

FIAT TAXATION AND THE ELIMINATION OF THE FEDERAL RESERVE AND INCOME TAX

by
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The Federal Income Tax is a needless drain on American society. This Comment proposes that we revolutionize our tax scheme and replace the Income Tax with a “fiat” taxation system. Recognizing the deeply ingrained tradition of the Federal Reserve and the Federal Income Tax itself, the author first explores the history and policy behind these institutions. Ultimately, as tradition alone proves an insufficient justification for maintaining our flawed system, the author proposes a less burdensome solution. Under the proposed system, Congress would eliminate the Federal Reserve and take back its power to regulate coinage. Rather than printing money, dispersing it to the public, and asking for it back, Congress (through its appointed committees or agencies) would simply keep the portion of currency necessary for the federal budget and disperse the rest. The superfluous middlemen—the IRS and the Federal Reserve—would be eliminated from the system, with incredible public benefit.

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I. OVERVIEW

The Federal Income Tax is a wasteful, unnecessary burden upon the American public. Instead of the current scheme, I propose a regime of “fiat” taxation. Basically, the government will pay its own budget by appropriating all necessary funds after printing its own currency, but before general issuance of that currency to the public. Net wealth is still taken from the public under this system; citizens are still paying for public services as happens currently. But the middleman, the IRS, is removed from the picture. Money, time, and aggravation will all be saved by this approach. The proposed system is therefore fiat taxation, as fiat is defined as a “command or act of will that creates something without . . . further effort.”¹

To institute fiat taxation, Congress will have to uphold its constitutional mandate to regulate currency.² Since 1913, the Legislative Branch has parsed out its inalienable duty to regulate coinage to the Federal Reserve (the Fed), a quasi-governmental agency that is part

¹ MERRIAM-WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 843 (1986).

² See U.S. CONST. art. I, § 8, cl. 5 (“To coin Money, regulate the Value thereof . . .”).

executive, part private syndicate.³ The private member banks that comprise the ownership interest in the Fed will no longer profit from the “service” of issuing fiat currency⁴ and collecting interest at the expense of the U.S. government (via the redemption of securities put up as collateral to secure currency notes).⁵ By creating fiat currency itself, Congress will eliminate another parasitic middleman from the financial system, viz., the Fed, and therefore be able to benefit the public by way of fiat taxation.

In making a serious case for any change of such scope and sweeping reform as this Comment purports to accomplish, the historical and policy-based underpinnings of the institutions to be scrapped should be examined. The Federal Reserve and the Federal Income Tax have been national institutions for nearly one hundred years. Such a long history merits a careful examination of the value of these regimes. But force of tradition cannot be afforded probative weight of itself; else slavery and other countless immoral and anachronistic institutions under the law in this nation could not have endured their rightful eradication. In debating the recent controversy over NSA wiretapping, one professor countered with the question “but who is the enemy?”⁶ Like Pontius Pilate two thousand years ago, who asked, “What is truth?”⁷ we cannot shrug off our collective duty to make hard judgments and confront troubling issues. The nation’s bar and bench, and law schools throughout the country are filled with incredibly talented and gifted women and men, and much legal argument, decision, and scholarship is devoted to seeing clearly what the bark and leaves look like on each and every tree in the great forest of law. But what this Comment aims to accomplish is to encourage these same great lights to focus their abilities on a wider view

³ See 12 U.S.C. § 341 (2000) (detailing the incorporation of Federal Reserve banks as private entities, as an example of the non-public component of the Fed); see also 12 U.S.C. § 241 (2000) (detailing the appointment of the Board of Governors for the Federal Reserve System, as an example of the public component of the Fed).

⁴ For the purpose of this Comment, “fiat currency” is money not backed by and therefore non-transferable with any concrete specie, e.g., gold or silver.

⁵ See, e.g., 12 U.S.C. § 412 (2000) (allowing Federal Reserve banks to issue currency upon securing collateral directly obligating the United States, e.g., Treasury bonds); Fed. Reserve Bank of N.Y., Currency Processing and Destruction, <http://www.newyorkfed.org/aboutthefed/fedpoint/fed11.html>. According to the New York Federal Reserve branch, the Bureau of Engraving and Printing sells bills to federal banks at about four cents per bill. A federal bank receiving a return greater than four cents per bill when the U.S. securities originally received as collateral are sold off, ends up with a net profit. *Id.* Fed. Reserve Bd., Frequently Asked Questions, <http://www.federalreserve.gov/generalinfo/faq/faqfrs.htm#6> (declaring that its main source of income is interest deriving from U.S. government securities).

⁶ William Funk, Remarks at the Lewis & Clark Law School American Constitution Society and Federalist Society Debate on President Bush’s NSA Wiretapping Program (Oct. 11, 2006).

⁷ *John* 18:38 (King James).

of the forest, here a purveyance of the current tax structure, to see that a better option exists than what is currently in place.

II. THE FOUNDATION OF SAND GIRDING THE FEDERAL INCOME TAX

A. *History of the Federal Income Tax*

There was no Federal Income Tax (FIT) in this country until 1913, when the Sixteenth Amendment was ratified.⁸ Prior to that time, the federal government relied on tariffs and excise taxes for most of its revenue.⁹

1. *Public Sentiment Advocating for a FIT*

Painting a much generalized picture, the United States contained varying regionalized interests in the late nineteenth and early twentieth centuries. While the Northern and Eastern regions were dominated by industrial and financial concerns, agriculture was still primary in the South and West. The farmers of the Southern and Western states felt that tariffs and excise taxes were regressive and affected them disproportionately. Commodity prices rose under federal tariffs, while the wealth of corporations and merchants in the North and East could often be hidden from these same costs due to the intangibility of these assets. The fabulous wealth of New York and Eastern based families such as the Morgans, Rockefellers, and Vanderbilts heightened a public sense throughout the country that the rich were living off the labors of the poor and handing over the costs of government to the working class. Under these circumstances arose the populist cry to spread the wealth through a federal income tax, a more equitable distribution of the national tax burden.¹⁰

2. *The Oligarchic Connection*

Central to the argument of this Comment is the tie-in between the passage of the Sixteenth Amendment to the Constitution authorizing a federal income tax, and the contemporaneous passage of the Federal Reserve Act, creating the quasi-governmental body of the Federal Reserve to take over the creation and issuance of U.S. currency. The Supreme Court had ruled in 1895 that a federal income tax violated the Uniform and Direct Provision of the Constitution.¹¹ From the late nineteenth century when this decision was made, until 1913 when the effort to change the Constitution in this regard was successful, a parallel drive was afoot. That drive was likewise a popular sentiment to stabilize and

⁸ U.S. CONST. amend. XVI.

⁹ Pete V. Domenici, *The Unamerican Spirit of the Federal Income Tax*, 31 HARV. J. ON LEGIS. 273, 275 (1994).

¹⁰ See *id.* at 275–76.

¹¹ See generally *Pollock v. Farmers' Loan & Trust Co.*, 158 U.S. 601 (1895), superseded by U.S. CONST. amend XVI.

regulate the nation's currency. Feeding this push for currency stabilization was a series of financial crises also occurring in the late nineteenth and early twentieth centuries.¹² This Comment contends that the passage of the Federal Reserve Act in 1913 as the answer to currency regularity, and the ratification of the Sixteenth Amendment in the very same year to allay widespread concern about distribution of wealth, was simply no coincidence. Rather, 1913 was the first year of the Wilson Administration, led by a President who quickly ascended from the political backwaters to the office of the chief executive in a few years. Wilson's rise owes itself to the backing of the financial elite.¹³ And the same financial elite can be shown to have artificially created the currency panics preceding the Federal Reserve Act.¹⁴ The Federal Income Tax was merely the icing on the cake for these oligarchic elite. The public was sold a bill of goods about equitable distribution of tax burden so that a system could be instituted and become entrenched (as it is today). In a short span, this system has turned from being a siphon upon the rich to shackling the middle and especially the lower classes with cost.

B. The FIT Since 1913

When first instituted, and consistent with the arguments leading to its mass support and ultimate realization, the FIT affected a very small percentage of the population.¹⁵ Only the exceedingly wealthy had to pay the FIT.¹⁶ The problem is that this original rationale to overturn the *Pollock* decision, and change the Constitution itself—taxing the rich to more equitably share in the tax revenue burden of the nation—is no longer the reality of the FIT. Instead, even citizens below federally defined poverty lines are subject to taxation.¹⁷ The revenue from the FIT no longer comes solely from the very wealthy, but now is drawn in ever increasing percentages from the middle and lower classes the FIT was designed to relieve. For this reason alone the FIT can be justifiably scrapped.

¹² EUSTACE C. MULLINS, *SECRETS OF THE FEDERAL RESERVE* 5 (Bankers Research Inst. 1983).

¹³ ANTONY C. SUTTON, *THE FEDERAL RESERVE CONSPIRACY* 82–83 (1995).

¹⁴ See MULLINS, *supra* note 12, at 5 (specifically attributing causation to London-based bankers).

¹⁵ Domenici, *supra* note 9, at 274.

¹⁶ JOSEPH A. PECHMAN, *FEDERAL TAX POLICY* 63 (5th ed. 1987) (“Exemptions were high by today’s standards, and few incomes were large enough to be subject to tax even at the lowest rate . . .”).

¹⁷ Annual Update of the HHS Poverty Guidelines, 71 Fed. Reg. 3848 (Jan. 24, 2006) (reporting that the Poverty Guideline for 2006 is \$9,800 for a single person under 65 residing in the contiguous 48 states); I.R.S., 2006 Federal Tax Rate Schedules, Schedule X—Single, <http://www.irs.gov/formspubs/article/0,,id=150856,00.html> (showing that any income reported is taxed at least 10%, while the first rate increase (15%) occurs when income exceeds \$7,550).

