exchange, i.e. the citizen has no option to take it or leave it. Since there is no way to determine what constitutes service except by voluntary, competitive exchange, and since governments are not subject, in their performance, to such a test, we have no way of separating government service from government disservice.

Therefore the relation between a government and its citizen is not an exchange, but an exaction, and exaction or confiscation is no substitute for competitive bidding. The latter is an absolute essential to qualify a money issuer, because competition is a process of valuation, and it is only in this way that equivalent value can be assured in the redemption or recapture of money equal to that received in its issue, and hence assure the stability of the monetary unit.

Nevertheless, the evil of government "money" issue would not be so bad if the state recovered in taxes a sum equivalent to its issue, i.e. balanced its budget. But the practice of issuing is so seductive as to virtually rule out such a possibility. It is a disguised and secret method of taxation that is a great danger to both the economy and the state. Instead of being obliged to tax the citizenry by the obvious method of extracting money sufficient to meet its expenses and thereby encountering a wholesome resistance, the state appears before the electorate not as an extractor of money, but as a supplier. Thus has come about the idea that by spending on any project, worthy or otherwise, the government "increases the money supply" and benefits the economy.

In the absence of citizen resistance, there is an Open Sesame to all manner of spending, lending and subsidizing schemes, leading to the subversion not only of democratic government, but of that greater and more vital democracy, the personal enterprise system. Neither can survive if the state employs a surreptitious system of taxation such as "money" issuance and, thus, confounds the electorate on the actual cost and abuses of government.

The history of money is a record of miscarriage resulting from the sometimes perfidious and often naive cooperation between bankers and politicians. Invariably, it has produced economic disaster. As long as political monetary systems exist, such alliances will continue and the evil fruit thereof prevail. The separation of money and state will render impossible any coalition of political planners and financial schemers, national or international. The clear stream of wholesome monetary practice will no longer be clouded by fallacy and intrigue. Instead of basing money upon political laws and license, the nonpolitical monetary system will rest upon principle, governed by natural law, in which no delegated powers will be subject to capture by either fools or knaves, leaving to the people the full and free exercise of their inherent powers of production and exchange.

THE MONETARY UNION OF PEOPLES

The spirit of brotherhood among all men keeps pressing for union. This aspiration, with its ideal of peace and prosperity for all, seeks its realization through universal political government which, however, cannot be accomplished without diminishing the sovereign powers of existing national states. As previously pointed out, the state, regardless of the ideals of its founding and the belief in its protective function which lies deep in the minds of all peoples, is nevertheless the agent of exploitative groups who invoke it to thwart the operation of natural laws. It is not, as now operating, the upholder of law and the protector of society, but the breaker of law and the enemy of the social order. Yet this has not come about by the conscious design of any evil geniuses. The state is itself the victim of a maladjustment as a result of the general ignorance of money.

If it were possible to federalize the existing nations, nothing would be accomplished if the present political monetary system continued to be operated by the constituent states or even exclusively by the federated state. The new structure would still be an instrument for special interests against the public interest, since it could and would still exert its power to counterfeit money and, thus, demoralize the industry of the people, leading to civil wars perhaps more destructive than wars between nations.

If, as all advocates of world union realize, federalization cannot be accomplished unless the several nations surrender powers believed to be provocative, it is pertinent to inquire whether the present states' provocative and pervasive power could not be taken from them without transferring such power to a federated state. We believe that this can and must be done, and when done, will accomplish far more than world political government. It involves merely the recognition that world government already exists on the economic plane, and that all political governments are arrayed in attack upon it far more serious than their interstate wars. In fact, the latter are but the result of the former.

Everyone in the world is interested in exchange and eager to participate therein. There is no conflict of ideologies here, nor any difference in motives. But there is a confusion of tongues, in that the government of each people compels its citizens to use a national monetary language which not only necessitates translation one into another, but requires constant changes in the interpretation of each internally as the state destabilizes the monetary unit through counterfeit issues. Thus the states effect both international separation and internal confusion.

When the people of the world have a common monetary language, completely freed from every government, it will so facilitate and stabilize exchange that peace and prosperity will ensue even without world government. With the state denied its money diluting power, the ills that lead to strife and war will be removed. A union of peoples rather than a union of political governments is what this world needs.

The natural government that tends to unite rather than separate exists under the natural laws of the personal enterprise system, namely, specialization of labor, exchange, and competition. It is operative without any enactment. It becomes mal-operative only when governments intervene to bias it. Hence we need no man-made laws to establish it or control it; we need only the absence of such laws to give it full sway. It happens that there are no political statutes prohibiting the liberation of the natural government of man. Therefore, we may proceed with this act of liberation without asking political action for either the repeal or the enactment of statutes.

To implement the natural government of man, we need but establish a potentially universal monetary language that has no national or political complexion, and that is available to enterprisers in all parts of the world. Once such a nonpolitical monetary system is in existence, it can depend upon the appeal to self-interest to attract participants everywhere. Just to the extent that traders do business through the nonpolitical system, will they diminish their transactions in the political monetary system. By this process will political moneys be abolished and the nonpolitical system triumph and society be united on the economic plane. In other words, we need only invoke the law of competition by giving enterprisers the opportunity to choose between a national money and a universal one, between instability and stability, between infidelity and fidelity, between hazard and surety, between impediment and facility of exchange.

CHAPTER 4

The Money Power of Men

MONEY CANNOT OPERATE without competition to determine values. Such process of determination of values is the only means of assuring money acceptors that value equivalent to that surrendered will be available to them in turn. It follows that the stability of the monetary unit depends upon the spontaneous action and reaction of all participants in competitive exchange, and not upon the creditability of the issuer who, though known to the bank or central bookkeeper, is unidentified with his issue in the actual circulation. This disposes of the idea that the issue power must be exercised only by the wealthy.

