The Monetary Wisdom of E. C. Riegel: An annotated précis of ***Private Enterprise Money,*** with commentary **c**ompiled by Thomas H. Greco, Jr.

All page numbers correspond to those in the print edition of the book, ***Private Enterprise Money*** by E. C. Riegel. New York: Harbinger House, 1944.
Emphasis added in **bold**

I have long credited E. C. Riegel as the foremost authority in shaping my understanding of money and the process of reciprocal exchange. His penetrating insights and proposals for a new independent system for the exchange of value have provided a solid foundation for my own work of developing improved exchange mechanisms that I consider to be crucial to the future of civilization.
Riegel's book, Private Enterprise Money, published in 1944, is perhaps the most complete and concise statement of his insights and proposals. For that reason I have undertaken the task to extract what I consider to be Riegel's most important insights, interpret for the contemporary reader the passages that seem difficult to understand, and articulate the few points on which I disagree with Riegel. With that said, I urge every serious student of money and exchange to read Riegel's book, Private Enterprise Money, in its entirety, as well as Riegel's other works which are available to be freely downloaded from my website, BeyondMoney.net.

My comments throughout are in brackets [] and italics.

Chapter I
MONEY MYSTERY
THE HERITAGE OF OLD-WORLD ERRORS AND NOW THE AMERICAN DEPARTURE

[In this chapter, Riegel dispels the mystery of money and shows how the politicization of money has led to perversion of its purpose and corrupted politics and economics.]

"Habituated as man has been in using political monies he has forgotten that money had its beginning in private enterprise - where the motive was merely the facilitating of exchange. It fell into the hands of government where it came under the motive of tax deception and public exploitation. It must be rededicated to its primary and natural purpose and to that end must be mastered.

"How many wars could have been precluded, how much poverty and misery averted, how much further human progress would have gone had money never become a political instrument, we can only conjecture. However that may be, the blame for the detour cannot be laid upon the politician; since it appears that it was the business men who - when they found that the goldsmiths and silversmiths were cheating - petitioned the state to certify to the weight and fineness of coins. Ironically, they fell into the hands of a greater cheat - because the state made clipping of coins a major racket and developed short-changing into a fine art through repudiation and inflation.

“The stream of political monies from the beginning to the present day runs deep and dirty, yet to suggest that money can spring from any other source is to surprise if not even to dismay. So has tradition dulled men’s senses. No matter how often the state fails to supply a virtuous money system, men rush back to it in desperation and beg it to try again. Indeed, until we learn that the money power resides in us, we must abjectly beg the state to give us an exploitative system because we cannot return to a moneyless civilization. Yet, no matter how often and earnestly the state tries to provide a true money system, it must fail because of an inherent antipathy between the money issuing power and the taxing power. A money issuer must be a seller who bids for money, not a taxer who requisitions it in whole or in part, as politically expedient and without a quid pro quid.” p. 25-26
“Their first expedient to escape simple barter was to hit upon some common commodity that would be acceptable to most any trader and which would not deteriorate in storage. A number of such commodities were used, but it was natural that ultimately gold and silver would be selected as the best suited for the purpose. They were the most portable, because much value was represented by small weight, and they were not subject to erosion.” p. 26

“Because the spirit of money has never been comprehended, the fetish of gold or materiality, as exchange media, in some form remains.” p. 27

“The spirit or purpose of money is to convert barter from a completed transaction into two halves - with one trader, (the buyer) receiving full satisfaction in value and the other (the seller) receiving the assurance of an **equivalent value later from some trader**. Thus simple barter, which is a bilateral transaction wherein both traders receive immediate satisfaction, gives way to money exchange, which is a unilateral transaction. **A time lag intervenes before the seller receives satisfaction but he has the great advantage of choosing what he wants and from whom**. To serve the urge for an escape from bilateral barter to unilateral barter was and is the function of money; and in its incipiency it operated unseen and unsung. It had to come, and did come, and is here; but it is still shrouded in superstition.” p. 27

[Riegel goes on to describe the evolution of coinage, bills of exchange, fractional reserve banking and errors and parasitic mechanisms that crept into the process of exchange, but also acknowledges the fact that “…exchange is the neck of the bottle in the productive consumptive cycle, and is therefore the final determinant of human progress. Exchange must be expanded by fair means or foul; for society cannot stand still, and can progress only by expanding exchange.” p. 30]

“When, however, money experimentation fell into the realm of politics the motive changed to suit the purposes of those who used the state for private advantage and thus, **for hundreds of years, money has followed the political tangent that leads only to frustration. When, by assuming the control of money, the state intervened in private enterprise, the latter became and remains the political enterprise system and can never be truly private and fully serve society until the money power is**

recovered from the state and operated as part of the private enterprise system. But before this can come we must master the money concept." pp. 30-31