III. "PAY NO ATTENTION TO THAT MAN BEHIND THE CURTAIN"—
THE OLIGARCHY THAT CREATED AND MAINTAINS THE CURRENT
FINANCIAL REGIME.

A. *Understanding the Money Connection*

As the nation's first treasurer, Alexander Hamilton, famously said, "[T]hat power, which holds the purse strings absolutely, must rule."¹⁸ While this Comment could simply advocate as a matter of efficiency to replace the FIT with an alternate plan of fiat taxation, once the genesis of the Fed is understood, and the connection of the FIT to that system is clear, the argument to dispose of the FIT will lie on an ethical foundation and not merely a normative basis. Simply put, the Fed and the FIT serve the power of a financial oligarchy. By dint of holding the purse-strings of the nation, this oligarchy approaches absolute rule as well. Examining the history of the Federal Reserve System is necessary to expose the "man behind the curtain."

1. *Currency Control before the Fed*

Issuances of national currency and central banking have been hotly debated questions of policy from the very inception of the United States. The creation of adversarial political parties within the first decade of the nation's history is due in significant part to the rift between the Hamiltonian Federalists and the Jeffersonian Republicans over these issues.¹⁹

a. *First Bank of the United States*

In 1791, the twenty-year charter of the First Bank of the United States began, with the government holding a twenty percent interest in this newly chartered corporation.²⁰ The Bank was proposed to Congress by Alexander Hamilton, the first Secretary of the Treasury.²¹ Inciting controversy between the Federalists and Republicans was the foreign banking interests holding partial ownership of the Bank.²² The Bank was a private entity, deriving profit through its services at public expense, most notably having power to issue currency and therefore implement

¹⁸ Letter from Alexander Hamilton to James Duane (Sept. 3, 1780), in II THE PAPERS OF ALEXANDER HAMILTON 404 (Harold C. Syrett & Jacob E. Cooke eds., Columbia Univ. Press 1961).

¹⁹ For the position of Hamilton, see The Avalon Project, Hamilton's Opinion as to the Constitutionality of the Bank of the United States, 1791, <http://www.yale.edu/lawweb/avalon/amerdoc/bank-ah.htm>. For Jefferson's position, see The Avalon Project, Jefferson's Opinion on the Constitutionality of the National Bank, 1791, <http://www.yale.edu/lawweb/avalon/amerdoc/bank-tj.htm>.

²⁰ Carl Lane, *For "A Positive Profit": The Federal Investment in the First Bank of the United States, 1792-1802*, 54 WM. & MARY Q. 601 (1997).

²¹ See generally EDWARD S. KAPLAN, THE BANK OF THE UNITED STATES AND THE AMERICAN ECONOMY 19-22 (1999).

²² See Lane, *supra* note 20, at 605. In fact by 1802, the United States had sold all of its interest in the Bank, with English and Dutch interests picking up these shares. *Id.*

control over national affairs by means of holding such “purse-strings.”²³ The Republicans opposed the Bank in large part for the opportunity it gave foreign ownership interests to thus manipulate the new nation.²⁴ In a mantra that continues to this day, such opposition was countered by appeal to regulation, soundness, and stability of finance necessitating private control.²⁵ The Bank operated under its charter until 1811, when Congress denied its continuance.

b. Second Bank of the United States

The Madison administration had difficulty financing the War of 1812 against the United Kingdom without a central banking house.²⁶ However, in a pattern that would again repeat itself, such difficulty was less an indication of the value of chartered, private banking, and more an exposition of the power of financial interests to constrain the federal government to its will. This was blackmail on the grandest scale. As a true picture of how such power worked, the War of 1812 itself was engineered by the private European banking houses that already exerted their power in the United Kingdom, as a direct act of retribution upon the United States government for not extending the First Bank charter.²⁷ The First Bank was a foothold for such foreign interests, to reap the wealth of the

²³ KAPLAN, *supra* note 21, at 26 (noting that the Bank was “privately run by . . . directors[,] . . . and it could issue a uniform currency”); *see id.* at 28–29 (regarding the control of national money supply and credit).

²⁴ *Id.* at 29 (stating that by 1809, seventy-five percent of the Bank’s stock was held by foreigners).

²⁵ *Id.* Bank stockholders claimed that to not renew the Bank’s charter would “impair the fiscal machinery provided by the bank for the collections and payment of public funds, while the withdrawal of \$10 million of banking capital would produce serious embarrassment to the trade and commerce of the country.” *Id.*

²⁶ RALPH C.H. CATTERALL, *THE SECOND BANK OF THE UNITED STATES 1* (Univ. of Chicago Press 1902).

²⁷ *See* E.C. KNUTH, *THE EMPIRE OF “THE CITY”* 67–68 (1946). Britain was locked in a struggle for world domination “seizing and occupying French and other colonial lands, and in fighting the United States in the war of 1812–1815. . . . When the conflict with France ended the House of Rothschild was in control of British finance and was the official banker of the British Government.” As the war with France concluded with Napoleon’s defeat at Waterloo in 1815, about the same time the War of 1812 ended, and bankers had effectively seized control of all government finance in the preceding years, it is not far-fetched to surmise that bankers helped instigate war between Britain and the U.S., if not fully causing such a war. Bankers such as the Rothschilds would stand both to profit through the interest of wartime finance loans to the British government as well as effecting a degree of retribution upon the U.S. Government for not re-chartering the Bank of the United States. And in fact the difficulties the Madison administration encountered in financing the War of 1812 led to the chartering of the Second Bank of the United States in 1816 immediately following the war. *See generally* CATTERALL, *supra* note 26, 1–21. Catterall traces the financial difficulties caused by the War of 1812, the push for the chartering of the second bank of the United States, Madison’s initial veto, and the eventual reluctant acceptance of the bank. *Id.*

newly created United States and also begin to seize political power through the appropriation of currency issue.²⁸

Faced once more with a desire to stabilize currency, Congress was persuaded to charter the Second Bank of the United States in 1816 for another twenty-year period.²⁹ The Second Bank operated in practice much as did the First, resulting in the same controversies. As President Jackson described, "It appears that more than a fourth part of the stock is held by foreigners and the residue is held by a few hundred of our own citizens, chiefly of the richest class. For their benefit does this act exclude the whole American people . . ."³⁰ The Second Bank was noted as well for significant corruption in fraudulent stock speculation by bank directors³¹ and irresponsible overextensions of credit leading to financial panics.³² Again the issues of currency control and central banking became of primary political importance, being a major division between the Democratic and Republican parties, and driving much of the 1832 presidential campaign.³³ Jackson and the Democrats won, and the Second Bank charter was allowed to run out in 1836.

2. *Opposition to Private Banking Monopolies*

Before evaluating the behind-the-scenes working of oligarchic financial interests that led to the creation of the United States' third and current private central banking system, the Fed, it is worthwhile to consider what top statesmen had to say about this subject. Eisenhower's farewell address warning the public to beware of the "military-industrial complex"³⁴ is still recent enough in the minds of many educated Americans to be remembered. But far from being a new development, foreign and private domestic interests have always been a main, if not the chief, threat to the security of the United States according to the nation's most prominent leaders.

George Washington admonished the nation in his own farewell address on both the corrupting influence of foreign and private domestic interests. Of the homebred variety, the first president warned of "cunning, ambitious, and unprincipled men . . . enabled to subvert the

²⁸ See GUSTAVUS MYERS, HISTORY OF THE GREAT AMERICAN FORTUNES 556 n.5 (Modern Library 1937) ("Under the surface, the Rothschilds [perhaps the most notable international banking family of the nineteenth century] long had a powerful influence in dictating American financial laws. The law records show that they were powers in the old Bank of the United States.")

²⁹ KAPLAN, *supra* note 21, at 53–54.

³⁰ Andrew Jackson, Veto Message (July 10, 1832), in II A COMPILATION OF THE MESSAGES AND PAPERS OF THE PRESIDENTS 1789–1897, at 576, 577 (James D. Richardson ed., 1896) (vetoing a bill to continue the Second Bank's charter).

³¹ See generally CATTERALL, *supra* note 26, at 39–48.

³² KAPLAN, *supra* note 21, at 69 ("[O]verextension of credit resulted in inflation and indebtedness.")

³³ *Id.* at 126 ("The Bank became the paramount issue in the election . . .").

³⁴ Dwight Eisenhower, Farewell Radio and Television Address to the American People, 1960–61 PUB. PAPERS 1035, 1038 (Jan. 17, 1961).

power of the people, and to usurp for themselves the reins of government” by way of small but artful and enterprising associations.³⁵ Of foreign intrusion, Washington warned “[a]gainst the insidious wiles of foreign influence (I conjure you to believe me, fellow-citizens) the jealousy of a free people ought to be *constantly* awake, since history and experience prove that foreign influence is one of the most baneful foes of republican government.”³⁶

While Washington did not directly implicate financial powers as threatening the nation, the similarity of his admonitions and those of his next great successor in the presidency, Thomas Jefferson, make the application of Washington’s words relevant to the subject. Jefferson famously said “I sincerely believe . . . that banking establishments are more dangerous than standing armies.”³⁷ Add to this warning the fear of President Jackson, that if foreign stockholders should increase ownership in a central bank issuing currency, that “[c]ontrolling our currency, receiving our public moneys, and holding thousands of our citizens in dependence, it would be more formidable and dangerous than the naval and military power of the enemy.”³⁸

Continuing in this vein, Abraham Lincoln foresaw

in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. . . . [C]orporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands, and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war.³⁹

Chilling indeed that after three plus years of being subjected to the horrors of the bloody Civil War, Lincoln would be more apprehensive still about the push of a moneyed elite to enthrone itself over the nation. Washington, Jefferson, Jackson, and Lincoln are some of the most esteemed Presidents to have ever served this nation. Each exhibited a grave fear of the machinations of an elite, wealthy few seeking to deceive the public and usurp power. Such a threat was even portrayed as being greater than that of hostile armies, in accordance with Cicero’s famous and oft-quoted proverb about enemies within:

³⁵ George Washington, Farewell Address (Sept. 17, 1796), in I A COMPILATION OF THE MESSAGES AND PAPERS OF THE PRESIDENTS 1789–1897, at 213, 218 (James D. Richardson ed., 1896).