Nor should the credit from which money springs be confused with ordinary commercial credit. Commercial credit involves the promise to deliver money or goods to the creditor. It is defaultable by intent, and is more rigidly structured than money-creating credit, since it stipulates a specific creditor and date of maturity. Money-creating credit is not subject to intentional default. The issuer is eager to redeem the sum of his issue, since to do so involves only getting money rather than giving. This eagerness on the part of everyone to gain money by selling goods or services is the security back of money-creating credit. Therefore, since it exists universally, the criterion of the money creating power is not one of moral responsibility of the issuer, but of his exchange capacity.

In other words, the qualifying determinant of the would-be money issuer is not his moral or material responsibility, but his capacity to deliver value to the market in exchange for the money which he eagerly desires. In short, anyone who has marketable goods or services is qualified to issue money to the extent of such capacity. Everyone is so dependent upon money, the medium of exchange, that he needs no moral persuasion to give his goods or services for it. That is what he is in business for.

In fact, need of money is a condition precedent to the issue thereof. To issue money, one must be without it, since money springs only from a debit balance on the books of the authorizing bank or central bookkeeper. N o money can spring from a black ink balance, because such balance indicates that the holder stands as creditor to the economy, having obviously delivered more value to the market than he has taken out. This statement does not mean that on his own ledger he is in a creditor position, because therein is involved also the weight of his commercial credit. But if on the books of the bank or central money bookkeeper he stands as creditor to the economy, he cannot be a money issuer without first establishing a red ink balance.

The statement that a would-be money issuer must be impecunious requires the qualifying explanation that this does not include currency held, as, obviously, there is no record of this on the central bookkeeper's account. Nor does it mean that a "loan" may not be executed to one who has a black ink balance. But the "loan" does not constitute issue, and before the depositor can write new money, he must exhaust his black ink balance. Nor does "red ink balance" mean an overdraft as shown on the depositor's account. It means a deficit when the sum of the note representing the "loan" is taken into account. The fact that only those without money can be money issuers shows that the adequacy of money circulation requires adequacy of issuers, and that the supply can never be adequate for a healthy economy when the number of issuers is restricted.

Since moral responsibility is not a qualification for a money issuer, and only the impecunious can be issuers, we must give up the idea that money issuance is the prerogative only of the elite and the wealthy. All money springs from those who have none, and just to the extent that the money issuing policy is governed by snobbish and aristocratic ideas will the economy be starved and restricted.

We must also recognize that firms or corporations are more likely to be disappointed in their ability to garner money through sales than salary and wage workers. Business institutions are limited to the marketing of specific items, which the market may turn from between the time that they have issued money and the time that they undertake its recapture by sales, whereas wage and salary workers deal in the raw material, labor, which can be switched to the production of any commodity for which there is demand. This flexibility of labor application makes money redeeming power less speculative on the part of employees than employers.

For example, take a manufacturer with a thousand employees, and compare the issuance of 100,000 money units by the employer with the same sum as issued by the employees in average lots of 100 each. Suppose the enterprise should fail and the corporation go out of business. The employees would still be in business, since they could sell their labor to other employers even if the product of their previous employment were unmarketable by their erstwhile employer. Man, the manufacturer of human energy, is less of a speculative enterpriser than an employer who has converted that energy into a specific commodity. The marketability of the latter is confined to a particular category of commodities, whereas the former is the raw product of all commodities.

Labor, as services, is indeed the sole commodity dealt with in exchange, and its value is determined by exchange. Now if money is based upon value, and the only value lies in human services, mental and manual, it may be seen that all money is service money. Does it not follow that man, the fountain of all values, is the natural fountain of all money?

There inheres in every producer the power to issue the money necessary to negotiate his production in exchange. Therefore as we humanize our concept of money and exchange, we enlarge its power to advance the social and economic order. As we have seen, a money issuer initiates a money circle, and it is these circles that organize society into cooperatives. The more circle organizers the economy has, the greater its effect in elevating human standards. To be sure, not everyone can act as a money circle initiator at the same time since, as pointed out, one must be in a debit position to become a money issuer, i.e. one must be moneyless, and therefore those with money are naturally, as long as they hold that status, disqualified as issuers. But under the existing monetary system, many who are naturally qualified are artificially disqualified. This puts a limitation upon exchange initiators, and as exchange is limited, so must production be also.

Producers or potential producers must always be permitted to spark exchange and thus, in consequence, production, when it stalls by reason of a deficiency of money circulation. In other words, no producer should be dependent upon the money circles initiated by others. When all circles fail to include him and he is left impecunious, he serves not only himself but the economy by starting a circle himself. For if he does not, he must stop buying, and thus he reduces the demand for the production of others and spreads the contagion of unemployment. By buying, he absorbs materialized labor, thus creating demand for more, which will react upon him, since when we buy of others we indirectly buy from ourselves. This is the security against unemployment and depression. It requires but the recognition that every man is his own employer and must not be denied the opportunity of employing himself by employing others, i.e., buying the production of others.

Two misconceptions plague our ideas of money. One is that which admits governments——which have not and cannot be invested with money issuing power——to the money circulation, and the other is that which bars those who by nature are qualified to issue. Thus money and exchange and production suffer from a deficiency of true money and a burdening of the false.

To solve our politico-economic problems, we must eradicate these two evils. Our inventive genius, so marvelous in mechanics, must be turned toward contriving a monetary system that will liberate invention in the industries, since without a facile and faithful exchange system, further progress is stymied and industrial invention is rendered useless.

The key concept in the organization of a new and adequate monetary system must be the recognition of the dignity of man as the producer and provider of the means of exchange. The individual must be viewed as the elector in the economic democracy who determines by his monetary ballot the course of both the economy and the state, and he must never be denied the use of such ballot. If these provisions are respected, the economic democracy will dissolve within its operation the evils that now exist and thus progressively confine the state's activities and diminish its interventions in the economic affairs of the people.

