How to Implement the Public Credit Money System (PCMS) Solution and So Bring Debt-Free Money Into Circulation – Or Put in Other Words **- "How to Extricate Ourselves for Debt and Tax Slave Prison!" (**presented by **Foxboro Consulting Group, Inc.)**

William McChesney Martin, a former Governor of the Federal Reserve said:

'We're the ones who take away the punch bowl when the party starts getting good.'

In other words, the Federal Reserve jacks up interest rates to cause recessions and inflation (the Federal Reserve is in fact doing this right now, as we speak here in July 2018) just when businessmen are starting to see the fruits of their investment and labor.

Prosperity doesn't cause inflation any more than a windmill causes the wind to blow.

How Would You Rate the Federal Reserve Bank's Performance since 1913?

THE FEDERAL RESERV BANK - AGE 105 YEARS (1913-2018)					
	1913	1981	Multiplier:	2018	Multiplier:
The Federal Government Debt	$1.2 Billion	$1,029.0 Billion	85750.00%	$21.0 Trillion	1750000.00%
Personal Income Tasx	$0.03 Billion	$287.5 Billion	958333.33%	$1.45 Trillion	48333333.33%
Value of the Dollar in 2018 compared to the 1913 Value of a Dollar	$ 1.00	$ 0.11	11.00%	$ 0.04	4.00%
Acquisition of Real Property (land & building) and other claims Held by the Banking System	$ -	$1.448 Billion	Infinite	$ 21.0 Trillion	Infinite

"Now, if you consider this a brilliant success story for the American wage-earner, by all means let's not make any changes," I said, hopefully showing the irony I felt.

"What an appalling record!"

"That's terrible!

Why do we put up with it?

Frankly, I think old man Federal Reserve ought to be retired. He's already past retirement age!"

"It is a shocking record.

Benefits of the Public Credit Money System

1. Money becomes permanently available at reasonable interest rates.

2. Business activity and employment surge forward.

3. Inflation is halted protecting wages, savings, retired persons, and those on fixed incomes.

4. Bankruptcies are no longer necessary to balance successes.

5. Private debt is made payable for all time.

6. Prices diminish along with debt and stabilize when debt stabilizes.

7. Cycles of boom and bust are relegated to oblivion.

8. All existing primary debt, both public and private, diminish and ultimately reach a level below that of the money supply.

9. Federal government borrowing ceases entirely.

10. Federal taxation is drastically reduced immediately.

11. State and local taxes are gradually reduced to less than half of the present

levels.

12. The national debt is reduced and eliminated, never to grow again.

13. Working people at all levels are able to own their homes free and clear.

14. Constitutional self-government rises superior to and replaces private monetary authority.

15. The practice of usury under the Federal Reserve Act is completely eliminated.

The Solution "Fix" - Public Credit Money Bill:

1. The United States Treasury shall be the sole source of original monetary issue.

2. The Federal Reserve Act of 1913 together with all of its amendments, codes and regulations is hereby repealed.

3. Private banks, institutions and individuals are henceforth prohibited from creating money or money credits in any form.

4. As designated in Article 1, Section 8, Clause 5, of the United States Constitution, Congress shall coin, create provide and regulate money and money credits for all requirements of the United States both public and private.

5. Money and credit needed to pay obligations of the national government shall be spent into circulation debt-free.

6. The Treasury local offices shall service the financial needs of the economy directly through loans of an appropriate minimum amount to any and all creditworthy applicants.
7. The interest rate charged by the U.S. Treasury on all loans to the private sector shall be mathematically regulated (after taxes) to withdraw money from circulation at the same rate as Treasury expenditures.

8. State and local government treasuries shall qualify for voter- approved

interest-free loans direct from the U.S. Treasury.

9. All legitimate financial obligations in effect when this bill becomes law shall remain in force until paid. All illegitimate obligations shall be voided. This will hurt no-one because the interest is being extinguished.

10. After the passage of this bill, the U.S. Treasury shall remove from circulation Federal Reserve Notes currency by exchanging it for United States Treasury currency.

11. All Federal government borrowing shall be prohibited.

For the **first time since I began to think about inflation** - how it effects my family, my friends, the place where I live, the company I work for - I suddenly felt hopeful."

"**Hopeful??**", "when the country is going down the tubes, do you feel hopeful? You must be nuts! Would you like to know your cure for Federal Reserve Bank Insomnia!"

"What I get out of the newspapers, the TV and the radio is that the experts can't agree on what causes inflation.