[In the penultimate section of this chapter Riegel relates the "fruitless search" *among either orthodox economists or* "monetary heretics" *for any advance in thinking about* "the nature and function of money." *He then states one of the fundamental tenets of his philosophy:* "Government should not issue or control money; and it is not the function of money to control prices. Money is a neutral agent whose sole function is facilitating exchange, and not influencing prices in any way. Our English contemporary must look to America for heretics, and, we believe, will find them only in the Valun [Riegel's own] school of thought." (p. 33). *Citing Adam Smith, he goes on to note the notion of state sovereignty has carried over into American thought, and* "…by our schools accepted, the bald paternalistic and autocratic principle which we denounce in all our political declarations and which must be renounced if man is to attain his true dignity and freedom. … If we fall under the delusion that economic betterment can be gained by means of a power inherent in the state are we not unwittingly on the path to communism and complete frustration? Is not the doctrine of Carl Marx but a logical extension of the theory of Adam Smith? How can we accept one and quarrel with the other? Once we accept the principle of paternalism, how can we defend the principle of the sovereignty of man?" pp. 33-34]

"**It is the state that must be controlled by the citizen through his money power; not the reverse. We have tried the impossible experiment of combining in the state a political democracy with an economic autocracy; the principles of Jefferson and the principles of Adam Smith. Political democracy cannot work without economic democracy; and the money power is the franchise of the latter.**" p. 35

All wealth - all economic planning - can spring only from the individual for his private guidance; and in him resides both the political and economic power. **The ballot is his instrument of political power; money his instrument of economic power and the former is futile without the latter**. p. 35

"**We are doomed to failure in our political experiment unless we declare our monetary control of both the state and our private affairs and this can be done only by the separation of money and state.**" p. 36

"Had the early businessmen realized this, money would not have become a political instrument; and untold miseries, revolutions and wars would have been averted. It is for us now to rescue it; and, to do so, we must lay hold firmly with our minds on the theory before we put our hands to the practice. That is the purpose of these studies." p. 36

"The purpose of money is to obviate the transference of value one way in exchange. It substitutes credit for value, but the credit is social credit, i.e., it rests upon the common creditability of the trading community. The money instrument, however, springs from the fiat of the issuer, a fiat that asserts that the issuer is, under the money pact, qualified to issue. The actual creation of money instruments can take place only by fountain pen - using that term to include all graphic processes. Thus all money that has ever existed or can exist is fountain-pen-fiat money.” p. 37

“**Money is a memorandum, a credit instrument, a bookkeeping device to effect split barter** and is money only to the extent that it obviates delivery of value by the transmitter.”

Since all money is fountain-pen-fiat money, the only question we have to decide is whether its issuance shall continue to be the special privilege of a few or the right of all. By such decision we determine the fate of humanity. p. 37

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Chapter II
HOW MONEY DOMINATES
HOW THE POLITICAL MONEY SYSTEM PERVERTS ALL ECONOMIC ACTIVITIES AND POLITICAL POLICIES AND BREEDS WAR

[In Chapter 2, Riegel lays out the fundamental principles of reciprocal exchange, what it means to “issue” money, and the basic qualifications needed for legitimately issuing money, and shows how and why the assertion of money power by governments and its bank proxies perverts finance and economics. He further expounds upon the negative effects of political money and explains why the “business cycle” exists and how it can be ended.]

“As has been stated, the purpose of money is to split barter into two parts so that the seller is free to find his source of supply later and elsewhere. This is the sole purpose of money. Any effort to use money to serve another purpose is perversive; and this statement condemns the entire managed money philosophy.” p. 38

“There has never been and can never be an issue of money except by a buyer in the act of purchase.” p. 38

“But we must understand what "issue" means. Paper and ink or coinage do not make money. These are but evidences of *intent* to issue. They have no more significance than writing a check and leaving it in your check book. **No *actual* issue can take place until there has been an *exchange for value*. In other words, issue is not effected until accepted by the seller who surrenders value therefor.** Issue is solely a concomitant of purchase, and inseparable from it. **This being so, it follows that there can be no such thing as political power to issue for the community; no vicarious money power. To issue money, *the issuer must buy*.”** p. 38