Political democracy is a delusion and a snare when it undertakes to reflect the public will in the field of economics. The ballot is too infrequent and, even then, involves special effort. It undertakes to secure the delegation of power to resolve legislative and executive action on a myriad of questions, some of which were not even contemplated at the time of polling and all of which are abstract, requiring objectivity and a presumed understanding of the complex interaction of forces that neither the elector nor the elected possesses.

Economic democracy, on the other hand, using the money ballot, permits the elector to cast his ballot subjectively and frequently in the regular course of his living as he pursues his happiness. Furthermore, he is not subject to the will of the majority. He may vote for and secure what he desires even if he is in the minority.

To seek liberation from our limitations not through political democracy, which at best can only negative the state's invasion of natural rights, but to pursue it by positive measures through the mastery of money, utilizing it as an untrammeled ballot in an economic democracy that knows no political boundaries——this is the new approach to freedom and human fellowship.

APPENDIX

Design Requirements for a Personal Enterprise Monetary System

FOR THE REALIZATION of its ideal, any design for a nonpolitical, universal monetary system must depend upon demonstrated merit in winning participants to it from the political monetary systems and, by the test of competition, prove itself worthy of universal acceptance by personal enterprisers. Such a system can involve no monopoly powers. If it does not respond to the needs and preferences of all people, it will face competition by one or more other systems.

The unit of such a system might be called the "valun" (*val*ue *un*it), and the system the "valun system." When a valun system develops, it will be operated through departments of existing banks or other corporations or by individuals or groups of individuals, capitalized or not. There will be latitude for private initiative and freedom of participation by all classes in the operating service as well as in the utilization of the facilities of such a system.

Participation will be entirely voluntary. No legislation will be enacted or repealed. It may start in a local area, but subsequently, having no political character and thereby being *anational*, it will be able to extend anywhere and become universal, progressively displacing all political monetary units. While there might very well be competing systems in the beginning, sooner or later one of them likely will become universal, as trade naturally tends to unify and adopt a single monetary language.

Governments, national, state and local, will participate in the use of valuns as acceptors and transmitters, but not as issuers. The practice of legal counterfeiting of the exchange media, now indulged by all national governments in the political monetary system, will be impossible in a valun system.

Although money, insofar as it is genuine, has always sprung from personal enterprise, the first valun system will be the first monetary system to assert the control of money as the exclusive prerogative of its true issuers, repudiating the idea of the state as a contributory factor and rejecting its intervention therein. That is why the valun concept is the first concept of money that can be rationalized.

The lack of monetary rationale and the universal confusion on the subject existing throughout society from the grass roots to the academies and parliaments is due to the acceptance of a basic error, namely, that money is a creation of the state and must have a legal tender status and political regulation. If one accepts this false premise, only confusion can result, as has resulted in the entire literature and jurisprudence of money. If we reject this postulate, we free our mental processes and can easily master the subject.

It should not take much thought, once the proposition is posed, to realize that money is a device of traders, that it flows out of purchase and sale transactions, and that anyone who is not a trader cannot qualify as a money issuer. How can a government possibly be an exception to this rule?

Some will answer that governments render services and thus contribute something to the market. But is government service rendered to the market? Is it purchaseable? True, governments render a mélange of service and disservice, but there is no way of pricing the good and rejecting the bad. The only way to separate service and disservice and to evaluate the former is by the test of pricing in the free, competitive market——by voluntary purchase. Citizens are not sold government service; they are coerced into paying taxes, which is merely confiscation. Money is for the voluntary exchange of goods and services. It has no coercive element and no deceptive devices, and therefore has no place for tribute takers, taxers and counterfeiters. A racketeer could not justify his counterfeit money issues on the pretext that he extorted it all for the "service" or "protection" he rendered.

Until some way can be found for government service to be offered on an over-the-counter basis, the citizen must bear taxes table d'hôte and resist them as best he can. But he cannot resist or even comprehend his taxes if government is admitted to credit in monetary exchange and thus allowed to issue mock money into the money stream, thereby making every merchant a surreptitious tax collector and bearing in the eyes of the deluded citizenry the onus for higher prices through inflation.

Tax collection must operate outside and not within the money credit system. Government must be obliged to get its taxes the hard way——above board, where the citizen can be conscious of them and can offer the appropriate resistance. We cannot govern government and stabilize exchange until we end the political money counterfeiting power. Counterfeit money, if the counterfeiter is active enough, can destroy the whole social, economic and political order. Thus we come to the first cardinal principle of a sound and honest monetary system:

> *Governments, and all others that do not buy and sell goods or services in competitive trade, must be excluded from undertaking the money issuing power.*

Stepping back now from the urgency of the political inflation crisis to examine the lesser, though more frequent, private bank credit crises known as *business cycles*, we inquire, how come? We find that these crises arise by reason of a double meaning given the word *dollar*. By the bank "loan" process the borrower creates checkbook dollars that the banker agrees to convert into currency dollars on demand, while he, the banker, is under legal restrictions in the amount of' currency dollars he can make available. With the rise in the number of check-book dollars, the amount of possible claims for currency compared to the amount actually available becomes more disparate, and with the precipitation of the crisis, the potential claims turn into actual demands, with resulting defaults of banks and borrowers in the downward trend of the cycle into depression.

We need not here go into the question of what precipitates the crisis. It is sufficient to realize that they could not be precipitated if the word *dollar* in the borrower transaction had not a different meaning from the word *dollar* as used in the bankers' liabilities to their depositors. In serving the needs of the commercial community, the banker is obliged to promise more of something than he can possibly deliver. Like the cheating goldsmith banker who issued more promises of gold than he could fulfill, the modern banker promises what he does not have, not because he chooses to, but because he is obliged to do so to fulfill his function under the political monetary system.

