



# A First Step To Sound Money

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**HERE'S A HYPOTHETICAL SITUATION. SUPPOSE YOU HAD \$1.5 MILLION. AT TODAY'S GOLD PRICE** that would buy approximately 1,000 ounces of gold. Suppose now that President Obama, the Congress, and the Federal Reserve began managing the American economy in such a way that by the end of President Obama's second term, the dollar was back to where it was when President George W. Bush began his first term. Were that to happen, your \$1.5 million could purchase 5,660 ounces of gold.

So, do you think you should have to pay taxes on the increase in the value of your money?

If the idea strikes you as crazy, let us refer you to the legislation introduced today at the Senate by James DeMint, Rand Paul, and Michael Lee. It's called the Sound Money Promotion Act, and The New York Sun is happy to lay claim to being the first newspaper to endorse it. The measure, as it is characterized in a press release posted by Senator DeMint, would remove the tax burden on gold and silver coins that have been declared legal tender by either the federal government or state governments.

On its face it might seem an odd bill. But looks at the hypothetical situation above from the opposite end of the telescope, so to speak. It seeks to block tax authorities from treating gold and silver coins as though they were mere commodities and start treating them, at least in tax law, as though they were what the Founders of America thought they were, which is money.

Gold and silver coins are already treated this way, as legal tender, inside the state of Utah, whence Senator Lee was elected.

This is because Utah was the first state in our modern time to exercise its constitutional power to make gold and silver coins legal tender. It did so earlier this year, ahead of as many as a dozen states that are at various stages of looking in to the question of how to protect themselves against the collapse of the United States dollars that are being issued by the Federal Reserve. They are all being energized by the fact that the value of the dollar has collapsed to barely a fifth of what it was, if that, at the start of the 21<sup>st</sup> century.

One of the states considering making gold and silver coins legal tender is South Carolina. That was remarked on by Mr. DeMint, one of its senators at Washington, in introducing the bill. He attributed the dollar's collapse in recent years to "the government's reckless over-spending, continued bailouts, and the Federal Reserve's easy money policy" and said that in addition to fiscal discipline the country would need "monetary discipline to restrain further destructive monetizing of our debt." The legislation, he said, "would encourage wider adoption of sound money measures."

The press release introduced by Senators DeMint, Lee, and Paul noted that Standard & Poor's has recently downgraded America's outlook to "negative" from "stable," meaning, the senators asserted, "there is a one in three chance of an actual credit downgrade in the next two years." They asserted that the Federal Reserve is now buying 70% of U.S. Treasuries, set to surpass the holdings of both Communist China and Japan combined.

How far the three senators will get with the Sound Money Protection Act is hard to say. Its implication — a recognition of gold and silver as the true constitutional money — is, in the current context, radical. But it's no more radical than the Founders, who, when they twice used the word "dollars" in the Constitution, were referring to a coin containing 371 ¼ grains of silver. They codified that as the definition of the dollar in the Coinage Act of 1792. They

also referenced gold in the 1792 Act, with a value of 15 times that of silver. We are in a time when understanding the concept of constitutional money will point the way to the policies needed to steer our country out of its current difficulties.

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