Some theory is in fashion for a time and then suddenly, like the mini-skirt, it's 'out' and something new is 'in'. I think it is this confusion and uncertainty that make everyone feel so insecure, so frightened and so mad.

"It all seems to be the complete opposite of something scientific like, well, the moon project, for instance. When NASA wanted to land men on the moon they hired scientists and engineers who worked out the details and built machines all according to the laws of physics and mathematics. "Their calculations were done according to scientific laws so people never got anxious or frightened or mad thinking that these laws might not work right.

The only concern was whether the scientists and engineers understood the laws properly and then how well they applied them.

"The moon project was so incredible because we saw space ships land precisely as the scientists had calculated. They didn't guess or theorize or say they couldn't figure out why things happened as they did. They confirmed that the scientific laws are true by landing men on the moon. This was the proof of the laws of physics and math which the scientists understood.

"Now, money conforms to certain mathematical rules too. These rules can be understood by everybody.

The rules of our present money system cause poverty.

But we don't have to continue to struggle along with money governed by rules that cause poverty and economic collapse if the rules of prosperity are as easily applied to the economy.

"Just as applying the laws of physics can enable us to build a car or land men on the moon, so our understanding and application of the right rules of money can produce a fair money system.

All we have to do is be sensible and govern our system by the right rules. We know that the rules governing the present system bankrupt almost everyone because the economy falls apart every 50-or-so-years.

Surely, we can identify the mathematical rules that won't cause a collapse and build our economy around these.

"What makes me feel hopeful is that I understand the problem well enough now to know that another collapse can be prevented."

"I agree that it is a comfort to understand the problem and know that there is a solution." "But I find this understanding awesome. For centuries people have suffered and died because of inflation and depression.

Now we know what causes this suffering. But more important we know that such suffering doesn't need to be repeated again, ever."

"In a way, I suppose it makes sense that the cause of inflation has been discovered through scientific analysis. After all, scientists and engineers are taught to look beneath the surface and uncover hidden causes. This is exactly what we needed to zero in on the cause of inflation.

Many economists admit that they can't figure out what causes inflation. To me this seems ludicrous.

If we can land men on the moon, surely we can know what's wrong with our money. Finding the root of inflation simply had to be a scientific discovery."

"I agree that the discovery of the cause of inflation had to be scientific, but to me the havoc caused by misapplied mathematical rules is a moral issue, not just an interesting scientific problem.

"Look around our own families and neighborhoods. How many of us have parents on fixed incomes who are having real difficulties in making ends meet?

Look at the crime rates in our cities and even out here where we live.

Look at the huge increase in theft. Look at our young people, many of them simply haven't got a hope of getting an education because they or their parents can't pay for it.

Look at the way our taxes are going up.

Look at the pitiful state of the housing market with house prices soaring and a lot of people unable to even think of owning a home.

Look at how many mothers are going out to work because the family can't live on one income.

Look at the divorce rate. Most marriage counsellors admit that money troubles are at the root of many divorces.

Look at our wonderful institutions, our art museums and orchestras, our libraries and schools, all of these are having to cut back their activities not because of lack of interest in them by the community but because of serious financial troubles.

All of this is happening because the strength of our money is being bled away and our ability to buy things is being stolen from us by a **stupid Federal Reserve Bank Central money system,** of all the crazy things.

And look at our churches. These institutions which are supposed to take the spiritual leadership in our communities are as baffled and troubled by this problem as anyone.

"All this isn't just a mathematical problem. These things are the result of a burning moral issue."

And this has to do with who has the right to create money: private institutions for profit or the people for their own well-being. I know some might say that sounds like communism but the confiscation of people's real wealth, which is certain in a **usurious money system**, simply can't be described as '**free enterprise**'. Our understanding cuts through the disguise which covers the present system and makes the moral issue stand out clearly in the light.

Of course, the crying need for a solution seems to be bound up with the moral issue. If we tackle that we should be able to set the solution free.

"There are two simple questions and answers that people need to consider:

Question: When money is created, to whom does it belong?

Answer: To the sovereign under whose authority it is printed.

Question: Who is the sovereign authority in the United States?

Answer: The American People.

"Following this line of reasoning we should conclude that American money belongs to the American people as a whole. However, when the Congress delegated the power to create money to the private Federal Reserve System, it gave the Fed sovereign authority over the country's economy. Since our money is created in the name of the 12 regional, private Federal Reserve banks, it must belong to these 12 banks, and not to the people."