The political monetary system is thus fraught with a speculative factor that would not exist in a true monetary system. By its elimination, the business cycle could be eliminated. Thus we come to cardinal principle number two of a valun system:

There must be no distinction as to volume or interchangeability between check valuns and currency valuns. The check issuing power and the currency issuing power must be coextensive.

These two are the only indispensable and unalterable principles in a genuine monetary system. All else is a matter of preference to be worked out in the crucible of practice.

Any who accept these two cardinal principles are, regardless of their opinion on other matters of policy, qualified to participate in the task of projecting the valun system, for the system contemplates the solution of all collateral questions by the infallible process of competition among banks, which will be free to follow any preferred policy outside the two cardinal principles above stated.

Flexibility of policy could be provided by the simple device of requiring each bank to adjust, to its own performance, its reserves against defaults. Such reserve, as well as overhead expenses, would, of course, impose a cost upon its account holders, and thus the most successful policy would reap its competitive advantage by reason of lower operating expenses.

For instance, take the two questions of policy that are the subjects of the greatest amount of controversy——the standard and the credit base.

The "standard " advocates argue that a monetary unit, to have substance and win acceptance, must specify a measure of a specific commodity deliverable on demand. The opposed group, of which the writer is one, holds that this is entirely gratuitous. It holds that the merit of money is that it is exchangeable for any commodity in whatever sum the market, by competition, ordains, and that price fixing (which is essential to the standard idea) is anathema to free exchange.

On the question of the credit base, the traditional school holds that realized wealth is the proper base. Emphasis is thus put on past performance, and hence this view is backward-looking, aristocratic and conservative. The opposed school, to which the writer adheres, bases credit on prospects. It believes that the purpose of money is the generation of new wealth from human energy and that realized wealth is no generator of money. This view is Foreword-looking, liberal, democratic and dynamic.

Here, then, we have opposed views on two vital questions that can be debated in theory 'til Kingdom come without a solution. If we allow such issues to occupy our minds at this time, we merely frustrate ourselves, whereas, if we leave them to practical test, they will be resolved by the all-solving process of competition.

We should remember that the valun concept supplies, for the first time in world history, the opportunity to develop a monetary science by purely voluntary processes. No legislation and hence no coercion is involved. The widest latitude is given to initiative, in that any person or group may open a valun bank and conduct it on whatever policy seems most scientific or most popular and have the opportunity of proving it by competition.

Likewise, once the valun system is operating, it must itself win the competitive test with the existing political polyglot monetary system. If its cardinal principles be right, it or one like it must ultimately unify all business in the world on a personal enterprise monetary unit.

Let us, who favor personal enterprise money, concentrate our whole thought upon the cardinal principles of the valun system, making sure that they are sound, and leave all else to empirical processes.

Essays

Civilization, or culture, is fundamentally commercial and only superficially political. Politics has been superimposed, and man has become politically disposed, because he has fallaciously believed that, as a money sponsor and issuer, the state is necessary to the commercial intercourse upon which his life depends. When he learns that he can have a monetary system without political authority and unconfined by political boundaries, he will cast off his political shackles and develop, through commerce, a civilization far higher than any attainable or dreamed under political dictates.

ESSAY 1

The Money Pact

IF MONEY is but an accounting instrument between buyers and sellers, and has no intrinsic value, why has there ever been a scarcity of it? The answer is that the producer of wealth has not been also the producer of money. He has made the mistake of leaving that to government monopoly.

If you wish to trade one thing for another thing, even Steven, you need only the consent of the other party, do you not? This shows that trading is essentially a private affair. Now if you wish to acquire something from another and give a receipt therefore, it is still solely up to you both, is it not? A receipt, of course, is not money, but we are getting warm. Keep thinking about yourself and the other fellow and don't bother about any outside power.

Suppose the other fellow says, "I'll accept your receipt if I can give it to someone else in exchange for something I need." What would you do? Take your time. It took our ancestors several centuries to figure that one out.

Our ancestors hit upon the scheme of depositing gold and silver and other valuable things with goldsmiths and silversmiths, who in their turn gave the depositors warehouse receipts, which they could sign over to someone else, who could assign it to another, and so on. Later they got to making the receipts out to bearer, and that obviated the need for signatures. Thus the receipts circulated without coming back to the warehouse. Most holders were not interested in the metal in the warehouse, but everyone wanted a medium of exchange. This was the birth of currency money.

Now the warehouseman had some inside dope. Said he to himself, "Since most of the receipts never come back, why can't I issue some without deposits?" He tried it, and, by golly, it worked. That was the beginning of "phony" money. The tradesmen were giving actual values in exchange for the receipts, and this kept them sound. But the warehouseman put them out with nothing back of them, and, thus, invented inflation.

That initial dishonesty was but the first of an unbroken chain of perfidies that have been perpetrated down to the present day in the record of money, both while money was a private affair and after it became a political monopoly. But this history of deception demonstrates that anything that people believe is money serves as money as long as it is believed. Thus were men intrigued out of barter into money exchange by illusions, and even today a monetary system need not be sound to cause it to be used.

After these side remarks, we come back to the unanswered question——what would you do if the other fellow wanted a receipt that he could pass along? Of course we want an honest solution this time, not a tricky one. You must write your receipt so that it will be acceptable to a third party whom you don't know and who wants to pass it to another, and so on. Obviously, you cannot write the receipt in terms of things, because the other fellows might not want those things. What's that? You say you'll have to talk it over with the other fellows? That's just what the valun plan proposes. The valun proposal is merely a plan for a convention wherein a sizable number of traders get together and agree among themselves how to write receipts for goods and services to be exchanged among them and then set up the machinery for bookkeeping and clearing those receipts. It merely means carrying out private agreements and understandings without bothering about politics or any power outside the traders themselves.