“**When a government issues money it exerts merely its *economic power to buy* and not its *political* power.** A government's political power over money is purely negative, in that it fails to sponsor the economic power of others as buyers to issue money. When it grants subsidies or pensions or any other benefits, it merely relaxes its negative power and sponsors the power of the recipients to issue money to the extent prescribed. No issue takes place, however, until the recipients of the alloted money power issue it by some purchase. **Government cannot grant the issue power to the citizen; it can merely give sanction to the natural issue power which resides solely in the buyer, and which he can assert without sanction by the use of a unit other than the Government unit.** Nor can the citizen delegate the issue power to the government; it cannot be delegated or conferred, it is inherent in the buyer. **The prohibition by government against the private issuance of money applies solely to the political unit; there is no prohibition against the private issuance of a private money unit.**” p. 39

“Which buyers shall be permitted to exert their natural money issuing power; and which shall not, and why?” p. 39

“…How can the state, which professes to be democratic and impartial, grant credit to some and deny it to others? A solution of this problem is found by delegating to bankers the power to "loan" at their discretion; and laws are passed to authorize them to permit business men to "borrow" and thus create, not political money, but a substitute private money. By this process the state hides behind the banker, and escapes the political embarrassment of separating the sheep from the goats. The banker thus becomes a sub-autocrat over private enterprise, and a double standard money system is created, i.e., a primary and secondary or substitute.” pp. 40-41

“In the process of "loaning," the banker authorizes the "borrower" to create private bank dollars; but the note evidencing the "loan," the deposit created thereby and the checks drawn against the deposit, all use the simple word "dollar" without qualification. Thus private or substitute dollars and political dollars become mixed in bank deposits and a double standard is thus established though without differentiation on the banks' books, thus bringing a train of delusions.

“Since the government does not provide the banks with political dollars to loan, the banker must utilize promise-to-pay dollars; but these are based on false representations - since there are not, of course, enough political dollars available to make good the promises to pay political dollars. Having, however, given the banker a monopoly on the business of licensing business men to create substitute money, the government finds it must put a limit upon the banker's avarice and accordingly provides usury laws. But the banker is under no law *requiring* him to "grant loans" - while business is under the necessity of seeking loans. Hence - to induce the banker to make "loans" - other considerations are offered, and this explains how the banker gains a powerful position in industrial and mercantile corporations. The political money system, we shall see, is the creator of the very monopolies the government professes to be opposed to and against which it passes futile laws.” p. 41

“What actually exists, though arrived at by error rather than design, is a conspiracy between the government and the banking interests to put private enterprise in a position whereunder it must pay tribute to the money lender to gain the exchange power it needs to function, and which, if it were intelligent enough, it could provide for itself without consent or tribute payment.” pp. 41-42

“While the little fellows must engage in cut-throat competition, the big fellows have only a modified competition. To get from the nether to the upper level, the investment banker offers to smaller units the escape of amalgamation and thus he sits in on the profits and management of the new aristocratic corporation which thus acquires a competitively privileged position over the remaining nether group. Thus the political money system forces bigness as a means of survival. To be little is to be excluded from money power.” p. 49

“Unless we find a method whereby each enterpriser shall be able to create exchange power commensurate with his size, we practice only sham competition and make a mockery of so-called free enterprise.

‘It must be obvious to any thinking person that our progress from primitive to modern standards is due entirely to the specialization of labor and that specialization of labor implies the efficient producing of commodities that are not directly usable by the producer. This implies the necessity of facile exchange of products between producers, and that production can only be as profitable as exchange is facile. Therefore; whatever limits the facility of exchange limits the efficiency of production since production beyond the capacity of exchange is waste.” p. 49

“The political money power which involves an unnatural function of the political system asserts a dictatorship that perverts not only business but government itself - as autocratic power must always do. It is idle for us to debate the comparative merits of democracy and dictatorship when the die is already cast by the government's usurpation of the money power. The ability of the citizen to control the government simply does not exist while he is put in the position of a suppliant to such government. Since money is indispensable to us and since government controls money, we must beseech the government and thus we are subjects - not citizens. This process of winning governmental benefits begins as paternalism; but, as larger numbers seek to secure special favors, its paternalism develops either into communism or political and economic convulsion. We cannot be freemen as long as we are money slaves; and under the political money system our subjection becomes progressive.” pp. 50-51

“The states are really nations that have mutually agreed to waive their rights to raise tariff and trade barriers, coin money and make war. They never intended to surrender their sovereignty to the Federal government and of course, under the ignorance that has universally prevailed, never realized that in surrendering the money power to the Federal government they were impairing their sovereignty and subordinating themselves, …” p. 51

“A non-money-power government must, at least, approximately balance its budget and to do so must levy obvious and painful taxes. Thus the constituency, conscious of the cost of government, holds such government in check. Also, since such government is not a fountain of money, it is not the object of money pressure groups and hence does not develop bureaucracy.” p. 52

“What we have in the United States is 48 democracies crowned by a monetary autocracy that is subordinating these democracies and their citizens by its money power. It is a law and power unto itself. Both the citizens and their state and local governments must approach it hat in hand for it controls the life blood of the nation. It is imperiling both the economic and the political structure.