We, the people, think that our money is created by order of our representatives in Congress and therefore it belongs to us. We also think that we are the sovereign authority over our country's economy. But in reality, we are not and cannot be under the present banking system.

"Are you ready to see how it is possible for a money system to operate, free of inflation and deflation, under the control of the people?"

"All right, then, in order to illustrate how the system works, let's set off once again for **make believe new colony**. Only this time our money system will be governed by monetary science instead of monetary nonsense.

"During the early days in our colony we find that there isn't much time or need for money. We are clearing land and living off the supplies we brought with us.

After our first year we find that we can exist reasonably well on a barter system.

But during the second year it is becoming obvious that barter is cumbersome and less than adequate for our growing colony.

Besides, it is just plain complicated. Earl is raising pigs and he finds that there is no way he can make change.

"On top of this we find that we need a road and no one can afford to take the time off from growing crops to build it.

If he did, he wouldn't have anything to barter with for the needs of his family.

"A group of us meet night after night to discuss alternatives to the barter system. We ponder the fact that back on Earth no one item was universally used by all civilizations as a means of exchange.

Gold and silver had, of course, been widely used.

But tally sticks (see appendix), conche/sea shells, beads, and so forth, had all been used at one time or another and in one place or another.

Obviously, we are not obliged to use a specific item as money. Somehow, we have to discover what it is that gives money its utility. What is it that makes money first of all useful, and, second of all, desirable?

"We stumble on to the answer in a curious way. One night as we are discussing various methods of payment, what about S&H Green Stamps/ or Bit Coin had been a kind of money in her community as they were exchangeable for goods at a redemption store..."

"There is only one thing wrong with S&H Stamps or Bit Coin, I can't pay my taxes with them!"

"You have recognized an important point. If it doesn't matter what money is made of, and we have seen that it doesn't, its utility has to be built into it in some way other than its physical substance.

We know that gold coins are of little use as currency because their intrinsic value as a precious commodity is rarely equal to their face value.

Their utility is destroyed because the metal's value as a commodity fluctuates.

"A demand for whatever is used as money has to be built into it in order for a monetary unit, **a coin, a promissory note** (currency or legal tender – see Uniform Commercial Code (UCC) Section 3 – 104 (e) – Negotiable Instruments), or whatever, to be widely acceptable. In a civilized society organized with a representative government, money is made widely acceptable by the requirement of its use to pay taxes for public services supplied by the representative government. If S&H Stamps/ or Bit Coin was acceptable to the Internal Revenue Service, they would be widely used as money.

Also, money must be acceptable in payment of debt.

"As it happens, here in America, the IRS accepts only checkbook money or Federal Reserve Notes, and so these are the only acceptable means of payment within the United States.”

The colonists recognize that their discovery of monetary utility completes their basic understanding of money. They now can begin to establish a sound money system.

When they discover monetary utility, they begin to organize a system for producing their own money. A town meeting system of government is set up.

It assembles to discuss the need for public utilities such as roads, water, schools, bridges, a postal service, etc.

"A Treasury is established and is charged with the responsibility of creating sufficient dollars to pay for the public projects needed by the colony.”

The dollars are, in fact, tax credit certificates which the colonists use to pay their taxes.

"It is agreed, for instance, that a small toll will be paid for the use of the new road."

"Hold it," Earl said, "Wouldn't that take money out of circulation?"

"Yes it would, but long before the money for the road is extinguished through the payment of the road tax into the Treasury, more money would be created for the colonists' agreed public projects. The money circulates freely throughout the private sector and is withdrawn gradually in the form of taxes. But there is always a residual supply of money which has been created debt-free.

"Eventually savings associations are established. These institutions then discover that they can make loans available to the colonists.

As there is an adequate supply of debt-free money continually flowing into the economy, money is always available to pay interest on the loans without the danger of the interest load eventually exceeding the money supply as is presently the case on Earth.

Loans on make believe new colony are constantly made and repaid by the colonists.

Since there is ample debt-free money in circulation, it is not necessary to borrow to keep up interest payments and so inflation is non-existent on make believe new colony.

"Money of constant purchasing power is always available. In fact, individual's interest payments have the effect of lowering taxes."

"What?"

"How on Earth - or on make believe new colony - can that be?"

"Both interest payments and tax money come out of the debt-free issue.

If interest payments are taking money out of circulation, taxes can be kept at rock bottom levels in order to achieve their purpose. After all, if the colonists decide that they want a certain service or building or whatever, they simply vote on it and create the money for the project.

Why should they pay someone else to create the money for them?

