Economic Summit Could Be Precursor to S.C. Currency

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The Monday before last (February 7), the South Carolina Sound Money Economic Summit convened in Columbia. There were two separate events. The first was Monday evening for dinner and several speakers. The second (which due to a schedule conflict I could not attend) was held Tuesday afternoon with the Senate Banking Committee on the State House Grounds.

Monday evening's speakers included Geoff Turk of GoldMoney.com, Dr. Lawrence Parks of Foundation for the Advancement of Monetary Education (FAME), Dr. Edwin Vieira, author of Pieces of Eight and one of the nation's leading authorities on Constitutional money, and experienced lobbyist Aaron Bolinger who spearheaded our grassroots fight against the Real ID Act in South Carolina back in 2007 (then went to Pennsylvania to spearhead a similar effort there).

There was an atmosphere of urgency in that air that was palpable. For those who keep informed, there is no wonder. Our monetary system is in more trouble than we have ever seen in our lifetimes, and virtually none of it is reported by mainstream media outlets. This country's official national debt recently surpassed $14 trillion, and that is just a fraction of our total indebtedness. Moreover, with the federal government's biggest expenditures being entitlements (Social Security, Medicare), no one has a clue how to reduce federal spending significantly without committing political suicide. States and cities are also swimming in seas of red ink to the point where they are cutting back on police, firefighting, and similar services.

Moreover, Federal Reserve Chair Ben Bernanke is becoming more of an embarrassment every day. He has essentially the same monetary philosophy as his opportunist predecessor, Alan Greenspan, but he does not have Greenspan's capacity to hide behind thickets of obscurantist econo-speak. Bernanke, like those in the Obama administration, wear their Keynesianism on their sleeves. Stimulate the economy through government spending, and never mind the long term consequences. This includes, of course, beaucoups of newly created money in an effort to recreate the pseudo-prosperity of the last two booms (tech in the late 1990s and housing in the 2000s). Those of us who always saw those booms as artificial, explaining how hundreds of billions could literally vanish back into thin air during 2008-09 when the stock market lost well over half its value, are still dismissed by the mainstream. Our numbers are growing, though.

Foreign governments have grown increasingly uneasy with Bernanke's "quantitative easing"—which he belligerently denies is creating money out of thin air. Be that as it may, the dollar has lost around 97 percent of its value since the Federal Reserve was created in pivotal year 1913. Presently established Fed policy endorsed by the Obama administration seems certain to debauch the dollar further, despite Bernanke's recent claim that inflation is "still quite low." Some are speaking darkly of a hyperinflationary spiral on the way as we gradually monetize the national debt, attempting to pay it off with increasingly worthless dollars. No economy as large as ours has witnessed hyperinflation. We're therefore moving into largely unknown territory. What we do know is that prices of both fuel and basic foodstuffs are already going up, although it is true that some of these price increases can be attributed to the unrest in the Middle East. The government need not report this under the inflation rubric, since Arthur Burns—Federal Reserve Chair under Richard Nixon—initiated the practice of cooking the inflation books: excluding food and fuel costs as "too volatile” and thus arriving at a “core” inflation rate that will remain essentially constant even as these go through the roof. (It kind of makes you wonder: is dishonesty built right into the job description of Federal Reserve Chair?)

I believe that if more people understood just how much trouble we are in, they would take to the streets no less than did the Egyptians. This would especially be true if mainstream media outlets bothered to report that the International Monetary Fund was promoting scrapping the dollar as the world’s reserve currency, in favor of its “special drawing rights” (SDRs). SDRs, originally created in 1969, are potential claims on the currencies of IMF members. They are capable of being converted into whatever currency a borrower requires. IMF managing director and super-elitist Dominique Strauss-Kahn is really pushing this. The latest report was issued just last Thursday. The IMF is also proposing issuing SDR-denominated bonds and suggested that oil and gold could be priced in SDRs instead of U.S. dollars.

It should be clear that such a move will only perpetuate the mistakes central banks are making now at a global level. Fred Bergsten, director of the super-elitist Peterson Institute for International Economics (named for Peter Peterson, former president of the Council on Foreign Relations), said at a conference in Washington that IMF member nations should agree to create $2 trillion worth of SDRs over the next few years. He said this will “diversify the system.” What it will do is set the stage for even more havoc wreaked on future generations.

What the IMF is promoting has been talked about behind closed doors for almost a year now—putting us on a road that would ultimately lead to the end of the dollar’s status as the world’s reserve currency without facing the fundamental false premise here: no one can create genuine sustainable wealth out of nothing. We are seeing this premise in action with the slow, agonizing decline of trust in the dollar. Late last year, China and Russia signed an agreement to do business with one another in their own currencies instead of dollars. The end of the dollar’s status as the world’s reserve currency will be the next great economic shock to hit this country. As dollars become increasingly worthless with no one’s wages or salaries going up, we are looking at a relatively sudden drop in our already declining standard of living and potential civil unrest if enough people figure out what is going on. All that will be required for this is a good organizer—and there are plenty of long-term unemployed people with nothing better to do.

Some South Carolinians believe the time has come to prepare for the inevitable collapse of the dollar system by educating ourselves about sound money which, traditionally, has always consisted of precious metals (gold and silver primarily) or been backed by them. We have to know, specifically, what went wrong; and we have to charge a course that would fix the problems without simply quick-fixing them.