“Take away man's money power and he has lost his sovereignty for he becomes a suppliant instead of a master. Let it repose in one government and not another and it will inevitably subordinate the one without it. Money power is the very essence of sovereignty and the failure by the citizen to assert it renders democracy futile.” p. 53

“The war making power of the U. S. Government and of every other national government is beyond the control of their citizens solely because of the political money power. How could Germany, Italy and Japan have prepared for war except for the deficit-making or money-fabricating power? In short, how could any people be brought into aggressive war except by financial deception? Can war be planned or carried out on a cash basis unless the people are in favor of it? Certainly not. The money power is the war power; and the appetite for war in politicians is created by their frustrations in their domestic affairs - frustrations that are the result of the impossibility of operating a successful economy under the political money system. The political money system starves productive enterprise but finances lavishly the destructive activities of war.

“If the government were obliged to come to the people for money instead of vice-versa, the people would keep government under control and operate their economy satisfactorily with prosperity and peace resulting. The peoples of the nations do not make war. For them peace is the natural and permanent order. Wars are planned and perpetrated by politicians and their diplomats; and the money power of government is the means by which the people are maneuvered into wars.

“This does not imply that wars could not occur if the money power were exclusively in the hands of the people. It means that the veto power would be in their hands and the purpose of the war must be purely defensive, since it is inconceivable that they would finance aggressive war.” pp. 53-54

“Let this be said as an indictment of ourselves and our ignorance - and not of the motives of the men who run our governments. They (with few exceptions) are deeply concerned with the problems of private enterprise and public service and peace, and strive earnestly to make democracy work. We would not impugn their motives, but we would point out their follies and their failures.” pp 54-55

“Either we shall assert, through our money creating and buying power, mastery over our economic and political affairs, or the money creating and buying power will continue to be asserted by government to our utter degradation.” p. 56

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Chapter III **THE COMING CRISIS**
THE THREATENING INFLATION CHAOS AND HOW TO AVERT IT

[Riegel’s reasoning in this chapter is difficult to follow. It is also based on conditions that prevailed at the time (1944), including wartime rationing and price controls, conditions that no longer prevail. He could not have foreseen the increasingly extreme and desperate measures that governments and central banks would take to keep the flawed system functioning. But a major crisis is inevitable and whatever form it might actually take, Riegel is correct in saying, “The Supreme test of whether we can avert the decline to barter - and possible riot, rebellion and revolution - lies in our ability to provide a stable money unit and thus preserve our money exchange. … The solution of the problem lies in switching business from the unstable dollar to a new unit that will remain stable regardless of the decline of the dollar to the vanishing point. This would not save past dollar contracts from going through the inflationary process, but it would permit new contracts to be made covering the current business of life in terms of the new unit. If we can keep money exchange operating we can avert all the chaos of decline to barter which for us would be virtually impossible. Under such conditions the inflation could run its full course without destroying orderly life. No country that has gone through total inflation has had the opportunity of utilizing this unique escape from the chaotic phase.” (pp. 69-70). *Of course, we need more than a stable unit of value, we need a **means of exchanging value** that does not require payment in political money, which is what this entire book is all about.]*

“The banker is the holder of a government license to speculate in money. As has been stated, he neither creates nor loans money. He permits businessmen, for a fee, to create substitute money by a "loaning" process in which he takes this position toward his "borrower": "If you will pay me a fee I will establish a credit on my books that will enable you, by drawing checks, to create businessman's money. I will take the position, with all my depositors, that they may draw either businessman's money by means of checks payable to someone else through a credit on the books of some bank, or I will deliver Uncle Sam's money on demand.

“The banker's pledge is a legal fraud because it professes that all book credits established by the "borrowing" process are warehouse receipts for currency, which is true only to the extent of currency actually held or available. Thus banking has merely evolved from the original goldsmith-banker's false representation of holding gold to back all his outstanding promises to the modern method of professing to have 100% currency backing.