If, now, you are disposed to get together with other persons to build a personal enterprise monetary system, you may have concluded already that the basis of a true monetary issue is not a promise to pay, but a promise to accept. The purpose of money is to permit buying. therefore it can spring only from a buyer and, to be consummated, must be accepted by a seller. Obviously, there must be some agreement involved. The only pledge the buyer can make, and therefore the only one a monetary transaction can imply, is that the buyer will accept the money in exchange for his goods or services at the best price he is able to get when, as a seller, it is tendered to him. No price for such goods and services can be agreed upon, since the buyer does not know the condition of the market for his goods when he shall be called upon to sell, nor does he know who the buyer may be. The buyer merely pledges, when he issues money, that he will in turn accept it in exchange for his goods or services at the best price he can get when it is tendered to him. This common pact among all traders in a monetary system is the only pact underlying money. Nothing further is needed and nothing can be added.

ESSAY 2

Ignorance of Money

WRITING to Thomas Jefferson in 1787, John Adams said, "All the perplexities, confusion and distress in America arise from downright ignorance of the nature of coin, credit and circulation." Downright ignorance is the proper term, and it still abides with us. It applies to our academies, our counting houses, our legislatures, and the man in the street. We do not know what money is, what its virtues or vices spring from, what are the natural laws governing it, nor its influence in determining the trend of a people toward democracy or dictatorship.

Two forces are now pressing for its solution. One is the increasing specialization of labor, which requires man to make more exchanges in ratio as he reduces his self-sufficiency. In other words, the more man reduces his part in the production of the whole product, the more exchanges are necessary and hence the greater use of money. The other force making the solution of the money problem imperative is the growth of dictatorship and the contraction of democracy in ratio as governments exert the money issuing power.

Herbert Spencer, writing in *Social Statics*, said:

> That laws interfering with currency cannot be enacted without the reversal of state duty, is obvious; for either to forbid the issue, or enforce the receipt of certain notes or coin in return for other things, is to infringe the right of exchange——is to prevent men making exchanges which they otherwise would have made, or is to oblige them to make exchanges which otherwise they would not have made.

And further:

> So constantly have currency and government been associated, so universal has been the control exercised by the law givers over monetary systems, so completely have men come to regard this control as a matter of course, that scarcely anyone seems to inquire what would result if it were abolished. Perhaps in no case is the necessity of state superintendence so generally assumed, and in no case will the denial of that necessity cause such surprise.

In Spencer's day, the specialization of labor and the need of free monetary exchanges had not been so highly developed as in our day. His challenge to government money power therefore passed unnoticed. But we must heed it now. Let us dare to question the propriety of government money power——and let us speculate on "what would result if it were abolished.""

Another Englishman, Arthur Kitson, writing in 1894 in *A Scientific Solution of the Money Question*, said:

> To the average man, a currency that has not the authority or stamp of government is inconceivable; and yet there is no good reason why communities should not create and control their own currency without the aid or intervention of governments, just as they incur debts or liabilities without such aid or intervention.

Is it true that, in the language of Spencer, "to forbid the issue, or enforce the receipt of certain notes or coin is to infringe the right of exchange?" And is it further true that, in the words of Kitson, "there is no good reason why communities should not create and control their own currency?"

Freedom of exchange is now so imperative, and centralization of political power so threatening, that it behooves us to inquire whether our economic and political ills and the threat to peace are not due to misplacement of money power in the state——and whether and how that power might better be exercised by the people for progress, prosperity and peace.

ESSAY 3

The Right-Wing Socialists

THERE ARE three classes of socialists: the left-wing, or Marxist, group, who believe that the government should own and control everything; the middle-of-the-road socialists, who believe the government should own and operate public utilities; and the right-wing socialists, who believe that the government should control only the monetary system.

The right-wing socialists are by far the most dangerous, because they are not known as socialists and call themselves *capitalists, individualists, private enterprisers*, etc. They even believe themselves to be anti-socialist and profess full faith in private enterprise. They are not only numerically the largest group of socialists but are also individually the most influential. Among them are the leading industrialists and mercantilists and bankers and statesmen.

The right wing socialists believe that with production and distribution facilities in the ownership and operation of private interests, and with monetary facilities in the hands of government, we can have free enterprise. They might as well believe that if a man owns an automobile, he need not worry about who or what controls the gas.

Private enterprise means the right among men to come to voluntary agreement on the exchange of their goods and services. These agreements, some written, some oral, some implicit, some explicit, run into the millions, and upon their fidelity rests the entire social structure. In a money economy, all these contracts are expressed in terms of the monetary unit, which is itself based upon a contract——the basic contract which is the foundation of the entire pyramid of contracts.

What is the money contract that makes possible or impossible the faithful performance of every other contract? Ask any businessman, banker, lawyer, economist or statesman, and you will find that his idea is not only vague, but that it involves legislation. In other words, he believes that money is a political product.

In contrast with this universal belief, the truth is that the state is incompetent to legislate money and powerless to issue it. The substance of money is supplied entirely by private enterprise. The state's intervention in money is at best an impediment to private enterprise, and with the assertion of the issue power, it becomes the active agent of socialization. Thus those who believe in or accept political money power——and their number is legion——are the most dangerous, though innocent, socialists.

While the great mass of people have no ideology, those who think on the issue between private enterprise and socialism are virtually all socialists of the three classes named. This is a startling fact that we must recognize before the final battle lines are formed. The would-be friends of private enterprise must be made real friends, instead of innocent fellow travelers with those who would destroy our liberties.

Private enterprise, to survive, must control its three facilities, namely, the means of exchange, the means of production, and the means of distribution. To control the means of exchange, we must have separation of money and state.