³⁶ *Id.* at 222.

³⁷ Letter from Thomas Jefferson to John Taylor (May 28, 1816), in THE LIFE AND SELECTED WRITINGS OF THOMAS JEFFERSON 668, 675 (Adrienne Koch & William Peden eds., 1972).

³⁸ Jackson, *supra* note 30, at 581.

³⁹ Letter from Abraham Lincoln to Col. William F. Elkins (Nov. 21, 1864), in THE LINCOLN ENCYCLOPEDIA 40 (Archer H. Shaw ed., 1950).

An enemy at the gates is less formidable, for he is known and he carries his banners openly against the city. But the traitor moves among those within the gates freely, He rots the soul of a nation; he works secretly and unknown in the night to undermine the pillars of a city; he infects the body politic so that it can no longer resist.⁴⁰

It is these hidden machinations of the oligarchic elite that we now examine, to see who and what is operating behind the curtain.

B. Approach of the International Money Syndicate upon the United States

Having examined the situation of domestic government in regards to currency issue and banking regime in the late eighteenth and early nineteenth centuries, the focus shifts to the perspective of the powers of finance working to secure a monopoly interest on that same currency issue and banking control in the late nineteenth and early twentieth centuries. Of probative interest here is the fruition of those efforts in the passage of the Federal Reserve Act in 1913, and the concurrent institution of the Federal Income Tax.

1. Hooks already in the Continental States

England had already succumbed to the yoke of private bankers with the formation of the Bank of England in 1694.⁴¹ Like the First and Second Banks of the United States, the Bank of England (BoE) was and still is a privately owned corporation, operating as a central national bank, with monopolistic power to control all issuance of currency in England and, subsequently, the United Kingdom.⁴² The private shareholders of the BoE also profit from the exclusive power to create and distribute fiat currency, with these profits paid from public revenue.⁴³ In short, the formation of the BoE and its grant and continuance of power originate from the familiar arguments of financial and monetary stability, arguments brought to amplified force by bankrupted treasuries

⁴⁰ Millard F. Caldwell, *The Responsibility of Government: "We the People,"* in 32 VITAL SPEECHES OF THE DAY 536, 537 (1966) (quoting Cicero).

⁴¹ A. ANDRÉADÈS, HISTORY OF THE BANK OF ENGLAND 1640 TO 1903 72-73 (1966). By Act of Parliament, a private corporation was authorized to lend £1.2 million to the English government. In return the government had to pay eight percent interest on the loan, plus management expenses, for a total of £100,000 per annum. *Id.*

⁴² *Id.* at 83 (noting that by 1709 the Bank of England was granted full monopoly as the banking house of the nation, and by 1833 all notes issued were accorded status of legal tender).

⁴³ *Id.* at 84. Since its charter in 1694, the Bank had power to issue notes to the public. Thus while accumulating interest profit on loans to the government (paid out of the public fisc), from its inception the bank could also issue and profit off notes distributed to the public in amount equal to the capital already loaned to the government. *Id.*

following warfare.⁴⁴ Other European nations similarly yielded to privatized control of their currency issue and banking.⁴⁵

2. *Push for Control of America*

Early efforts to establish footholds upon the American fisc by foreign and private financial concerns have been examined in the creation of the First and Second Banks of the United States.⁴⁶ To soften the American public to the idea of a third and more encompassing, permanent central bank,⁴⁷ a series of financial panics was triggered by these same private banking concerns.⁴⁸ More than a half dozen panics followed Jackson's veto of an extension for a national private bank until the Panic of 1907,⁴⁹ which would set in motion the chain of events culminating in the Federal Reserve Act of 1913. After more than a century of partial interest in American central banking and periodic currency panics, private banking interests had both established a presence in governmental fiscal policy and were pushing the hand of future policy. Expressly stated, the public

⁴⁴ See generally 1 JOHN CLAPHAM, *THE BANK OF ENGLAND: A HISTORY 1694–1797* 1–14 (1966). Clapham assays that the direct cause of the Bank's formation was continuing war with France. Charles II encountered serious difficulties in funding his military, and had come into serious debt to bankers in the 1660s and 1670s. The perceived boon to Dutch, German, and Italian merchants by means of their localized private banks also influenced the creation of the Bank of England according to Clapham. *Id.*

⁴⁵ See J. Lawrence Broz, *The Origins of Central Banking: Solutions to the Free-Rider Problem*, 52 INT'L. ORG. 231, 237 (1998) (a chronological table of all central banking houses chartered in Europe before 1900).

⁴⁶ See CARROLL QUIGLEY, *TRAGEDY AND HOPE: A HISTORY OF THE WORLD IN OUR TIME* 53 (1966). Quigley declares that international bankers viewed politicians as "too weak and too subject to temporary popular pressures to be trusted with control of the money system." Therefore, to preserve their interests, international bankers found it "necessary to conceal, or even to mislead, both governments and people about the nature of money and its methods of operation." *Id.*

⁴⁷ See ANTHONY SAMPSON, *THE MONEY LENDERS* 60 (Penguin Books 1983) (1981). As representative that many Americans needed softening to the notion of a new central banking house, states such as Arkansas, Oregon, California, and Iowa prohibited banks completely at times during the nineteenth century, while Texas had a bank ban in effect until 1904. *Id.*

⁴⁸ See, e.g., GARY ALLEN, *NONE DARE CALL IT CONSPIRACY* 43 (1972) (explaining that "[i]n order to show the hinterlands that they were going to need a central banking system, the international bankers created a series of panics as a demonstration of their power—a warning of what would happen unless" the international bankers were given control of the money system); MULLINS, *supra* note 12, at 5 (specifically attributing three panics to "international bankers' operations in London").

⁴⁹ See BRAY HAMMOND, *BANKS AND POLITICS IN AMERICA FROM THE REVOLUTION TO THE CIVIL WAR*, 458–59 (1957) (concerning the Panic of 1837, the involvement of the Rothschilds and connections between the Bank of England and proponents of the Second Bank of the United States); *id.* at 711 (describing the Panic of 1857 in which banks "had no choice but to strip their borrowers in order to save themselves"). See also J. Lawrence Broz, *Origins of the Federal Reserve System: International Incentives and the Domestic Free-rider Problem*, 53 INT'L ORG. 39, 44 (1999) (listing major panics before 1907 including those of 1873, 1884, 1890, and 1893).

had been wearied by the fluctuations and instability of the dollar.⁵⁰ While the same public, naturally enough, clamored for stability and began to exert pressure on Congress to solve the problem, the situation was ripe for the men behind the curtain to unveil a solution. The panics and the continued instability of American currency were due primarily to the machinations of the banking and financial interests, but few were privy to the ruse, and the public by and large did not heed those that revealed the true source of economic destabilization.⁵¹

3. *Panic of 1907 and the Aldrich Committee*

The 1907 Panic is a classic case study of the manner in which those who control the purse-strings are able to manipulate government entities and accomplish their will. While the Panic itself did not begin until the fall of 1907,⁵² Jacob Schiff of international banking firm Kuhn, Loeb, and Co., prophetically warned the New York Chamber of Commerce earlier in the year that “unless we have a Central Bank with adequate control of credit resources, this country is going to undergo the most severe and far reaching money panic in its history.”⁵³ Schiff could be hailed as prescient if the Panic of 1907 had shortly ensued purely as a matter of financial inevitability. However, the Panic was far from inevitable, instead being caused by the banking elite itself, namely J.P. Morgan.⁵⁴ Banks under the control of Morgan began calling in loans on trusts and companies outside the Wall Street circle, which in turn led to bank runs and a financial panic.⁵⁵ Loans had been given out liberally prior to this calling in, such that most of the businesses and individuals who received such loans were over-extended.⁵⁶ Therefore, when they were unable to pay, the

⁵⁰ See MULLINS, *supra* note 12, at 5 (“The public was demanding in 1908 that Congress enact legislation to prevent the recurrence of artificially induced money panics.”).

⁵¹ *Id.* at 16. Senator Robert La Follette of Wisconsin and Congressman Charles Lindbergh, Sr. were chief among those decrying the institution of the Federal Reserve System. *Id.*

⁵² Jon Moen & Ellis W. Tallman, *The Bank Panic of 1907: The Role of Trust Companies*, 52 J. ECON. HIST. 611, 617 (1992) (stating that the initial run on the Knickerbocker Trust Company that instituted the panic began between October 18–21, with the full fledged panic in effect by October 22, 1907).

⁵³ DES GRIFFIN, *DESCENT INTO SLAVERY?* 37 (Emissary Publ’ns 2001) (1980).