“Under this system it follows that as businessmen's money expands through "loans" and the sum of Uncle Sam's money remains the same or diminishes or expands but slightly, the banker's undertaking grows more hazardous and in due course it becomes so manifestly impossible of fulfillment that a scramble begins for currency by banks and depositors, resulting in a money panic and depression.” pp. 58-59

[In today’s world, the government and the banking cartel have become so thoroughly entwined that that the above reasoning no longer holds. The treasury will provide whatever amount of printed currency needed to enable banks to meet depositors’ demands for cash withdrawals, and they would like to phase out cash altogether. In addition, central banks of the major countries have committed themselves to “do whatever it takes” to provide sufficient liquidity to keep the banking system from failing. The result has been massive inflation of asset prices in the face of declining economies. The recent (2020) closure of markets and many businesses and government distributions of fiat money will likely result in an inflationary depression.]

“So much misconception exists on the meaning of the so-called government debt that it needs to be analyzed. It is not properly called government debt; it is a taxpayers' debt. It arises solely out of a postponement of tax levies to balance the budget. It means that the citizen has been getting government service and disservice at a cost that in part has been on the cuff. By the borrowing process the government has been inducing its security holders to advance the unpaid cost to the taxpayer; and, for his thus "holding the bag," government pays the security holder an interest which is added to the taxpayers' obligation. **The government is only a middleman between the creditors and the taxpayer-debtors.** How it will serve their respective interests depends upon political expediency and the reactions of both classes. To be sure, the security holder and the taxpayer are often the same person, but not always - and rarely in the same degree. Also the taxpayer consciousness may be keener than the creditor consciousness or vice versa. We shall speak of the two as investor interest and taxpayer interest.

“There are two ways that the taxpayer interest can be made to pay its debt to the investor interest. One is the bald and bold way of levying taxes to create a budgetary surplus out of which to pay the security holder. The other is to pay the security holder on demand while continuing a deficit policy. The latter is undoubtedly the way it will be paid as the former is politically a dangerous method. This latter course means of course, releasing funds from Government securities and increasing the pressure of liquid funds on the diminished goods supply. pp. 62-63

[There is more to this chapter but I will leave it at this point.]

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Chapter IV

MONEY FREEDOM
THE CONSUMMATE ECONOMIC AND POLITICAL IDEAL, ENCOMPASSING ALL FREEDOMS

[Has anyone else ever so clearly described how the common aspiration of government of the people, by the people, and for the people has been so thoroughly defeated? Fortunately, Riegel has also laid out a fairly clear course of action toward turning that defeat into victory.]

“The freedom thought in any language has always expressed the most common ideal of man in all ages of his progress. Every page of history records the fervor of peoples in their pursuit of freedom. Passionate denunciations of tyranny, paeans of praise to the blessings of freedom, and countless charters proclaiming it constitute the theme song of civilization. … Money freedom encompasses all freedoms.

“Freedom is man's natural state; it cannot be conferred upon him. He was born in freedom. Then why has he been pursuing it from the beginning? It is because he desires freedom plus prosperity and in the pursuit of the latter he has compromised his freedom. Partly through his own cupidity, and partly through the cunning of exploiters, the urge for progress has ever carried him into entangling circumstances that denied him both freedom and prosperity. Yet both must be attained to enjoy either fully. Freedom to live and move without command of wealth is an empty freedom. We must have the freedom of prosperity. p. 73

“The most difficult problem that man has encountered in his social progress is how to make use of government without self-subjection. It required centuries to explode the pretense of divine right to rule. It took centuries to effect separation of church and state. It has required additional centuries to promulgate the principle of separation of money and state and, through it, to envisage money freedom which is freedom's acme.

“Governments today are constituted by consent of the governed and in their constitutions safeguards of freedom are incorporated against governmental invasion of private rights. This aim of converting government from ruler to servant has been constant. The most masterful effort was made in the drafting of the Constitution of the United States, where (under the Jeffersonian theme: "That government is best that governs least") the most intelligent and jealous endeavor was made to obviate the evils of centralized authority and usurped powers. After the founders had made the draft replete with "shall nots," the several states caused to be written into the document, through the Bill of Rights, ten more prohibitions against governmental invasions of private rights. But the money power, the most insidious, the most pernicious one of all, was not only unprohibited but was actually enthroned.

“Throughout the history of man's struggle to master government the process of whittling down power showed steady gains; but, when money emerged, a new factor entered. Ignorant of its nature, men thought its emission and control should be a function of government. The projecting of the money power, (by tradesmen with whom money originated) into the hands of politicians and the accepting of that power by the latter, seems to have been effected in complete ignorance (by both parties) of its far reaching implications. We of the Valun school of thought now realize from our study that the money power is a constitution of and by itself and that its acquisition by government meant a second constitution that tends progressively, as money becomes more important in men's lives, to neutralize the political constitution, no matter how jealously the latter was constructed. The letter of the political constitution may be faithfully observed by government and yet its purposes may be defeated by the money power of government which is its second, its economic constitution. Hence the contradiction and confusion in our political principles and practices.