They have all the intelligence and expertise to create the money themselves. The colonists call this system the make believe new colony **Public Credit Money System, (**the **"PCMS").**"

"Do you mean that if I borrow $100.00 in the make believe new colony, Public Credit Money System the money is already there to pay the interest?"

"That's right."

"So, I wouldn't need to borrow to pay the interest or get the community to borrow from a bank to create some money to let me pay my interest?"

"That's right.

The community would not have to borrow money created by a bank because the community itself is exercising its sovereign authority and right and prerogative to create for its citizens a means of exchange which is widely acceptable and free from inflation or depression.

"Let's look for a moment at your $100 loan.

Remember how in our first example when you made an interest payment on the $100.00 created out of nothing at the bank, you depleted the colony's money supply by $6.00 the first year? (6.0% interest on the $100.00 principal)."

"And eventually it got to the point where even my original loan wasn't sufficient to pay off the interest.

It would have taken the colony's entire money supply just to pay interest to the bank.

That was a fine kettle of fish to be in.

What would happen under the make believe new colony Public Credit Money System?"

"Okay. You borrow $100.00 for one year at 6%." "Why 6%?"

"Because the “make believe new colony” Council has an annual budget of public service expenses totaling $6.00. If the budget were only $3.00, you could have your money at 3.0%.

Anyway, for the sake of argument, let's say that your $100.00 loan represents all the other money needed in the community.

"At the end of the year, you can pay the $6.00 interest and renew the $100.00 loan.

The community's money supply and total debt will remain $100.

The interest charge may change according to the public works budget financing requirements but the point is that the money to pay the interest will already be in circulation in the economy when the loan is made.

"As the population of make believe new colony grows, and as both public and private enterprise grow, the money supply will grow. But the total debt will never exceed the money supply.”

"Of course, there will never be any public debt, because the public expenditures will be paid with money created by the Public Monetary Authority - in this case the make believe new colony Treasury.

These expenditures will be collected out of circulation by adjusting the interest rate on the money loaned to private enterprise."

"Could the ‘make believe new colony” Public Credit Money System work on Earth?"

"Of course," I replied.

"This kind of system is based on certain principles and can be implemented anywhere. I have drawn a simplified diagram which shows how this inflation-proof money system works. The right-hand page represents the total United States free-enterprise economy and this includes the banks. The limits of the system are the productive capacities of the people.

Thus, the economy expands or contracts on the basis of how willing and able the citizens are to produce, not on how willing or able the monetary authority is to create money.

"The United States Treasury is the one and only source of money. Money comes into existence by Federal government expenditures and through loans made by the Treasury through its local offices either directly or via the banks."

"It looks as though the banks borrow from the Treasury too, according to your diagram,"

"Is that true?"

"Yes, in the **Public Credit Money System** banks are just like any other business enterprise. They cannot create money. The principle source of their lending funds will be the savings of the people. However, if they need more money they must borrow it from the Treasury like every other business venture. Their profits are derived from their ability to offer fee-paid services, and to lend profitably from the savings of depositors and from their own or borrowed funds.

"Money is extinguished only when it is returned to the U.S. Treasury in the form of principal and interest payments. Obviously, the amount of money created and extinguished is rigorously monitored by the Treasury."

"Which is the debt-free money that we will use to pay the interest on our loans?"

"It is the arrow marked 'Federal expenditures'. The expenditures and the interest payments are closely monitored and the interest rate adjusted so as to maintain equality of these two flows. Most importantly, the flow of interest payments would not be allowed to exceed the flow of Treasury expenditures, because that would cause a shortage of money which would start up the familiar debt-interest inflation cycle. The total quantity of money in circulation is not important, just so the demands of the economy to provide needed goods and services are met.

"Now, the **Public Credit Money System** operates according to a few specific principles which I would like to explain to you.

But before I do, we need to take a slight diversion in order to identify the three basic functions of money. We need to do this to better understand why the Public Credit Money System benefits the economy."

"What are these functions of money?"

"Let me put it this way. The substance of a healthy economy lies first of all in its natural and human resources. These consist of raw materials, plus the knowledge, skills and facilities required to convert them into useful products and to distribute them."

"But those things in themselves have nothing to do with money, our human talents and our raw materials are given to us."

"True, Money cannot create human talent or put iron ore in a mountain. But without money, activating human talents or processing raw materials becomes dependent upon a cumbersome system of barter.

Thus, we see that the first and most important function of money is to activate the productive capabilities.

1. "Money also has a magical quality in that it can be used to provide the environment for discovering latent talents, or undiscovered potentialities."