⁵⁴ See ALLEN, *supra* note 48, at 44–45 (noting that “Morgan was already an old hand at creating artificial panics,” and that 1907 was “the year of the Morgan-precipitated panic”).

⁵⁵ SUTTON, *supra* note 13, at 64.

⁵⁶ See Joseph French Johnson, *The Crisis and Panic of 1907*, 23 POL. SCI. Q. 454, 456–58 (1908) (Johnson chronicles both the inflated mood of the public before the panic in that “the average man [was] convinced that good times . . . would persist so long as the sun shone and the rains fell,” and that “a considerable portion of the public was willing to take chances . . . in numerous . . . enterprises of a speculative nature,” and empirical data of the ballooning of loans and credit from the 1890s to 1907, in that the dollar value of loans of trust companies more than quadrupled and total bank clearings more than tripled. Furthermore, Johnson maintains that

credit houses simply seized loan collateral to make good the debt.⁵⁷ This is a pattern seen in recent times and also long before 1907.⁵⁸ The end result: the creditors got richer still, while the majority of the population was affected negatively by the ensuing recession.

The genius of this banking system however, if we dare call it genius, was that not only did the creditors profit presently, but vague allusions to over-expansion and poor speculation were trumpeted as if to indicate an Enlightenment-style natural law was at work, with the credit houses merely passive observers to an inevitable boom and bust cycle.⁵⁹ To complete the effect, J.P. Morgan himself entered the spotlight and assembled a team of his banking elite brethren to personally stop the 1907 Panic.⁶⁰ In the end the Panic subsided, Morgan was hailed as a secular savior,⁶¹ and the citizens of America pushed ever more adamantly

because of this great business expansion and the great debts accumulated, “a more painful and probably longer period of liquidation was necessary” in the aftermath of the Panic of 1907 than previously, noting that “prosperity depended on the continuance of boom times,” convincing evidence of over-extension. *Id.* at 462.).

⁵⁷ ROBERT F. BRUNER & SEAN D. CARR, *THE PANIC OF 1907: LESSONS LEARNED FROM THE MARKET’S PERFECT STORM* 3 (2007) (noting a commonality of banking panics was that “banks, realizing that the value of pledged collateral had impaired the creditworthiness of their loans, would call in their credits. Borrowers, unable to repay their debts, would default and declare bankruptcy.” The authors go on to quote George Perkins, a major financier intimately involved with the Panic of 1907, as stating “[i]t was evident that difficulty was being caused by the calling of loans by a good many trust companies.” *Id.* at 99.); *see also* R. MCNAIR WILSON, *PROMISE TO PAY* 15–20 (Britons Publ’g Co. 1964) (1934) (explaining that when bankers intentionally dole out credit liberally, and later suddenly call in loans, many end up over extended, bankrupt, and must pay with their homes and other collateral).

⁵⁸ *See* ALLEN, *supra* note 48, at 44. For example the National Bankers’ Association had issued what came to be known as the “Panic Circular of 1893” instructing banks to “call in one-half of your loans” in order to precipitate the ensuing 1893 panic. *Id.*

⁵⁹ *See* WILSON, *supra* note 57, at 21–24 (describing credit cycles, or boom and bust cycles, and how they are in fact controlled by bankers through over-extension of credit and the calling in of loans).

⁶⁰ *See* QUIGLEY, *supra* note 46, at 327. Adeptly describing the process in which international bankers operate, and the great personal power wielded by top financiers, Quigley explains that

dominance of investment bankers was based on their control over the flows of credit and investment funds in their own countries and throughout the world. They could dominate the financial and industrial systems of their own countries by their influence over the flow of current funds through bank loans, the discount rate, and the rediscounting of commercial debts; they could dominate governments by their control over current government loans and the play of the international exchanges. *Almost all of this power was exercised by the personal influence and prestige of men who had demonstrated their ability in the past to bring off successful financial coups . . . to remain cool in a crisis.*

Id. (emphasis added).

⁶¹ PROCTOR W. HANSL, *YEARS OF PLUNDER: A FINANCIAL CHRONICLE OF OUR TIMES* 87–89 (1935) (describing J.P. Morgan as “saving the country” and coming “to the national rescue”).

for Congress to rectify the situation once and for all.⁶² Again, few pointed fingers at those who held the strings and engineered these busts. The stage was set for the formation of the National Monetary Commission headed by Senator Aldrich to formulate a solution.⁶³

Senator Aldrich promptly responded by spending several months traveling around Europe, ostensibly to gather research and obtain advice from leading banking houses on that continent.⁶⁴ Hundreds of thousands of taxpayer dollars later,⁶⁵ Aldrich returned to the United States, and for the next few years the National Monetary Commission did precious little. The Commission did so little in fact that no minutes of meeting existed to follow their deliberations to address the concerns of the American public.⁶⁶ However a plan to “fix” the currency problem did exist, it just was not to find its genesis in Washington but rather on the grounds of an elite private country club on an island off the Georgia coast.

4. *Jekyll Island Plan*

Jekyll Island was a playground for the rich, where the very upper-crust of American business, banking, and financial concerns would recreate at an exclusive country club.⁶⁷ In late 1910, a handful of representatives from the top New York banking firms, accompanied by Senator Aldrich, boarded a private railroad car. Blinds drawn and under cover of darkness, they journeyed to Jekyll Island for what would be more than a week’s worth of intense discussion.⁶⁸ Such was the secrecy of this meeting that the participants referred to one another by first name only, had all the normal staff at the Club replaced for two weeks with new employees, and even restricted Club member access to their sequestered location.⁶⁹

What would soon be passed as the Federal Reserve Act came into being at this meeting. The Jekyll Island Plan was the brain child of the

⁶² MULLINS, *supra* note 12, at 1 (stating that the result of the Panic of 1907 was “a public outcry that the nation’s monetary system be stabilized”).

⁶³ H.R. 21871, 60th Cong. (1st Sess. 1908) (commonly referred to as the Aldrich-Vreeland Act, authorizing the formation of a National Monetary Commission to address the currency stabilization issue).

⁶⁴ ALLEN, *supra* note 48, at 45–46. Senator Nelson Aldrich of Rhode Island was intimately tied to the banking elite. Aldrich was known as J.P. Morgan’s “floor broker in the Senate,” and his daughter Abby was married to John D. Rockefeller, Jr. Aldrich himself possessed “no technical knowledge of banking,” and spent two years traveling about Europe being “wined and dined” by the owners of European central banks. *Id.*

⁶⁵ *Id.* at 46 (noting that the Aldrich commission billed about \$300,000 to the Treasury).

⁶⁶ *Id.* Actually, the Commission held no meetings and issued no reports for the better part of two years. *Id.*

⁶⁷ MULLINS, *supra* note 12, at 3.

⁶⁸ B.C. Forbes, *How the Federal Reserve Bank was Evolved by Five Men on Jekyll Island*, CURRENT OPINION, Dec. 1916, at 382; MULLINS, *supra* note 12, at 1 (noting the journey made “in a sealed railway car, with blinds drawn”).

⁶⁹ MULLINS, *supra* note 12, at 3.

purse holders,⁷⁰ the most powerful in the banking world, to create a central, privately owned banking house to monopolize all currency issue and regulation in the United States.⁷¹ While the American public clamored for change, they would be loathe to accept it at the hands of Wall Street barons,⁷² hence the secrecy of the plan. The American antipathy to Wall Street was not without cause, as the Jekyll Island Plan promised to reap tremendous profits for the private shareholders of the central banking house at the expense of the public.⁷³ Aldrich would soon submit his version of this plan to Congress, with little evidence to show that the plan had any of its origins owing to the work of the National Monetary Commission.

5. *The Passage of the Federal Reserve Act*

Aldrich, with the backing of the Republican Party, had his plan for currency reform.⁷⁴ The Democrats had their own version, which aside from superficialities was not much different.⁷⁵ In effect, both plans created a private central bank and granted a monopoly interest on currency issue and financial regulation. More important were the vast sums of money expended by New York banking houses to sell these plans across the country to the public.⁷⁶ Even Harvard, Princeton, and the University of Chicago were utilized to promote the institution of what

⁷⁰ *Id.* at 1. Those in attendance at Jekyll island included A. Piatt Andrew, Assistant Secretary of the Treasury; Frank Vanderlip, president of the Rockefeller-owned National City Bank of New York; Henry P. Davison, senior partner of J.P. Morgan Company, and generally regarded as Morgan's personal emissary; Charles D. Norton, president of the Morgan-dominated First National Bank of New York; Benjamin Strong, also known as a lieutenant of J.P. Morgan; and Paul Warburg, of the banking house of Kuhn, Loeb and Co., New York. *Id.*

⁷¹ *Id.* at 3 (stating that the purpose of the meeting was "to draft the plan for control of the money and credit of the people of the United States").

⁷² See, e.g., Frank A. Vanderlip & Boyden Sparkes, *From Farm Boy to Financier: Stories of Railroad Moguls*, SATURDAY EVENING POST, Feb. 9, 1935, at 70 ("[I]t would [have been] fatal to Senator Aldrich's plan to have it known that he was calling on anybody from Wall Street to help him in preparing his report and bill."); MULLINS, *supra* note 12, at 5 ("So great was popular resentment against bankers . . . that no Congressman would dare to vote for a bill bearing the Wall Street taint . . .").

⁷³ See ALLEN, *supra* note 48, at 53 (describing the profiteering mechanism as "[u]sing a central bank [the Federal Reserve] to create alternate periods of inflation and deflation . . . thus whipsawing the public for vast profits," and describing the Federal Reserve "as a tool to consolidate and control wealth" for the international bankers).