"The dream of democracy and the craftsmanship of constitution builders, therefore, has been defeated. We see now the gradual subordination of the political constitution to the economic constitution, with increasing governmental powers and diminishing private powers. Yet this has required no change in, nor disrespect for, the political constitution. Nor does it imply a greater lust for power by politicians. Strange though it may seem, it is and always has been, a movement from the people, urging the government to exert a perversive power. Even the politician is unconscious of what is the impelling cause of the growth of government and the decline of private enterprise. It is a world trend, but its most striking manifestation is observable in the United States.

"The thirteen American colonies, when freed by the revolution, became independent nations and, after the manner of old-world nations, each set up its own money system. Later, when they federated in the thus created government of the United States, it became the sole political money power and thus was centralized at Washington the greatest potential money-creating machine the world has ever seen. The power, through money, to defeat democracy has always existed in the Federal government (as in all modern governments) but it has been slow in manifesting itself. Only in recent years have we come to appreciate the force of it. pp. 73-75

[Riegel then quotes the U.S. Constitution which purports to grant the money power to Congress, and argues that, because "the drafters had no comprehension of the subject," *i.e., of the true essence of money, the result has been* "nothing but perversion." *He then concludes that:* "Under the political money system there are but two sources of money. One is issue by the government; (and its grantees) and the other is issue by borrowers, through the banking system. The government issue springs solely from government expenditures; since there is no other way it can issue. This is the basic or legal tender money - and constitutes the only actual dollars, either in currency form or in promise to issue currency. Through the banks, those business men who have bank credit are permitted to issue promise-to-pay dollars. It is important to recognize that there is only one source of primary or legal tender money, namely the Federal government and only one source of substitute money, namely, the borrowers from banks. Thus our money supply is monopolized." pp. 76-77]

"It is important to remember that neither primary nor substitute money can be issued except by the act of purchase. In other words, if the government is to issue money it must buy something; there is no other way that it can put money into circulation. Since modern society is completely dependent upon money circulation, it is plain that we are not freemen but subjects because we must beseech our government for this life blood. But we are not subjects by government mandate; we are subjects by dint of ignorance and inertia. Government does not deny us the right to exert our natural power to issue money; we ourselves thrust upon government the impossible function of vicarious issue power." p. 77

*[The next section which bears the heading "**OUR DEMOCRATIC ILLUSION**" clearly explains how the control of money in the hands of central governments trumps both our economic freedom and our political freedom.]*

"We have been pursuing the illusion that by voting political ballots biennially and quadrenially, we controlled our affairs. While the government must beg us each two years for our political ballot, we beg the government every day for our economic ballot. Since we are dependent upon our government for our daily dollar ballot, there stands over our political democracy a monetary autocracy. Therefore, we are not democratic governors; we are economic subjects." … The process whereby parchment freedoms become sterile is quite simple. It begins with the fact that we need a constant money supply to effect our exchanges whereby we live. The supply is completely in the hands of government. We beseech the government to issue it. … Is not every public expenditure the result of pressure by some large or small segment of the citizenry? And are not these pressure groups impelled by the necessity of petitioning government since it is the only source of the economy's life blood? How can we blame the government for spending and on the other hand, how can we blame those who invent schemes for spending, without which our economy would stagnate? **It is the false concept of political money power that converts citizens into petitioners, and makes government a dispenser of patronage instead of a public servant.** This power of patronage utterly destroys the democratic system of government - since the people cannot be both petitioners and rulers." pp. 78-79

*[In the next section titled, **LOCAL GOVERNMENT SUBJECTED**, Riegel describes how lower levels of government are disempowered by the federal government.]*

"Observe how the power of patronage is sapping the vitals of our multiple form of government. The Federal government makes grants of money to the states and the states in turn make grants to the cities and towns. Thus subserviency is established and home rule destroyed. The subdivisions of government designed to be independent within the limitations established by the federal and state constitutions tend to become satraps of a single government."

'State and local governments have only the power to create substitute dollars through borrowing from banks. Besides this source of new dollars, they can draw only on existing dollars of their citizens through taxes or loans. When they borrow from banks they must promise to return U. S. dollars, which they have no power to create and they must approximately balance their budgets or the banks regard their promises as hazardous and therefore they are limited. That is why all the states and local governments combined have a total indebtedness of less than 8% of that of the Federal Government and the states alone, less than 2%.