These call upon education and research for the continual development of better ways and things.

2. "This brings us to the second and probably best-known function of money which is to facilitate the exchange of goods and services."

3. "The third function is to provide a medium of stable purchasing power for safe storage of unspent earnings. This function has yet to be achieved, because it demands terminating inflation permanently.

"These are the functions of money in any money system. In the Public Credit Money System these functions are permanent and equitably carried out. The system is not designed to destroy the functions of money as is the case in the usurious money system.

The Public Credit Money System protects the functions of money so that they can operate to the benefit of the economy."

"What about the principles of the Public Credit Money System, "There is no truer statement than this: 'Money doesn't grow on trees.'

Of course, it doesn't!

Nor does it come into existence by accident or coincidence. Money is creatable only by authority.

This is the starting-point of understanding money, not according to economic theories but according to “Monetary Science."

"What is Monetary Science?"

"Monetary Science is what we have been discussing here. It governs the Public Credit Money System. It is the body of knowledge concerning the origin, function and use of money. It defines money according to specific principles and rules and indicates how money and monetary authority can be harnessed for the good of mankind,

"The first principle of Monetary Science, which is important but so fundamental that it is often overlooked is that money is creatable.

All we have to do to prove this is to look at the United States money supply figures over a period of time.

In 1932, for instance, the money supply in the United States was $22.0 billion. In 1981 it is close to $400.0 billion. This means that during the last 48 years the amount of money in the economy has grown, on average $20.0 million each day.

"How did this money come into existence? It had to come from somewhere. But where?

"It was created by the decisions of people who possess the supreme authority to call it forth from nothing. The only reason that they can do this is that they have assumed the power to do so. Their authority isn't granted to them by law.

The only words in the **Federal Reserve Act of 1913** which could possibly be construed as a license to create money is the phrase in the preamble which states it is part of the Fed's purpose to 'furnish an elastic currency'.

"We must realize that creating money is a vital necessity to a civilized society. That authority has rested in the Congress since the Constitution was adopted.

I wonder if the members of the Congress in 1913 had realized that they would be giving away to a private banking system the authority to create and demand interest on all circulating money needed for both public and private enterprise whether they would have passed the Federal Reserve Act of 1913.

"Money commands resources: natural resources, human resources. Monetary authority commands money. It causes it to spring into existence or disappear. This brings us to the second principle: Monetary authority is a source of immense power.

"When the authority to create money rests outside of the jurisdiction of legitimate government, that authority's actions have far-reaching effects on the lives of all people. The capacity of a private monetary authority to expand and contract the money supply and to dictate interest rates constitutes the most awesome concentration of power over human lives ever conceived by the mind of man."

"So, in a free society where justice and human rights characterize the people's idea of right government, monetary authority has got to be totally subservient to civil government and not vice versa. This is the third principle."

"I'm still a bit puzzled about how interest rates work in the Public Credit Money System, can you explain how interest works in an economy where there is debt-free money spent into circulation by the public monetary authority?"

'Of course, Your question brings us to the fourth principle of Monetary Science. This is the principle of monetary equilibrium."

"Equilibrium means that something is in perfect balance, doesn't it?"

"That's right. The principle of monetary equilibrium states that there must be a balance between money flowing into the economy and the money flowing out."

"That's simple enough, how does it work in practice?"

"Well, in the Public Credit Money System there are two channels through which money is created and sent out into the economy.

They are:

1. As payments for authorized Federal expenditures. In this channel are the checks written against sovereign Congressional authority. These checks monetize the nation's productive capacity for public needs such as national defense, the post office, etc.

2. As loans of substantial size to the private sector

"Money flows back to the Treasury as principal and interest payments on the loans made to the private sector and as internal revenue payments of any kind.”

"The interest rate on Treasury loans to the private sector (either to banks or direct to industry) are computed and adjusted regularly to maintain a near-balance between the inflow of interest payments from the private sector, and the outflow of Treasury expenditure payments to the economy."

"Does the Treasury outflow of money into the economy mean the money which is created for government expenditures?"

"Yes, and the interest payment inflow means the money which is extinguished.

Treasury outflow is creation; interest inflow is extinguishment.