⁷⁴ MULLINS, *supra* note 12, at 11 ("In 1911, the Aldrich Plan became the official platform of the Republican Party.").

⁷⁵ *Id.* at 14–15. The Democratic plan was advanced chiefly by Congressman Carter Glass of Virginia. While denouncing the Aldrich Plan as "a central bank plan," the Democratic alternative would itself "fulfill all the functions of a central bank." *Id.*

⁷⁶ *Id.* at 10 (noting that national banks contributed five million dollars for the purpose of the propagandizing the Aldrich plan to the American public).

would come to be known as the Federal Reserve System.⁷⁷ Thus the citizens of the nation were offered two “choices” from the Democratic and Republican parties—“choices” that merely amounted to two sides of the same coin.⁷⁸ The Democrats would technically win out, but not before several voices in Congress attempted to sound the alarm on the true nature of the Fed.⁷⁹ Charles Lindbergh Sr. had warned that “[t]he Aldrich Plan is the Wall Street Plan It means another panic, if necessary, to intimidate the people.”⁸⁰ Before it was ultimately signed into law, Representative Lindbergh predicted that

[the Federal Reserve Act] establishes the most gigantic trust on earth. When the President signs this bill, the invisible government by the Monetary Power will be legalized. The people may not know it immediately, but the day of reckoning is only a few years

⁷⁷ See, e.g., NATHANIEL WRIGHT STEPHENSON, NELSON W. ALDRICH: A LEADER IN AMERICAN POLITICS 388 (1930). Paul Warburg, of the international banking house Kuhn, Loeb and Company, and chief architect of the Aldrich Plan at Jekyll Island, was also the brainchild behind the formation of the National Citizen’s League. The League was formed as “an organization for financial propaganda,” advocating for the Aldrich Plan. In charge of propaganda for the League was Professor Laughlin of the University of Chicago. *Id.* MULLINS, *supra* note 12, at 10–11 (noting that “Princeton, Harvard, and the University of Chicago, were used as the rallying points” to propagandize the Aldrich Plan and citing Professors O.M. Sprague of Harvard and J. Laurence Laughlin of the University of Chicago as being “[t]he two most tireless propagandists for the Aldrich Plan”).

⁷⁸ See, e.g., ALLEN, *supra* note 48, at 49–51. The very creators of the Aldrich Plan, the chief bankers of Wall Street and international financiers, “put up a smoke-screen of opposition to [the Democratic plan, what would come to be known as the Federal Reserve Act].” This was “[i]n order to support the fiction that the Federal Reserve Act was ‘a people’s bill.’” Nelson Aldrich and Frank Vanderlip, two Jekyll Island attendees, were vociferous opponents of the Federal Reserve Act, despite the fact that in all but superficial points it was actually “their own bill.” Allen likens this tactic to “Br’er Rabbit begging not to be thrown into the briar patch.” As proof of this “myth that the ‘money trust’ had been defrocked” with the passage of the Federal Reserve Act, Paul Warburg relinquished a salary of over \$500,000 with Kohn, Loeb and Company to earn \$12,000 per year as a member of the first Federal Reserve Board. Another Jekyll Island conspirator, Benjamin Strong, served as Chairman of the New York Federal Reserve Bank in its early years. *Id.* FRANK A. VANDERLIP IN COLLABORATION WITH BOYDEN SPARKES, FROM FARM BOY TO FINANCIER 218 (1935) (Vanderlip himself admitting in his memoirs that “although the Aldrich Federal Reserve plan was defeated when it bore the name of Aldrich [the Republican version], nevertheless its essential points were all contained in the plan [the Democratic version] that finally was adopted”).

⁷⁹ See SUTTON, *supra* note 13, at 87–103. Sutton gives a relatively thorough breakdown of the debate over the Federal Reserve Act in 1913, especially in the week preceding its passage. Senators Townsend of Michigan, Hitchcock of Nebraska, and Crawford of South Dakota voiced opposition to the Federal Reserve Act along with Congressman Lindbergh. *Id.*

⁸⁰ MULLINS, *supra* note 12, at 11 (Lindbergh testified before the Committee on Rules, Dec. 15, 1911).

removed. . . . The worst legislative crime of the ages is perpetrated by this banking bill.⁸¹

6. *Correlation of the Fed, Woodrow Wilson, and the Sixteenth Amendment*

Three significant events all took place in 1913: President Wilson was inaugurated, the Sixteenth Amendment allowing a federal income tax was added to the Constitution, and the Federal Reserve Act was signed into law creating a third and still extant private central banking system for the United States. In the span of three years, Woodrow Wilson vaulted from a presidency at Princeton University⁸² to President of the United States, defeating both incumbent president Taft and the very popular ex-president Teddy Roosevelt. Such a meteoric rise is stunning on its face. But Wilson's rise was funded by the very same oligarchy operating behind the curtain to seize the purse strings of the American government.⁸³ What may appear to be an amazing coincidence is much better understood as a planned effort. Namely, that the financial elite hand-picked Wilson to institute their plans,⁸⁴ in the space of a few short years had him elected into the White House, and used him to help push through two pincers to abscond the national fisc: the Federal Reserve Act and the Sixteenth Amendment.⁸⁵ By controlling the issuance of money and then instituting

⁸¹ *Id.* at 28. Lindbergh gave this speech to the House of Representatives after the House had voted on December 22, 1913, a day before Woodrow Wilson signed the Federal Reserve Act into law. *Id.* at 29.

⁸² *Woodrow Wilson and the Negro Question at Princeton University*, 17 J. BLACKS IN HIGHER EDUC. 120, 120 (1997) (noting that Wilson served as the Princeton president from 1902–1910).

⁸³ *See, e.g.,* ALLEN, *supra* note 48, at 48 (claiming that Wilson was “the property of [J.P.] Morgan”); SUTTON, *supra* note 13, at 82–83. As president of Princeton, Wilson provided academic support for Wall Street while publicly criticizing the money trust. Under election slogans denouncing trusts and monopolies, Wilson funded two-thirds of his campaign from just seven Wall Street donors. *Id.* MULLINS, *supra* note 12, at 18–19 (stating that Wilson “had no national recognition, and was a stiff, austere man who excited little public support [and incumbent president] Taft was thrown overboard because the bankers doubted he could deliver on the Aldrich Plan, and Roosevelt was the instrument of his demise.” Moreover, Mullins alleges that Roosevelt's spoilage of Taft's re-election bid was ensured by financial machinations of bankers. *Id.*); *see also* Harold L. Ickes, *Who Killed the Progressive Party?*, 46 AM. HIST. REV. 306, 306-08 (1941) (supporting notion that Roosevelt's candidacy was Taft's demise and was propped up by Wall Street funding, pointing out that it was “a split Republican vote that opened the way for Woodrow Wilson” and that George Perkins, an ex-partner of J.P. Morgan & Company, “personally conducted” the Progressive Party of Roosevelt and brought in “considerable sums of money” into the party coffers through his influence over “important and conservative businessmen”).

⁸⁴ *See, e.g.,* SUTTON, *supra* note 13, at 78 (stating that Wilson “was a deliberate creation of the Money Power . . . approved in the spring of 1912” in a meeting with Frank Vanderlip and William Rockefeller in New York.); FERDINAND LUNDBERG, *AMERICA'S 60 FAMILIES* 114 (1937) (noting that Frank Vanderlip supplied the fiscal and monetary views for Wilson's campaign speeches).

⁸⁵ *See* FERDINAND LUNDBERG, *THE RICH AND THE SUPER-RICH: A STUDY IN THE POWER OF MONEY TODAY* 325 (1968). Lundberg claims the federal income tax was used as “a siphon gradually inserted into the pocketbooks of the general public. Imposed to

a system to draw directly that same money away from the American public, it takes little imagination to see how clearly an oligarchy of business and financial elites could come to hold the citizens of the United States so closely in their grasp. The credit houses own the Fed,⁸⁶ and make money simply by the issuance of currency, receiving interest back from the government, viz., the American taxpayer, just for this service.⁸⁷ Comprising the Fed itself, these same banking houses constitute a practical monopoly by having the power to exclude all competition by channeling all fiat-created “money” from Fed computers to their own loan houses.⁸⁸ Of course more money is made on the public through the interest of loans and the fractional reserve system every bank employs.⁸⁹ Then through the Federal Income Tax, originally justified as an equitable tax only upon the very wealthy, citizens of middle and lower class are further drained of resources by the inefficiency of the IRS and

popular huzzas as a class tax, the income tax was gradually turned into a mass tax in a jiu-jitsu turnaround.” *Id.*

⁸⁶ See SUTTON, *supra* note 13, at 108–09. The Federal Reserve “is completely dominated, and always has been, by major New York bankers.” The first meeting of the Federal Reserve Bank of New York in 1914 was held in the offices of the Bank of Manhattan, known today as Chase Manhattan Bank. The list of New York Federal Reserve Directors also exemplifies the connections between the moneyed elite and the Federal Reserve. Directors have included David Rockefeller, a Texaco Chairman, a Union Carbide Chairman, and a New York Telephone President, all in turn linked with Chase Manhattan Bank. *Id.*

⁸⁷ See *Money Facts: 169 Questions and Answers on Money—A Supplement to A Primer on Money: Hearing Before the Subcomm. on Domestic Finance of the H. Comm. on Banking and Currency*, 88th Cong. ¶ 125 (1964). The Federal Reserve’s “profit comes from the difference between the cost of creating money and the price they charge borrowers for that money. Now the cost of creating money is negligible. Congress has delegated the power to create money to the banking system without a charge.” *Id.*

⁸⁸ See, e.g., Ron Paul, *Paper Money and Tyranny*, LEWROCKWELL.COM, Sept. 5, 2003, <http://www.lewrockwell.com/paul/paul124.html> (writing as a Congressman representing Texas, the Federal Reserve has the power to replicate money “without regard to cost . . . [by] a computer entry.”); *Money Facts*, *supra* note 87, ¶ 127. This publication answers the question whether the Fed has “exhibited an undue regard for bank profits and an offhand regard for the public interest.” The answer determined by Congress was that “the Federal Reserve has, regrettably, followed a policy which has given away billions to the private banks. It has done this by increasing the money supply largely through lowering bank reserve requirements. The Federal Reserve could have provided part of the increase in the money supply itself by purchasing Government securities. But it did not choose to do so.” *Id.* The Federal Reserve choosing to help private banks would make sense if the Federal Reserve was composed in stock by those banks, whereas helping the government and by extension the taxpayer is not in the interest of the Federal Reserve because it is a privately owned organization.