"The Federal government needs not balance its budget and can borrow endlessly, because, when it borrows, it promises only that of which it has an endless supply - and thus banks making loans to the Federal government take no risks, because all they promise their depositors is the same thing that the Federal government promises them, namely dollars of constantly diminishing purchasing power. **Thus we see that the Federal government, because it has the money issuing power, has not the limitations of state and local governments; and can therefore subsidize them and, through this power of subsidy, control them.** Freedom from the necessity of balancing the budget means freedom from the necessity of collecting taxes from the citizens by the usual and obvious and painful method. But the citizen does not thereby escape taxes. He merely has them imposed upon him in a deceptive form through inflation.

"Either the people must have the money issuing power or the democratic power is lost. No power can transcend the political money power, once we accept its dominion, because money is a license to buy and a license to buy is a license to live. We are dependent upon money; and when any power outside ourselves controls money we are dependent upon that power." … Nor does this positive statement imply intended tyranny, for, we repeat, government is forced to become a patron of the people by the people themselves. It is helpless, because, due to a traditional error, it has undertaken a function that natural law precludes it from exercising in the public interest. We beg ourselves into subjection and the government into perversion. Yet we must beg because we need money and ignorantly regard the government as our only source of supply." pp, 79-80

"What we must learn from our experience thus far and what we face - is the fact that no government, no matter how well intentioned, can create money without evil consequences; because it can create money only by spending - and that spending must be either non-productive, and hence inflationary; or it must be productive, and thus be invasive of private enterprise and productive of communism.

"By giving the money power into the hands of the government we gave it a second, an economic, constitution that prevails by unseen and unsung processes over the political constitution and may destroy the government itself. There is nowhere a prohibition against our exercise of our natural power to issue money; we merely fail to exert it - and, by our ignorance, we thrust upon the government the impossible task of vicarious money issuance. The government cannot issue money for us; it can issue it only for itself; and we can get it only on the rebound. This is a law of money that the government cannot alter. In its effort to deliver money to us it can but create perversion and economic and political maladies.

“The people must control the money power; and, through it, control their economic and political affairs. Only through the exercise of our natural money power, which is our actual sovereignty, can we gain freedom, sound government and prosperity. This is money freedom. It means tranquility within the state and peace without. It means equality of opportunity. It means freedom from want; freedom from fear. It means life, liberty and happiness realized. It is the substance of all freedoms, without which the statutes ordaining them are but empty shells.

“How can the individual possibly be assured of life, liberty and the free pursuit of happiness when the very means thereof is controlled outside himself and he is too ignorant to assert his inherent powers? How can we proclaim the dignity and supremacy of the individual and the subordination of the state when the mace of his power is not even within his consciousness?”

“America gave to the world the greatest political document ever conceived by man. America now has the opportunity and the challenge to give to mankind - through a universal, non-political money system - the greatest of all charters of freedom. That charter will liberate society's vast wealth producing forces, unify the peoples of the world on the economic plane, preserve and effectuate democracy - and banish war and poverty from the earth. Such a charter can be written only in terms of money freedom. … No one need feel any inferiority in confessing lack of comprehension of this subject, for ignorance is universal except among those who dare to challenge the orthodox concepts. There is not lack of sufficient intelligence to master the problem; it requires only the courage to break with the old concepts and open the mind to new.” pp 83-85

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Chapter V MONEY MASTERY
THE ASSERTION OF MAN'S INHERENT MONEY POWER AND THE DENIAL OF POLITICAL MONEY POWER

“Man has learned that he can maintain a bare but precarious existance [sic] if he devotes his thought and labor to garnering or producing only those things that he consumes. To rise above this level of life he must become efficient in some occupation that produces exchangeable wealth. This specialization of labor could yield no profit unless there be other men who likewise specialize; and it is further necessary that they meet to exchange their products. This implies a meeting or market place. Thus we see that three attitudes are basic to man's rise and continued progress, to wit: (a) the profit motive, (b) specialization of labor to gratify the profit motive, and (c) exchange to realize the profit.” p. 87

“The profit, or progress motive presses man toward means of greater production and he finds it in specialization of labor. Greater production necessitates more exchange to realize the profit; and thus exchange becomes the neck of the bottle of production and consumption. Exchange, then, is the measure of human progress and limits or expands production because production (beyond subsistance) is purposeless without it. Therefore **man can be only as wealthy as his exchange is facile**." p. 87

"With the progress of time, trade psychology has become more and more enslaved by the superstition that trade by money must be state regulated and permitted." p. 88

"In truth, trade has not risen, and cannot rise, above barter - because it is inconceivable that one trader will surrender value without being assured of receiving value. Through money, barter has been merely improved by introducing a time lag between the surrender of value and the requisition of value, during which lag the money instrument certifies the right of the seller to make the requisition at his pleasure upon one or more traders in the trading community. The money instrument acquires no value, the value resides solely in the thing or things to requisitioned." p. 88

[But money, being a claim on real value, does therefore have value. What I believe Riegel means by this is that, for example, a paper money note has no valuable in its own substance, but only in the real things that it represents.]