The near-balance of these amounts is mathematically calculated to favor a residual amount of debt-free money maintained in circulation. This avoids the condition where total debt could ever approach or overtake the total money supply. We can summarize the Principles and Rules of Monetary Science as they apply to the **Public Credit Money System** in the following way:

Principles and Rules of Monetary Science as they relate to the Public Credit Money System

1. Money is a public utility created by law alone.

2. Monetary authority is a source of immense power; it is the maximum authority in human government.

3. Monetary authority must be totally subservient to civil government and not vice versa.

4. In order to maintain monetary equilibrium, the interest rate charged must be mathematically regulated (after taxes) to withdraw money from circulation at the same rate as Treasury expenditures.

5. Money as a public utility is available without limit; it is creatable in a convenient form and spent or lent into circulation by the public monetary authority alone.

6. Money has no intrinsic value and needs no intrinsic value; the imperative value of money to a civilized society lies in its functions.

7. Monetary authority is authority under law to create money; monetary authority is the sovereign prerogative of government and not of private companies or individuals.

"Hold it a minute, "The idea of the government creating debt-free money sounds good once you understand how the whole **Public Credit Money System** fits together. But if you tell people that the government ought to create our money they'll say that sounds like communism. They won't remember that the Constitution decrees that our money is to be created and regulated by Congress and Congress alone. A lot of people won't even know that this is what the Constitution says!"

"You may be right, People may think that way.

But uninformed opinion can't shake the fact that the Public Credit Money System is based on the Constitution and is the soundest system to preserve and promote the best interests of free enterprise.

"The popular conception of communism is of a system where the state own everything and the individual works only for the state and owns little or nothing at all.

If this is so, doesn't it seem weird that American banks which are privately owned have been doing big business with communist countries for years?

It just seems peculiar that privately-owned American banks should have representative offices in places like Moscow, for instance.

In fact, the communist bloc's indebtedness to American banks amounts to many billions of dollars. It all makes me wonder if money is created through the debt-mechanism in both the free world and the communist world.

If it weren't, why are all the big banks flocking to the other side of the so-called '**iron curtain**'?

"But to get back to the point. In the Public Credit Money system, it is true that the government creates the money but always in response to the needs of the people.

The balancing of the creation of money and its extinguishment is done by mathematical law. At the moment in the United States, money is created according to policy, not law. The distinction here may sound subtle but it is profoundly important."

"I don't get it yet," - "Policy is changeable. The policy decisions of one set of governors of the Federal Reserve Bank can be to reduce drastically the amount of credit which is available. Such a 'credit crunch' can produce a serious depression. Or, a policy decision can encourage or discourage lending to a particular sector of the economy and it will prosper or fall accordingly."

"I think I see," "You're saying that policy can be arbitrary or maybe even dangerous to the economy. If, on the other hand, the money system is governed by mathematical law, which is impartial, the money system will be fair to everyone. Is that right?"

"Yes, that is correct. The important point is the impartiality of the Public Credit Money System. Its whole purpose is to supply the economy with sound money which the people can use in whatever way they choose. In the Public Credit Money System, money is a public utility, not a private debt. As the money which is created in a Public Credit Money System is inflation-proof, it cannot destroy free enterprise but must help it to thrive.

"Any nation, not just our own, which is striving for freedom for its people is now able to embrace a Public Credit Money System simply by proclaiming it as the law of the land."

"Okay, but it could be argued that a Public Credit Money System would give the Federal government more power.

A lot of people think it has too much power as it is.

When you look at things superficially, it seems that the banking system is closer to the people and more trustworthy than our government.

Look at me, I was the banker up on make believe new colony. Everyone trusted me.

After all, who can be trusted more than your banker?

Put money creation in the hands of the politicians and folks would say the thing would be in a shambles in no time."

"Let's just take a look at the Federal Reserve Bank's record to see how beneficial their fractional reserve banking system and its practice of usury has been since it was set up in late-1913."

I took out a small table of figures I had put together and placed it on the easel. Here it is:

The Federal Reserve System at age 105 Years (1913 to 2018):

THE FEDERAL RESERV BANK - AGE 105 YEARS (1913-2018)					
	1913	1981	Multiplier:	2018	Multiplier:
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Acquisition of Real Property (land & building) and other claims Held by the Banking System	$ -	$1.448 Billion	Infinite	$ 21.0 Trillion	Infinite

"Now, if you consider this a brilliant success story for the American wage-earner, by all means let's not make any changes," I said, hopefully showing the irony I felt.

"What an appalling record!"

"That's terrible!

Why do we put up with it?

Frankly, I think old man Federal Reserve ought to be retired. He's already past retirement age!"

"It is a shocking record.

It is hard to imagine anything much worse. But let's be clear about one thing: putting the **Public Credit Money System** into effect does not mean simply transplanting the present system from the banks back to Congress.