What went wrong is that the process of fractional reserve lending literally creates money out of nothing—with the banks then charging interest on it! The bankster cabal—at the core of those I call the Western superelite—has been enriching itself at the expense of the rest of us at least since the 1690s with the founding of the Bank of England, and probably longer. The U.S. never freed itself

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from corporatist banking. When our first president George Washington allowed Alexander Hamilton to create the first Bank of the United States, it was clear to Thomas Jefferson that we were on the wrong road. He penned countless paragraphs warning anyone who would listen about the dangers of central banking and fiat money. U.S. history since has seen a number of pivotal years, I call them. I already mentioned 1913, the year the Federal Reserve was put in place. Another occurred in the 1940s, with the creation of the Bretton Woods system that made the dollar the world's reserve currency, pegging the dollar to gold and other currencies to the dollar. The third was 1971, when (on August 15) Richard Nixon scrapped this system and severed all ties between the dollar and gold. Since then the dollar has been a fiat currency only—currency backed only by legal tender laws and the willingness of the public to use it as a medium of exchange. The telos of fiat currencies, unfortunately for us, is inflation and eventual collapse, as their value moves toward the cost of producing them, which is zero.

What can we do to minimize the damage that will be done if the dollar ceases to be the world's reserve currency, or if as come believe is now inevitable, it collapses? This is where the S.C. Sound Money Commission comes in, and also a new bill before the South Carolina General Assembly. Speakers at the S.C. Sound Money Commission addressed the possibility of sound, gold-backed alternative currencies. Geoff Turk, for example, spoke to us via live video feed from London and introduced us to his very impressive Digital Gold Currency (DGC) system. DGC may be understood as an electronic manifestation of physical gold. DGC is geared for an economy based on sound money in an Internet age, as it could be used on a small scale within a small community or for transactions with sellers or buyers on other continents. The key advantage of the DGC system is that it enables individuals or communities to conduct transactions without reliance on a financial institution. On a global scale, it would put the banksters out of business!

Lawrence Parks, director of FAME, also urged a revisiting of the structure of our international monetary system from the ground floor up. On his website, he observes that the financial sector—the banksters—are fundamentally in conflict with, e.g., manufacturing firms who are actually making things. The latter want monetary stability of exchange rates. But because a significant fraction of financial entities' profits derive from "trading," they prefer volatility in exchange rates: the greater the volatility, the more money the banksters make! Also, with the dollar having been the world's reserve currency, this means that foreign powers (e.g., China) need to accumulate dollars. The most efficient way for them to do that: export more than they import. Thus foreign countries—often far more corporatist than America is—have an incentive to create the large trade imbalances we see. There is a strong incentive for good-paying manufacturing jobs to leave the U.S. for China. The solution: reforming our monetary system will be a necessary condition for any real revival of the U.S. economy, although the continued printing of unbacked fiat dollars may create the false impression of "recovery" here—for a while.

Some of these reforms may consist in the creation of new currencies. South Carolina may be about to study these prospects. A new bill introduced into the State Senate by Lee Bright (R-Spartanburg) would establish a committee to study whether this state should create its own currency, an alternative to the dollar, consisting of gold and silver coins. Other states, including Georgia, Virginia and Missouri, are also looking into setting up alternative currencies. The bill would authorize creating an eight-member panel, four members appointed by the Speaker of the House and four by the President Pro Tem of the Senate. Sen. Bright told a recent interviewer, “I got concerned that the government, or the Federal Reserve might make an attempt to monetize the debt through inflation and folks that have saved all this time would obviously be the ones that would be hurt the most. So if folks wanted to have an opportunity, through gold and silver at a state level, like they’re looking at in Virginia, like they’re looking at in Georgia, like they’re looking at in Missouri, I wanted to make sure that South Carolina was not left behind,” he says.

Dr. Vieira has explained on numerous occasions how laws could be enacted, and how a state-sponsored commission could be created, with the goal of setting up gold and silver as an alternative currency. The idea is not to replace dollars; initially gold and silver would be currencies in use alongside dollars, but as the dollar collapses, gold and silver would become a replacement currency and a potential reservoir of economic stability.

There are, of course, people who will dismiss this as a whacko effort. Some will contend that the Constitution only authorizes the federal Congress to establish a currency. The answer is that in 1913, the federal government effectively relinquished this responsibility to private banking entities, and that in terms of

the honesty and long-term sustainability of our money system, it has been all downhill ever since. A key point is that a remedy must be introduced at the state level, not at the Federal Reserve level or by Congress, both of whom are the main culprits in bringing on our present crisis. The response of the Federal Reserve to the economic and monetary crisis will be still more “quantitative easing” further exacerbating the problem. And by the way, when did defenders of federal power grow interested in what the Constitution says?

Others will contend that a state currency could never succeed, and that we would do better to get spending under control. Unfortunately, defenders of the monetary status quo again seem unable to exercise any leadership in showing how to do that, as opposed to exacerbating the problems. And every day we get closer to something many observers now believe is inevitable—the dollar’s demise. It is not a matter of if, say these observers, it is a matter of when. The time to begin preparations is now.

Steven Yates has a Ph.D. in philosophy and teaches the subject at a college in Upstate South Carolina. He is the author of the books Civil Wrongs: What Went Wrong With Affirmative Action (1994) and Worldviews: Christian Theism versus Modern Materialism (2005), and also of numerous articles in the professional journals of his discipline, in print media, and online. His newest book, almost completed, will be entitled Four Cardinal Errors: Reasons for the Decline of the American Republic. He lives in the Upstate region of South Carolina.