ESSAY 4

Beclouded Revolution

PEOPLE everywhere associate revolution in the twentieth century with the dramatic events that occurred in Russia during World War I. But there occurred a still greater revolution of which most people are unaware. This was a revolution more gradual, more subtle, and more far-reaching in its consequences. It was a revolution in government fiscal policy, which not only has underwritten the socialist developments in this century by the revenues it has provided the state, but has further promoted these developments through the debilitation and demoralization of personal enterprise that has followed.

The power of any government to make paternalism seem practical, and thus insidiously to socialize the economy, lies entirely in the belief that it can and does issue money. This is the foundation error from which all socialistic projects receive their unsuspected sustenance. To attribute to government the power to issue money, makes of it an apparent fountain of wealth that strikes the ground from under all opposition to the welfare state. If government has the power to issue real money, what can possibly be wrong with paternalism and the socialistic ideology?

The practice of deficit financing seductively turns the minds of the people from the economic means of attainment to the political. For, obviously, when government can continuously take out without putting in, it strengthens itself and commensurately weakens personal enterprise, with the result that the people develop a growing respect for and dependence upon government and a contempt for enervated personal enterprise. This conditions them for progressive socialization and dictatorship. The secret of this process lies overwhelmingly in the Government's power to dilute the money stream. Ideologies have little to do with it; they are an accompaniment more than a cause.

This revolutionary shift in government finance has come about, in the United States, since 1931. Here is the historic record of war deficit financing and of subsequent debt reduction:

	Total Deficit	*Reduced to*	*By*
REVOLUTIONARY WAR	$75 millions	$ 45 millions	1812
WAR OF 1812	127 millions	0	1836
CIVIL W AR	2.8 billions	961 millions	1893
FIRST WORLD WAR	25.5 billions	16 billions	1930

It is evident that the Government's traditional practice was to run deficits under the stress of war and to reduce them during the succeeding peace. Government money issue power was therefore curbed by fiscal policy. The creation of money was normally the function of private businessmen, and the banking system remained largely the servant of personal enterprise. In the depression year of 1931, however, peacetime deficits were instituted for the first time. Soon thereafter, the policy was adopted of treating the depression as a war and ameliorating it by public borrowing and lending and spending. These deficits, greatly expanded during World War II, have become an established habit that constitutes a veritable politico-economic revolution. Credit is now controlled by the Government, the banks are but branches of the Treasury, and deficit financing is established policy.

Such a policy by a government is, in all innocence, the beginning of a process which culminates in communism, which is but the receiver for bankrupted personal enterprise. By issuing monetary units, government acquires the people's labor and substance, and gives them nothing in return. Simultaneously, exchange, upon which personal enterprise depends, is destabilized, and by this sabotaging process the people, in desperation, are finally compelled to petition the government to go into the production and distribution of the necessities of life. In other words, the process of issuing monetary units, without giving anything in exchange for them, ultimately brings a public demand that the government return something for its issue. With this, the people petition themselves into communism. For when government enters production and distribution, free exchange and, therewith, all freedom, ends.

Lenin reputedly said, "the surest way to overturn the social order is to debauch the currency." Certainly a major instrument of the Bolshevik revolution was the extensive counterfeiting of the Czar's currency with this objective in mind. This deliberate policy is memorialized in the following curious passage translated from the Russian:

"I would like to dedicate this imperfect work of mine to the one who, by the perfection of his own work and its unbounded abundance gave me the impulse to write these pages. I refer to the printing press of the People's Commissariat of Finance. The revolutionary government of France managed to exist and to wage war thanks to paper issues; the 'assignats' saved the Great French Revolution. The paper money of the Soviet Republic supported the Soviet Government in its most difficult moments, when there was no possibility of paying for the civil war out of direct tax receipts. Glory to the printing press! To be sure, its days are numbered now but it has accomplished three quarters of the task. In the archives of the great proletarian revolution, alongside the modern guns, rifles, and machine guns which mowed down the enemies of the proletariat, an honorary place will be occupied by that machine gun of the People's Commisariat of Finance which attacked the bourgeois regime in its rear——its monetary system——by converting the bourgeois economic law of money circulation into a means of destruction of that same regime and into a source of financing the revolution."*

* Preobrazhensky, Eugeny A., *Bumazhnyeden'gi v epokhu Proletarskoi dictatury* [English translation: Paper Money During the Proletarian Dictatorship.] Moscow, State Publishing House, 1920, page 4.

Money, the hated device of capitalism, was found, however, to be indispensable to progress, and since the revolution, the dictators of Russia have been trying to restore this instrument of the social order. Thus they have been forced into the position of trying to regain the principal instrument of capitalism——without too obviously retreating from their ideology. In frustration they have turned to robbing their neighbors under the pretense of ""liberation"" and ""democracy.""

The non-communist governments, while innocent of any intent to destroy their monetary systems, are nonetheless proceeding by gradual steps to attain the same ends that the communists did by plan——and the means of accomplishment is the same, namely, counterfeiting, albeit of the legalized variety. Thus are the non-communist governments proceeding blindly toward collapse. The communist governments, for their part, are striving to avert collapse by desperate attempts to steal that which the former in their ignorance are sabotaging. Hence the *capitalism vs. communism* confrontation is false. It is a fog obscuring the real issue, which is fiscal policy. The real issue is between counterfeit and genuine money.

Socialization, which now threatens every nation in the world and is really unwanted in every nation, is being forced upon every people and every government as the result of deficit financing, which is the Lorelei of the do-gooder politician. She promises relief to the distressed without cost to anyone. This illusion, once accepted, requires more courage to renounce than the politician can muster, and thus the ship of state is led to the rocks. I see no escape but for the people to declare the separation of money and state, and thus forever end unbalanced budgets with their impulsion to socialization and interference with personal rights.