Monetary authority would not be given to the Congress in the form that it now resides in the private Federal Reserve System. That form is total dictatorship over the quantity of money which is allowed into the system based on unpredictable and secret policy decisions made by a financial hierarchy. The worldwide interests of this hierarchy are not necessarily coincident with those of the people in this or any other country.

"The **Public Credit Money System**, on the other hand, locks monetary authority into law and eliminates arbitrary policy decisions completely. In this system the quantity of money varies according to demand alone. The interest rate for borrowing money into circulation would be automatically adjusted to balance internal revenue with national expenditures."

"Do you mean there would be no more sudden interest rate hikes that come at us out of the blue?"

"Absolutely right!

No worthy and achievable public or private enterprise would ever be denied or impeded for lack of money or because of astronomical interest rates."

"Will the Public Credit Money System prevent bankruptcies?"

"Yes, but only those caused by a planned shortage of money.

The Public Credit Money System won't change human nature.

Someone with an unworkable idea or who refuses to work will probably go bankrupt.

But it will be a direct result of his or her own mistakes and not because bankruptcy is a necessary ingredient of the money system as it is in a usury-based money system.

"**It is important to see in all our discussion that the arguments against the Public Credit Money System can't hold a candle to one vital point: money needed to finance the public and private sectors of the nation must be created only by sovereign public authority and belong to the sovereign public:**

(a) to spend for its national public needs or

(b) to invest in serving the needs of private enterprise.

This point is enshrined into law in a Public Credit Money System.

See Henry Charles Carey, economic advisor to Abraham Lincoln, The American System of Political Economy:

https://en.wikipedia.org/wiki/Henry_Charles_Carey

"Nobody will have the right to use the money created by the sovereign public authority - in our case the U.S. Treasury - unless this private individual or agency or whatever borrows the money from the Treasury, or receives the money as a payment for goods or services supplied to the national government. Any deviation from this requirement would be a serious breach of integrity."

"I'd like to ask my question, **What is that**?"

"Couldn't it be said that the Public Credit Money System is inflationary because it would create too much money if every legitimate loan proposition got the money it needed?"

"No, "First of all remember that interest rates are low, the money is there to pay the interest.

If the project is legitimate, a market will be ready to absorb the goods and services being provided.

Besides, the most popular misconception about monetary inflation is the theory that price levels vary with the amount of money which is in circulation. The theory is true, but applies only if the economy is practically debt-free.

This we know is a condition which doesn't exist and never has. The ludicrous statement 'too much money chasing too few goods' has no foundation in a Public Credit Money System because the amount of money put into circulation by the borrowing of the private sector would be directly proportional to what the private sector were willing or able to produce.

"We can see that 'too much money chasing too few goods' isn't even a statement of fact in our present system. Just look at the expanding amount of money in circulation, while at the same time masses of unsold goods are in stores and warehouses all over the country. And yet people haven't got enough money to buy these huge inventories of goods. Where is all the money going?"

"To pay usury!"

"Right."

"Okay, okay, I see that, but wouldn't all the prosperity caused by the Public Credit Money System cause inflation like prosperity does now?"

"One thing that a quick review of the last ten years shows us is that low interest rates prosper the economy and high interest rates depress it.

Cycles of boom and depression are mis-taught as a natural phenomenon.

The fact is they are directly attributable to monetary policy manipulation.

William McChesney Martin, a former Governor of the Federal Reserve said: **'We're the ones who take away the punch bowl when the party starts getting good.'**

In other words, the Federal Reserve jacks up interest rates to cause recessions (the Federal Reserve is in fact doing this as we speak here in July 2018) just when businessmen are starting to see the fruits of their investment and labor.

Prosperity doesn't cause inflation any more than a windmill causes the wind to blow.

Policy decisions concerning the creation of money cause prosperity or inflation. The idea that depressions are necessary to counteract prosperity is one of the most fantastic misconceptions of present economic thinking.

"I still wonder about gold," "Isn't it necessary to have gold behind the money system?"

"The theory here is that gold is a discipline to money creation," I answered. "But just suppose that the nation's money supply was already expanded to the limit of its gold reserves when a catastrophic emergency, like the Mt. St. Helens volcanic eruption hit. Before the rescue missions could be dispatched, it would be necessary to marshall an emergency gold mining expedition to get the necessary reserves to expand the money supply to pay for the rescue work.

"In short, the point that needs to be understood is that gold is a commodity, whereas money is a 'creature of law'.

"Do you have any more questions?"