⁸⁹ See *Money Facts*, *supra* note 87, ¶ 41. Fractional reserve banking, whereby bankers maintain in reserve only a fraction of the money necessary to satisfy all claims against them, “is the method of banking in use today.” Quite apparently, this method of banking allows lending institutions to enjoy loan interest on currency dispensed which the bank never actually possessed. *Id.*

the whole current taxing regime.⁹⁰ That drain necessitates more loans, with more profits to the banking houses, and the cycle goes on and on.⁹¹

The role of the Federal Income Tax, both logistically and by the evidentiary synchronicity of its institution alongside the Federal Reserve System, is thus best understood by looking at the forest, the larger picture, the whole scheme of the oligarchy that operates behind the curtain and tightly holds the invisible purse strings on which our lifestyles depend. Therefore it has been prudent to so thoroughly explore the qualities of the Fed and the operations of oligarchic powers. As discussion turns now toward a solution, the moral relevance of what may have seemed like needless digression into unrelated matters should be apparent. For while a good case can be made to scrap the whole current federal income tax system simply on technical grounds, the solution would have nowhere near its persuasive force had the bankruptcy and malevolence of its foundational underpinnings not been exposed.

IV. CLEANING UP THE MESS

A. *Where We Are Now*

First, the nation needs to take an audit of where we stand after almost a century of the Fed and Federal Income Taxation. Once the full extent of the mess is determined, then we will know what needs to be cleaned up.

1. *Staggering Increase of the National Debt*

Under the leadership of President Andrew Jackson, the national debt was eliminated.⁹² Not coincidentally, Jackson was perhaps the chief among all American statesmen who have opposed private centralized banking over the nation's history.⁹³ By the early twentieth century, the United States held a national debt, but by no means in such exceptional disproportion to federal revenue.⁹⁴ In short, more than ninety years of

⁹⁰ See LUNDBERG, *supra* note 85, at 322 (holding first that “the American propertied elite . . . deals itself very substantial continuing tax advantages at the expense of the vast majority of the population;” and second that “the national tax burden is largely shouldered . . . by the politically illiterate nonmanagerial labor force” instead of wealthy property owners and corporate executives).

⁹¹ *Id.* (“[T]he resultant tax structure is such that it intensifies the abject and growing poverty of some 25 to 35 per cent of the populace.”).

⁹² Carl Lane, *The Elimination of the National Debt in 1835 and the Meaning of Jacksonian Democracy* (unpublished conference paper), available at <http://www.business.auburn.edu/~whittdo/THE%20ELIMINATION%20OF%20twentiethE%20NATIONAL%20DEBT%20IN%201835.htm> (noting that 1835 and 1836 were the only years in American history free of national debt).

⁹³ See *supra* Part III.A.1.b.

⁹⁴ Woody Zimmerman, *The Joy of Spending—The National Debt Since 1900*, ATLANTIC HIGHLANDS HERALD, Jan. 22, 2004, http://www.ahherald.com/atlarge/2004/040122_spending.html. When Woodrow Wilson took office in early 1913, the national debt stood at \$2,916,204,914. When Wilson left office eight years

the Fed and FIT has not solved any of the country's fiscal problems, and has in fact only exacerbated them exponentially.⁹⁵ The Fed holds \$297 billion in U.S. Treasury bonds against the government for the public debt owed to this small group of banking elite.⁹⁶

2. *The Rich Get Richer*

Conversely, the shareholding members of the Fed have increased their own net wealth fabulously.⁹⁷ Hence we find ourselves at the dawn of the twenty-first century mortgaging our children's future for the "stability" of the Federal Reserve System and continuing to roll onward with the FIT as the chief source of government revenue.⁹⁸ The citizenry is paying for services in the Fed and the IRS that do not serve the public interest, but make the reigning oligarchy still more powerful and amount to needless inefficiency.

3. *Slaves to Credit*

As discussed, the effect of booms and busts, still not remedied by the Fed (e.g. the Great Depression and 1970s recession),⁹⁹ combined with a FIT that now reaps among the poor and middle class, have resulted in a public even more dependant on credit.¹⁰⁰ The banking elite profits off

later the debt stood at \$23,977,450,553, an incredible 722% increase, *despite the fact that both the Fed and Federal Income Tax had been established in Wilson's first year in office.* To lend perspective to this amazing increase, Roosevelt's eight-year term saw only a 23% increase in the debt, while Taft's administration was accountable for just a 10% increase. *Id.*

⁹⁵ See TreasuryDirect.gov, The Debt to the Penny and Who Holds It, <http://www.treasurydirect.gov/NP/BPDLogin?application=np> (calculating the current national debt at over \$9 trillion) (as calculated on Oct. 11, 2007).

⁹⁶ FED. RESERVE BANK OF N.Y., 2005 ANNUAL REPORT 13, *available at* <http://www.newyorkfed.org/aboutthefed/annual/annual05/finance.pdf>.

⁹⁷ See LUNDBERG, *supra* note 84, at 122-23 (bearing in mind the association between Wall Street and Federal Reserve shareholders, "the [Federal] Reserve System, unsuspected by the nation, was brought into interlocking relations with the Bank of England and the Bank of France While Wall Street, during and after the World War [I], moved on to ever enlarging profits . . .").

⁹⁸ GPO Access, Budget of the United States Government: Citizen's Guide Fiscal Year 2000, <http://www.gpoaccess.gov/usbudget/fy00/descriptions.html> (going into the new millennium, the Federal Income Tax accounted for forty-eight per cent of federal revenue, fourteen per cent higher than the next source of revenue, social insurance payroll taxes.).

⁹⁹ See ALLEN, *supra* note 48, at 53 ("When the Federal Reserve System was foisted on an unsuspecting American public, there were absolute guarantees that there would be no more boom and bust economic cycles.").

¹⁰⁰ See *Examining the Billing, Marketing, and Disclosure Practices of the Credit Card Industry, and Their Impact on Consumers: Hearing Before the S. Comm. on Banking, Housing and Urban Affairs*, 110th Cong. 3 (Jan. 25, 2007) (testimony of Tamara Draut, Director of the Economic Opportunity Program, D mos), *available at* http://banking.senate.gov/_files/draut.pdf. Draut testifies to many eye-opening facts about the current state of our personal credit indebtedness as a society. Just between 1990 and 2001, revolving consumer debt more than doubled. Credit card debt also continued to rise while savings steadily declined, and bankruptcy filings more than

the current regime, making profits via fractional reserve lending, foreclosures during bust periods and of course by payment of the government directly for the regulation and issuance of currency. The inefficiency of the FIT system simply further depletes citizens' expendable income, feeding the cycle of increased need for credit. At the beginning of the twentieth century, before the Fed and FIT were created in 1913, most Americans held title to their homes free and clear of mortgages or liens.¹⁰¹ Today both anecdotal and empirical evidence paints a different picture.¹⁰²

4. *Increased Tax Burden*

For some thirty years after its institution, the FIT remained true to its *raison d'être*: to distribute much of the wealth back to the public in what was perceived to be an inequitable appropriation by the super wealthy.¹⁰³ Trivial percentages of the population even qualified for the minimum income levels necessary for susceptibility to the FIT.¹⁰⁴ Today however, the necessary levels have dipped to below federally stated poverty lines.¹⁰⁵ The middle and lower classes bear considerable burdens under the FIT, despite the fact that the Sixteenth Amendment was passed to alleviate the burden on these classes and tax only the wealthy.¹⁰⁶ The FIT lives on free of its originating rationale, and therefore serious consideration of its continuance is called for.

B. *A Better Plan*

Having thoroughly examined the justifications behind dismantling the FIT, and the Fed along with it, the focus shifts exclusively to the solution. The analysis is four-fold: the constitutional underpinnings for a new system of taxation and currency issuance, the nuts and bolts of fiat taxation, the historical evidence validating the feasibility of the solution,

doubled between 1990 and 2005 such that more children suffer through the personal bankruptcy of a parent than divorce. *Id.*

¹⁰¹ See *The Lesson of the Present Census; Its value to Real Estate Men as a Guide Book to Our Growing Population*, N.Y. TIMES, Apr. 24, 1910, at RE2 (noting that according to the 1900 census, a greater than 2:1 ratio existed between homeowners possessing free and clear title to those under mortgage).