ESSAY 5

Warfare

IT SHOULD be obvious to even a superficial observer that it is politicians that create wars, and from this observation the logic should be developed that politics has an affinity for war. War is the escape for political frustration and the steppingstone for ambition. It deflects responsibility for the evil consequences of mal-administration and averts the eyes of the people from embarrassing facts.

While war serves the purposes of politicians, it never serves any purpose of peoples except defensively. Therefore, the war-making power must be taken out of the hands of government and reside with the people. To do this, we must deny to government control over the essential implement of war, which is the money power. If the money power is reserved to the people, they hold the veto power over war, for no war expenditures can be made without their consent. With no money power under his control, the politician has no assurance that the money will be forthcoming and no means of propagating the war spirit.

It is not a matter of much import to examine the various reasons that politicians have had for plunging nations into war, and to attempt to limit this or that cause. It is, however, essential that we detect and remove the means by which it is accomplished. John T. Flynn points out in his *As We Go Marching* that Mussolini and Hitler controlled their nations and ultimately involved the whole world in war through the money power that automatically fell into their hands with the capture of government.

This money power is invariably the power to conduct deficit financing. No war has ever been fought on a cash basis. And when we examine the deficit power, we find it is simply the power to issue counterfeit money. Thus the people are made to pay for the war under the delusion that they are being paid for conducting it. After the war, they fall into accusative factions, blaming each other for inflation with such epithets as *gougers, labor racketeers, profiteers, chislers, robbers, black-marketeers*, etc. The only complaint against the politician is for his failure to crack down on this or that group at the behest of its accusers. The politician, who is the author of the whole misery, escapes blame and is beseeched to be the deliverer.

The politician who would wage war successfully must first make war successfully on his own people, and to accomplish this, he deludes them through deficit financing. Having, under this delusion, made war appear profitable, he is able to marshal his people into military action. Every soldier and every soldier's wife and mother, every war worker, every war industrialist, every war banker, every bureaucrat, is "paid" for his services to the god of war. Yet, how can any of these be actually paid when they produce nothing and, on the contrary, only destroy? Destroy this delusion, and you destroy the politician's power to marshal the people for war.

Monetary nationalism is the only nationalism that is inimical to society. Once the power to alienate other nationals monetarily and to corrupt the money supply of a people by false money issues is abolished, lesser economic interferences will dissolve or cease to irritate. But as long as our governments are vast counterfeiting machines, Mars can laugh at peace projects.

ESSAY 6

The Naturalness of Competition

COMPLETE FREEDOM OF CHIOCE is brought about in exchange by what is known as competition, which is the process whereby selectivity operates and economic affinity is assured. This great and indispensable principle of life is often stigmatized as an evil, and is the victim if not the conscious object of all attacks by planned economy against the natural order. If we cannot hold the principle of free competition inviolate, there is no need to pursue the subject of free money, for money is but the handmaid of competition. Money facilitates competition, and if competition is to be restrained, pursuit of a true monetary system is a contrary aim.

Competition is inherent in exchange. Impediment to one is impediment to the other. Competition is the guarantor of our basic liberty, since without freedom to trade where one's need and preference are best served, all other liberties become atrophied. Competition is the scale that weighs the worth of the service of each man to his fellow man. If there is nothing to impede it, the greatest equity is attained, because each trader has received the acme of satisfaction.

This does not imply that all are assured equal rewards, but rather that all receive their just deserts. Nor does it exclude the action of good or ill fortune. One may, by good fortune, discover a natural value or improved method or possess a special talent that is of limited supply and hence priceable at a higher level. One may, through ill fortune or bad judgment or false effort, lose trading power and even suffer total loss. Competition inspires enterprise, rewards the good servant and punishes the poor one. It is the universal police system through which we all police one another's economic behavior. Through its operation, society ostracizes the bad and honors the good. It never errs; it is never unjust. It is infallible. Though we are dealing here only with man's business conduct, it is well to comprehend that so universal is competition that it is the natural governor of all human behavior.

There must not be read into this tribute to the rule of competition an assertion that competitors do not suffer handicaps that make the competitive system seem harsh. It does imply, however, that such harshness is the result of distortion in the economic system——mainly through the monetary branch——whereby some traders have escaped the salutary influence of competition and thus gained unnatural trading power, adverse to their competitors. The remedy for evil effects in competition is more competition, since it is but the lack of it that produces bias.

Nor must any implication be drawn that competition does not permit society to starve and kill that which is unwanted. How else could it permit progress; how else could it provide the means of punishment for the slothful, the vicious, and the unsocial? How else could it be democratic? The obsolete, the unfit, the unwanted must be eliminated. In life there is death; in death there is life. This is the law of progress. Competition is merely its channel.

Lastly, let it be clear that competition does not lessen the opportunity of any man to grow relatively rich, if such rewards come for services rendered and voluntarily paid. It merely permits society to defeat the extortioner. Nor does it save any man from being relatively poor. It merely secures him against poverty if he can and will render service to his fellow man.

ESSAY 7

The Essential Capitalism

IN COMMON UNDERSTANDING, the capitalist system means the profit system. To bring sense into the discussion, we must clarify the concept of profit by distinguishing between profit and paper profit. A paper profit is a dream or forecast of power to enjoy wealth. Actual enjoyment or use of wealth is the only realized profit.

"Production for use" is but another way of saying production for profit. The profit system is therefore the use system, with which no one can quarrel. Capitalism is the system of guaranteeing use or profit by private ownership, and since there is no other way of gaining such security, there is no fault to be found with the capitalist system when clearly understood. The desire for use or profit is natural, ownership as a means of assuring it is natural, and free money as a means of conveying and acquiring ownership makes the third of a natural and wholesome trinity.