"I don't have any more just now, but I would like to see if I can list for myself the benefits of the Public Credit Money System."

"You start and I'll fill in any gaps." And here is the list we put together that evening:

Benefits of the Public Credit Money System

1. Money becomes permanently available at reasonable interest rates.

2. Business activity and employment surge forward.

3. Inflation is halted protecting wages, savings, retired persons, and those on fixed incomes.

4. Bankruptcies are no longer necessary to balance successes.

5. Private debt is made payable for all time.

6. Prices diminish along with debt and stabilize when debt stabilizes. 147

7. Cycles of boom and bust are relegated to oblivion.

8. All existing primary debt, both public and private, diminish and ultimately reach a level below that of the money supply.

9. Federal government borrowing ceases entirely.

10. Federal taxation is drastically reduced immediately.

11. State and local taxes are gradually reduced to less than half of the present levels.

12. The national debt is reduced and eliminated, never to grow again.

13. Working people at all levels are able to own their homes free and clear.

14. Constitutional self-government rises superior to and replaces private monetary authority.

15. The practice of usury under the Federal Reserve Act is completely eliminated.

"That is the most thrilling list, And each one of those benefits is in reach right now.

It is easy to see how we got the Public Credit Money System going from scratch up on make believe new colony. How do we patch up the mess we've got here on Earth?"

"This is no time for a patch up job, what is needed is a complete piece of legislation to institute a debt-free money system. I have drafted out a Public Credit Money Bill.

In outline, the provisions are as follows:

Public Credit Money Bill:

1. The United States Treasury shall be the sole source of original monetary issue.

2. The Federal Reserve Act of 1913 together with all of its amendments, codes and regulations is hereby repealed.

3. Private banks, institutions and individuals are henceforth prohibited from creating money or money credits in any form.

4. As designated in Article 1, Section 8, Clause 5, of the United States Constitution, Congress shall coin, create provide and regulate money and money credits for all requirements of the United States both public and private.

5. Money and credit needed to pay obligations of the national government shall be spent into circulation debt-free.

6. The Treasury local offices shall service the financial needs of the economy directly through loans of an appropriate minimum amount to any and all creditworthy applicants.

7. The interest rate charged by the U.S. Treasury on all loans to the private sector shall be mathematically regulated (after taxes) to withdraw money from circulation at the same rate as Treasury expenditures.

8. State and local government treasuries shall qualify for voter- approved interest-free loans direct from the U.S. Treasury.

9. All legitimate financial obligations in effect when this bill becomes law shall remain in force until paid. All illegitimate obligations shall be voided. This will hurt no-one because the interest is being extinguished.

10. After the passage of this bill, the U.S. Treasury shall remove from circulation Federal Reserve Notes currency by exchanging it for United States Treasury currency.

11. All Federal government borrowing shall be prohibited.

Conclusion

"So you see, the changes can be made."

"Abraham Lincoln, the only President in modern times to be responsible for the issue of debt-free money, had this to say about the sovereign right of government to create money:

> 'The privilege of creating and issuing money is not only the supreme prerogative of government, but it is the government's greatest creative opportunity.'

"I was never taught that in school. I was never taught anything in school about how money is created. It was after I got out of school that I got the impression that money can only really be understood, entrusted to, or administered by high-powered experts."

"Exactly, and this widespread belief has resulted in great abuse by a few and the greatest loss of freedom ever experienced in America.

Devastating inflation is the price of monetary ignorance. And depression is the result of monetary abuse.

"The great and inspired men who wrote the Constitution of the United States of America had studied the systems of government which have existed since the beginning of recorded history. In their wisdom, they specifically decreed that the control of our money system belongs to the Federal Government under law.

"We all know that our government has not always acted wisely yet the Constitutional laws that have remained intact have provided a freedom for our people unparalleled by any civilization.

"We must, therefore, conclude that the money-creating authority, being the most powerful tool in all human affairs, must be properly confined to serve the public interest and to be guarded and preserved as belonging to all the people forever. This most vital element of government of, by and for the people remains to be understood and instituted into the government of our country.

"Until this is accomplished, we continue to embrace the most subtle and debilitating form of tyranny to which any nation on Earth has ever fallen victim.

"With the simple implementation of the **Public Credit Money Bill** with its principles and legal controls, we can eliminate inflation, the national debt, the unpayable private debt, involuntary unemployment, business depressions and corporate and personal income taxation for all time."

This is the truth in money.

Source Material – **The Truth in Money Book** by Theodore R. Thoren & Richard F. Warner – December 1986

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