¹⁰² U.S. Census Bureau, American Housing Survey (AHS), 2003 AHS-N Data Chart Table 3-15, <http://www.census.gov/hhes/www/housing/ahs/03dtchrt/tab3-15.html> (reporting that approximately sixty-three percent of owner occupied housing units in the country have a regular or home equity mortgage); U.S. Census Bureau, The 2008 Statistical Abstract, Mortgage Characteristics—Owner Occupied Units: 2005, <http://www.census.gov/compendia/statab/tables/08s0961.pdf> (reporting a roughly 2:1 ratio of homeowners under mortgage to those owning title free and clear, virtually an exact *inverse* of the ratio according to the 1900 census).

¹⁰³ PECHMAN, *supra* note 16, at 63.

¹⁰⁴ *Id.*

¹⁰⁵ See *supra* note 17 and accompanying text.

¹⁰⁶ See *supra* note 90 and accompanying text.

and finally the prospectus for success considering present current scholarship and currency shifting experiments.

1. *Ethical Underpinnings*

a. *Congressional Mandate*

The Constitution specifically requires the legislature to regulate coinage.¹⁰⁷ This requirement cannot be foisted onto the Executive Branch or any agency thereof, nor be sold off to private bidders,¹⁰⁸ yet the current Federal Reserve System is a mix of both of these alternatives.¹⁰⁹ Until an amendment to the Constitution prescribes otherwise—and not simply an act of Congress such as the Federal Reserve Act—the legislature is seriously restricted in any delegation of its duties.¹¹⁰ The Supreme Court has determined that for Congress to delegate one of its exclusive constitutional duties, sufficient oversight must exist and that oversight must be exerted by a legislative agency, not an executive or judicial one.¹¹¹ The Necessary and Proper clause cannot be used as an instrument to upset the fundamental separation of powers divisions laid out in the Constitution.¹¹²

¹⁰⁷ See *supra* note 2.

¹⁰⁸ See, e.g., *United States v. Chi., Milwaukee, St. Paul & Pac. R.R. Co.*, 282 U.S. 311, 324 (1931) (“Congress cannot delegate any part of its legislative power except under the limitation of a prescribed standard.”); Edward H. Crane & David Boaz, *The Constitutional Duties of Congress*, CATO POL’Y REP, Jan./Feb. 2001, at 1, 12, available at http://www.cato.org/pubs/policy_report/v23n1/constitutional-duties.pdf (“[D]elegation [of authority] does not help to secure ‘good government’; it helps to destroy it. Congress cannot constitutionally delegate its lawmaking authority to any other body, nor should it want to do so.”).

¹⁰⁹ See *supra* note 3.

¹¹⁰ *Chi., Milwaukee, St. Paul & Pac. R.R. Co.*, 282 U.S. at 324.

¹¹¹ Cf. *J.W. Hampton, Jr., & Co. v. United States*, 276 U.S. 394, 409 (1928). The Court states: “If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to [institute the law] . . . is directed to conform, such legislative action is not a forbidden delegation of legislative power.” *Id.* But the issue here is whether a largely private organization such as the Fed can be entrusted with the governance of the nation’s money supply, however “intelligent” the principle of administration Congress lays down.

¹¹² See, e.g., U.S. CONST. art. I, § 8, cl. 18 (“The Congress shall have Power . . . [t]o make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers . . .”); *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 421 (1819). Chief Justice Marshall famously defined the scope of the Necessary and Proper Clause according to this rubric: “Let the end be legitimate, let it be within the scope of the [C]onstitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the [C]onstitution, are constitutional.” *Id.* Marshall made this declaration in a controversy over Congressional power to charter the First Bank of the United States. While the wisdom of Marshall’s decision in the early nineteenth century may be debated, in light of the evils outlain in this Comment concerning the Fed and the FIT, it is far from a foregone conclusion, and indeed quite doubtful to assume that continued delegation to the Fed is “consist[ent] with the letter and spirit of the Constitution.” *Id.*

b. From Fiat to Fiat

If Congress can create currency out of thin air, as the Fed does now,¹¹³ (and to which purpose Congress grants it the power to do so and has a far superior claim to do so itself), then Congress can also determine how much of that currency it releases to the public. The constitutional mandate is after all to “regulate” currency.¹¹⁴ If Congress can therefore print however much money it thinks best, it can also simply retain a portion of that money to pay itself on all budgetary demands. This entire Comment can be encapsulated in this idea. Most of what is written here supplies ethical justification for scrapping the current regime, which is vital in challenging any longstanding institution. Inertia is a powerful force among man; reason and expediency quite often bow to the force of tradition. But the solution of fiat taxation following from fiat currency is completely straightforward and easy to understand.

2. Nuts and Bolts: How the Solution Works

Congress will form its own committees or agencies, answerable exclusively to it and devoid of private interests, to determine fiscal policy and currency issuance. Congress will also continue, as it always has done, to determine the federal budgetary needs. If, for example, Congress decided to print 100 units of currency in a given year, and the federal budget was estimated to be ten units for the year, Congress would instead only issue to the public ninety currency units. In reality Congress may not need to print the whole of the ten units appropriated to the budget: much could, and probably would, be simply accounting entries on a computer; only liquid currency destined to arrive in the hands of actual employees and contractors need enter the currency stream. Call it fiat taxation, virtual tax, invisible taxation, or any other name; the effect is still the same in the end as the FIT. This system just eliminates the middleman, the IRS. Instead of dispersing the total amount of currency Congress determines is required to meet the nation’s needs, then asking for a portion of it back in the form of FIT, Congress will save us all the trouble by just keeping what the government needs.

An additional benefit of this system is that banks would have to pay the public to acquire the currency that Congress issues in order to make money off their lending activities. This would of course turn the current situation on its head, in that banking interests will no longer profit at the taxpayer’s expense; Congress, and hence the nation, will effectively be collecting an excise tax on the banks for their right to issue loans. Also Congress would be able to immediately put a hold on deficit increase by means of appropriation of currency issuance. The debt could effectively be reduced year by year at this point—all the more so as Congress

¹¹³ See *Money Facts*, *supra* note 87, ¶ 47 (Q: “Where does the Federal Reserve get the money with which to create bank reserves?” A: “It doesn’t ‘get’ the money; it creates it.”).

¹¹⁴ U.S. CONST. art. I, § 8, cl. 5.

determined the constructive excise tax levied on banks as they purchased currency. The United States would merely be taking back from the financial oligarchy what has been raked from the nation's back for so long.

3. *Historical Feasibility*

A reasonable question is whether the fiat currency issuance that girds the fiat taxation system proposed can work. America's own comparatively brief history offers remarkable success and cause for optimism in this regard, as do examples from other nations.

a. *American Success*

Prior to this nation's founding, many states used colonial scrip to great effect. When asked by English officials how certain tax needs were met, Benjamin Franklin stated that:

In the colonies we issue our own money. It is called Colonial Scrip. We issue it in proper proportion to the demands of trade and industry to make the products pass easily from the producers to the consumers. In this manner, creating for ourselves our own paper money, we control its purchasing power, and we have no interest to pay to no one.¹¹⁵

If inflation is unavoidable, who better to regulate it: the representatives of the people in Congress, or a privately owned banking group in the Fed?

Most notably as applicable to the history of the United States was the issuance of the greenback dollar by Lincoln in the Civil War.¹¹⁶ When bank notes failed during that near fatal crisis, U.S. Treasury notes proved capable to preserve the union.¹¹⁷ Thus privately issued bank notes, of which our modern currency is a variety, proved worthless under such strain while federally controlled and issued money held the public trust. For instance, within the newly admitted state of Oregon, patriotism motivated the public and merchant groups pledged to accept the Lincoln greenback.¹¹⁸ Another example of success without private banking currency control occurred after Jackson's veto of a continuance of the

¹¹⁵ XAT3, *The History of Money Part I* (May 25, 2004), <http://www.xat.org/xat/moneyhistory.html>.

¹¹⁶ See Robert L. Greenfield & Hugh Rockoff, *Gresham's Law in Nineteenth-Century America*, 27 J. MONEY, CREDIT & BANKING 1086, 1092-93 (1995). The greenback was "a fiat paper currency," having no backing in specie, simply created by force of the Legal Tender Acts of 1862 and 1863 and declared to be good currency. The greenback "swiftly filled the channels of trade, serving both as a bank reserve and as a hand-to-hand currency." *Id.*

¹¹⁷ See WARWICK MARTIN, *THE MONEY OF NATIONS* 22 (William S. Hein & Co., Inc. 2005) (1880).

¹¹⁸ Ralph James Mooney & Raymond H. Warns, Jr., *Governing a New State: Public Law Decisions by the Early Oregon Supreme Court*, 6 LAW & HIST. REV. 25, 45 (1988).

Second Bank of the United States, which not coincidentally resulted in the last period in which the nation has been deficit free.¹¹⁹

b. Foreign Success

Governmental issuance of direct currency from the Treasury has worked successfully as far back as the eighteenth and nineteenth centuries in many foreign nations as well, including Russia, England, and France.¹²⁰ More recently, following the break-up of the Soviet Union in the late twentieth-century, emerging republics chose to launch their own currencies in lieu of continued reliance upon the Russian ruble.¹²¹ Of all the newly independent republics, Estonia was most notable in achieving rapid currency reform and acceptance of its kroon as the only legal tender currency.¹²²

Perhaps of far greater moment however is the development of the euro.¹²³ While the degree of integration of the member states within the European Union (EU) is debatable,¹²⁴ certainly the federalist structure of the EU and the United States is analogous.¹²⁵ Therefore it is probative to examine the introduction and development of the euro in considering how successful a change in our dollar may be. The euro has fully replaced more than a dozen strong and established national currencies in less than a decade,¹²⁶ and has even surpassed the dollar as the most

¹¹⁹ See *supra* Part III.A.1.b; *supra* note 30.