The effect of the valun upon the capitalist system will be to permit capitalism to be its natural self and to become known for what it really is, namely, the cultural developer of man through its facilitating the first and grandest law of nature, the law of selfishness. The most cooperative, the most social and the most elevating principle of life is selfishness, and capitalism is its handmaid. The impulse of acquisition, which is the driving force in enrichment, brings discontent through disappointment, but never through realization. Capitalism is never criticized when it works. Only its miscarriages bring grief and bitterness.

These disappointments have developed the queer logic of collectivism, which argues that since capitalism has not worked fairly for all, it should not work for any. The collectivists also overlook the fact that capitalism has not worked fairly because of the interference of collectivism. The sufferer from the biased operation of capitalism is the victim of collectivism without knowing it. The political money pretense and all political intervention in personal enterprise are collectivist schemes. True capitalism seeks and permits no political interference; its task is the organization of society on a purely economic basis with complete liberty of action therein assured to every individual.

Capitalism is life itself. There is no starting point in evolution beyond the impulse to live——the law of self preservation——and right there capitalism starts. Self preservation implies self advancement, and thus all life follows a consistent capitalistic line that is unalterable. Despite the handicaps of collectivism, therefore, capitalism functions because there is no other system that will function at all.

The capitalist system has been pushing the world along for several billions of years. He who would abolish it must start a new universe on a new principle.

ESSAY 8

Democracy Realized

We must have a new pursuit of Democracyin the market places instead of the capitols of the world.

DEEP IN THE MORES of man has ever been the ideal of liberty and, linked with it, the social consciousness of equality of opportunity, or democracy. Democracy, the agent, would secure liberty, the ideal. How to implement democracy has been the problem of the centuries.

The implementation thus far has been political, and the method has been the consent of the governed. Obviously, unanimous consent cannot be hoped for, so recourse is had to the will of the majority. The rule of the majority is therefore the highest ideal conceivable in the political sphere. This leaves, at best, a tyranny over the minority. Is such an ideal worth striving for?

There is no choice on the political plane. We must either accept this ideal or turn from the political implementation of democracy to another. Fortunately, there is now the hope of economic democracy through a true monetary system that will realize the dream of democracy.

Money can be the perfect register of desire and appraiser of satisfactions. It is the means of keeping man ever attuned to his fellow man. It is a court of arbitration whereunder differences may be easily adjusted. It can be the steady uplifter of the social order. It can be the minimizer of taxation and political intrusions. It can be the preserver of peace. It can dissolve the bounds of social strata. It can make competition perfected cooperation. It can provide security. It can make every voter win the election. It can govern by the unanimous consent of the governed.

There are no majorities or minorities in a money election. The vote is unanimous, and it is all cast for the individual. He shoves his ballot across the counter and takes the winnings. Other individuals are doing the same; nobody is the loser. Everybody has his choice.

The election is constant. The campaign of advertising and sales appeal to the voter is incessant. The voting goes on every minute of the day.

The candidates are innumerable commodities and services, none of which can command the voters' continued support without continued satisfaction. There are no terms of election. There are no age, residence, or citizenship qualifications for the electors. There are no guarantees of permanence to the elected. All is in constant flux, responsive to the wish and whim of the elector. This is democracy idealized and realized.

But are not the ballots unfairly distributed? We are coming to that. The point is that money offers possibilities that can never even be dreamed of in the political realm. We must pursue this promise and turn from political action if we would realize democracy.

Granted a fair distribution of the money ballots, the monetary election system of exchange can realize the ideal democracy. Such fair distribution has never been accomplished. But it can be. If the smallest fraction of effort had been devoted to the pursuit of democracy in money that has been devoted to chasing the comparatively low ideal of democracy in the political realm, we would now be enjoying, through the monetary system, the ultimate democracy.

Even the low ideal of the rule of the majority has never been attained in political democracy. It is doubtful whether the majority has ever prevailed at the ballot box, when we count those qualified voters whose interest could not be sparked sufficiently to visit the polls. In the United States, where the voting ratio is probably the highest, one quarter of the qualified electors has been sufficient to carry an election. But even this segment does not govern; it merely decides who shall govern, and the governors thus chosen govern the non-electing majority as well as the electing minority.

Representative government is but limited dictatorship, inasmuch as political democracy gives the representative no formal or official cue to the action desired by his constituency. Granted that he is honest and conscientious, he still must fall back upon his own judgment of what is right or guess what his constituents might prefer. By this process our millions of statutes have been molded. On top of these statutes have been proclaimed millions of court decisions, also based upon guesses as to what the law makers intended and colored by that nebulous substance, public opinion.

Even if it were possible for the citizen to register his will upon all questions that are involved in political government, he could not spare the time from his task of making a living. But in the very course of making a living, he is automatically registering his preference on Main Street several times a day through his money ballots. Compare the facility of this with political elections once a year or two or four years.

Our markets are our true polling places, where farmer, manufacturer, wholesaler, retailer and consumer are constantly accepting or rejecting proposals. Why do we beguile ourselves with a sham democracy when we have the machinery for a perfect one? But there is sham also in our potentially ideal democracy, the monetary system. This sham is the creature of the mother sham, political democracy. Our monetary system is a political creation, and thus the number of money ballots and their power that each of us can cast in the market places is influenced by political action. Thus we not only pursue the folly of political democracy, but through its inevitable miscarriage we defeat also the operation of a true democracy in our daily exchanges. To attain democracy, we must not only renounce the false premise of political realization, but we must rescue money, the true provider of democracy, from the destructive influence of the state.

Once we have separated money from state, we shall find that the activities and interventions of government may be greatly curbed. Through a monetary democracy, human aspirations will be attainable, and the functions of the state will be very much confined. Money joined to state will inevitably trend toward socialization. Separated, it can be our liberator.