¹²⁰ See MARTIN, *supra* note 117, at 20–21. For limited periods, the use of treasury notes met with positive results in all these nations. *Id.* However, as noted, the Bank of England has held the power of currency control in Britain prior to the formation of the United Kingdom. See *supra* Part III.B.1 and notes accompanying text.

¹²¹ Sébastien Lotz & Guillaume Rocheteau, *On the Launching of a New Currency*, 34 J. MONEY, CREDIT & BANKING 563, 582 (2002). Estonia, Latvia, Lithuania, Kazakhstan, Kyrgyzstan, and Ukraine all chose to launch their own currencies. Not all chose to supersede the Russian ruble completely however. *Id.*

¹²² *Id.*

¹²³ W.G. Wolters, *The Euro: Old and New Boundaries in the Use of Money*, ANTHROPOLOGY TODAY, Dec. 2001, at 8 (noting that the euro became the official currency of eleven European Union nations on January 1, 1999, and legal tender status came into effect on January 1, 2002); MADELEINE O. HOSLI, THE EURO: A CONCISE INTRODUCTION TO EUROPEAN MONETARY INTEGRATION 37 (2005). The Treaty on European Union, or Maastricht Treaty, was signed in February 1992 and entered into force on November 1993. The legal basis for the Euro derives from this treaty. *Id.*

¹²⁴ See Alberto Alesina & Roberto Perotti, *The European Union: A Politically Incorrect View*, J. ECON. PERSP., Fall 2004, at 27, 27 (answering the question of whether Europe is “building a federal state similar to the United States” in the negative).

¹²⁵ MICHAEL BURGESS, FEDERALISM AND EUROPEAN UNION: THE BUILDING OF EUROPE 1950–2000, at 273 (2000) (holding that “[f]ederal ideas have seeped into every central institution of the EU” that “promote the federal cause in many ways”).

¹²⁶ See European Commission, *The Euro: Our Currency*, <http://ec.europa.eu/euro/entry.html>. The euro has replaced the former national currencies in Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia, and Finland. *Id.*

circulated currency on earth.¹²⁷ With just cause the introduction of the euro has been labeled “a monetary experiment on a massive scale and . . . widely hailed as the largest planned monetary changeover the world has seen.”¹²⁸

The agency that manages the euro is the European Central Bank (ECB).¹²⁹ The partially elected, partially private membership of the ECB’s governing board looks remarkably similar to the quasi-governmental constituency of the Federal Reserve Board.¹³⁰ Taking into account the control oligarchic banking powers have had in Europe as well as the United States, and the essentially identical governing structure of both the Fed and the ECB, it is highly doubtful that the ECB is any more independent from private influence than the Fed.¹³¹ Therefore this Comment mentions the euro not as the ensample for currency reform in its substantive character, but rather to demonstrate the sweeping and fundamental changes possible in unseating entrenched currency regimes.¹³²

4. *Prospectus for Success in the Present*

Despite the successes of the past, no one needs convincing that people are generally hesitant to accept a new currency, especially when already familiar and satisfied with an existing currency.¹³³ Therefore from a policy standpoint, a few simple strategies will help ensure that a new currency launch—viz., U.S. dollars printed and managed exclusively by Congress and not private banking syndicates—will take hold and endure.

¹²⁷ Ralph Atkins, *Euro Notes Cash in to Overtake the Dollar*, FIN. TIMES, Dec. 28, 2006, § 1, at 1.

¹²⁸ See Wolters, *supra* note 123, at 8.

¹²⁹ HOSLI, *supra* note 123, at 47–48. “The conduct of monetary policy for the euro area is the responsibility of the ECB’s governing council.” The governing council comprises each president of the national central banks of those countries that have adopted the euro. Additionally, there is a six member executive board, elected by unanimous vote of the European Council, which “acts as an agenda setter, presenting the governing council with proposals.” *Id.*

¹³⁰ See *supra* note 3.

¹³¹ See HOSLI, *supra* note 123, at 55 (critics of the ECB mirror the arguments made in this Comment for legislative control of currency, holding “that accountability and democratic legitimacy are insufficient and that the EP [European Parliament] in particular needs to obtain a more prominent role in ECB accountability”); see also Barry Eichengreen, *European Monetary Unification*, 31 J. ECON. LITERATURE 1321, 1343 (1993) (concluding that the EP “may have little capacity to hold the ECB accountable,” even less so than Congress can hold the Fed accountable, because the EP “has little power compared to the U.S. Congress”). Having reviewed the impotency of Congress over the Fed, the power of the EP over the ECB must therefore be truly insignificant.

¹³² See Wolters, *supra* note 123, at 8. The euro does much more than shift the managing authority of currency, as this Comment advocates in eliminating the Fed and allowing Congress to issue and control all currency. The success of the euro evidences “a break with the principle that each nation-state has its own money, which has been accepted wisdom *over the last hundred years.*” *Id.* (emphasis added).

¹³³ Lotz & Rocheteau, *supra* note 121, at 564.

The strategies detailed below may be used independently but are most effective when complementing one another. First, by declaring Federal Reserve printed currency to be illegal tender and by strictly enforcing the exclusive legality of congressionally printed money, the probability of public acceptance will increase.¹³⁴ Considering that the currency shift here will be actually almost indistinguishable to the average American in that paper money and coins will still be used, the face of all denominations of bills need only be altered to remove Federal Reserve labeling, and coins need not be altered at all. This shift is not nearly as dramatic as those already successfully undertaken in the nation's history.¹³⁵ Virtually everyone in the United States is well aware of the facelifts our currency bills have undergone in the last decade, from larger portraits to different security features, as well as the new quarters, nickels, and \$1 coins issued.¹³⁶ All these changes have not met with any distinguishable resistance. Therefore merely deleting "Federal Reserve Notes" from the face of our currency would not likely result in any grave consequences.

To further ensure the success of currency modification, the old supply of Federal Reserve notes should be taken out of circulation in proportion to an adequate supply of congressionally issued notes. This seems obvious, but when the supply of new money is insufficient for demand, one study from the Fed itself has shown that people will accept even known counterfeits of an old and historically accepted currency.¹³⁷ Furthermore, by taking large quantities of old money out of circulation, Congress "can make the new money indispensable and reduce the level of monitoring required to make the new currency the only one to be circulated."¹³⁸

A complementary strategy, and one perhaps more desirable to emphasize than the more compulsory aspects of stringent legal tender law enforcement and forced withdrawal of money, is the allowance of

¹³⁴ *Id.* at 565; *see also* GEORG SIMMEL, *THE PHILOSOPHY OF MONEY* 180 (David Frisby ed., Tom Bottomore & David Frisby trans., Routledge 2d ed. 1990) (explaining a philosophical treatment of money from which one can infer that legal tender laws rely on "the overwhelming probability that every individual, in spite of his liberty to refuse the money, will accept it").

¹³⁵ *See* Wolters, *supra* note 123, at 9. While the U.S. adopted a single currency standard in 1791, foreign coins continued to circulate until the 1850s. Moreover, paper money was not at first trusted by the general citizenry and could only be used in limited circles during its incipency. *Id.*

¹³⁶ *See generally* U.S. Dep't of the Treasury, FAQs: Portraits & Designs of Currency, available at <http://www.treas.gov/education/faq/currency/portraits.shtml>.

¹³⁷ *See generally* Edward J. Green & Warren E. Weber, *Will the New \$100 Bill Decrease Counterfeiting?*, *FED. RES. BANK MINNEAPOLIS Q. REV.*, Summer 1996, at 3-4 (on the subject of the new \$100 bill being introduced while the old-style bill was not immediately withdrawn from circulation, with the concomitant risk of counterfeiting by such a choice in policy).

¹³⁸ Lotz & Rocheteau, *supra* note 121, at 574.

voluntary conversions of old currency into new.¹³⁹ A low conversion cost can help induce old currency holders to exchange for new,¹⁴⁰ although legal tender enforcement of the new currency will still be vital to effectuate the switch.¹⁴¹ A chief method to ensure low conversion cost in currency exchange is to enable a variety of institutions to legally redeem old money for new.¹⁴² Additionally, a congressionally directed information campaign coupled with marketing efforts of a new currency switch will ease the transition.¹⁴³

V. CONCLUSION

The regime of fiat taxation here presented is a simple and elegant alternative to the current Federal Income Tax. The public will be the great beneficiary of a switch to this system. In addition, the incredible strain of the Federal Reserve upon the taxpayer will be lifted when Congress again regulates the nation's currency, an integral component of fiat taxation. Strong constitutional consideration supports the institution of the plan laid out here. Ethical concerns justify both greater efficiency in the care of public finance and the eradication of private profiteering which elite banking interests engage in today. Little but fear of change commends our current FIT, while powerful and tangible benefit is the promise of courageous reform in the adoption of fiat taxation.

¹³⁹ *Id.* at 564.

¹⁴⁰ *Id.* at 575.

¹⁴¹ *Id.* at 580 (explaining that though Congress may liberally allow any time period in which conversions may be made, "the length of the period of time during which the two currencies are legal tender has no role to play in the decision to switch"); *see also* HOSLI, *supra* note 123, at 45–46. As a recent example of the time frame in which dual currencies were accepted, euro notes and coins became legal tender on Jan. 1, 2002, and by July of 2002 all domestic currencies within the euro area had been withdrawn. *Id.*

¹⁴² Lotz & Rocheteau, *supra* note 121, at 584.

¹⁴³ *Id.* at 583.