"To believe in a metallic or other "standard" or identify money with any commodity or "backing" or "coverage" or "reserve" or to attribute value to it is to confess inability to master the money concept. .., when men form a compact to trade with each other by means of accounting, in terms of a value unit, a money system is formed, and money springs into existence when any of them, by means of the act of paying for a purchase, incurs a debit in the accounting system. Conversely, money is destroyed by the process of selling in which a credit is earned against the previously incurred debit. Yet value is neither created nor destroyed by the process of creating and destroying money because money is but a concept." pp. 88-89

[In saying that "money is but a concept" *I think Riegel stretches the point beyond reason. Money is a device. In today's vernacular we would say that money is a virtual representation of real value (goods and services) that are in the process of being exchanged in the market.]*

"Every lawyer knows when he draws a contract that the real contract exists in the minds of the contracting parties and that the paper and ink are but the evidence of the contract. Likewise, the substance of money is a tradesmen's agreement to carry on split barter. The money instrument is but the evidence and accounting device for split barter, consummated under the tradesmen's agreement." p. 89

"To be sure, the unit in which it expresses itself involves a special concept; but this concept is in no wise related to the state or politics. It involves no legislation; no executive power; no judicial power of the state." …In simple or whole barter we evaluate things by comparing them with each other; and rarity and desirability (the law of supply and demand) influences us in valuing things high or low. p.89

[*In the remainder of this chapter, Riegel introduces the concept of* "value relativity" *and makes the questionable assertion that* "objectivised value has no fixity, but is constantly in flux under the operation of the law of supply and demand. But, while all objects gain or lose in value, no value is lost; because, under the very concept of value relativity, value that escapes from one object must invest itself in one or more others - and the total remains the same," *then argues that it is folly to* "to find or create an object of fixed value to adopt as a money unit" (p. 89). *It is clearly true that market values are continually changing relative to one another but what basis is there to conclude that the sum total of all goods and services must remain fixed? He then presents a hypothetical example to arrive at the conclusion that* "The unit, once it is adopted, is like a keynote to the orchestra of trade and loses all identity with the object with which it was identified at the outset (p. 92)," *and argues against any commodity standard*.

[E. C. Riegel has been my primary source of insight and inspiration on the concepts and mechanisms of money and the exchange of value, but this is the main point upon which we disagree. His argument that credit can be denominated in a purely abstract unit without reference to any commodity or commodities is, I think, specious. He is quite correct in arguing that all values of goods and services can be evaluated only in relation to one another, but that does not allow any escape from physical reality.

In my view, there is no way to know the value of a dollar at one point in time relative to the value of a dollar at a later point in time without comparing the dollar prices of real goods and services at those two times. That's why a value standard and unit of account must be defined in physical terms, as I've proposed in my books.

If people understand that the Valun is equal to a dollar at one point in time, they will think it equal to the dollar at ***every*** *point in time unless there is some way to pry the two units apart. The only way I see of doing that is to define the Valun as being the market value of some specified quantity of physical goods at any point in time. That is what will cause the dollar and the Valun to separate as the dollar prices of the specified commodities change over time while, by definition, the Valun price will not.*

The valun can be launched at par with the dollar or other political unit, but how can people differentiate one from the other unless there is a physical reference? What will cause the valun to diverge from the dollar as the dollar is debased? Without that physical definition, the valun will simply follow the dollar as a unit of measure. If vendors will accept either dollars or valuns in payment, how will they know how many dollars to ask for if the valun price is held constant?

You may answer, "By looking at a price index." Well, any index will be defined in terms of specified goods and services. So that amounts to a de facto definition. Let's choose our own definition instead of relying on a manipulated government index like the CPI.

As I wrote long ago in my first book, Money and Debt: A Solution to the Global Crisis, the various functions that money is said to perform (medium of exchange, measure of value, store of value) should *properly be segregated. Gold for a long time served the function of measure of value, but the bulk of the payment media were nonetheless credit instruments in the form of paper notes or deposit balances. I have argued against gold for several reasons, and eventually an abstract measure may emerge, but in the meantime we need to use some physical commodities as the value measure to lift us out of the rut of conventional value reckoning in which legal tender laws have obliterated the distinction between measure of value and means of payment.*

There can be any number of currencies but it would be advantageous to have one single global standard measure of value. Anyone can propose a standard and there may initially be many of them, but what makes a standard operational is mass adoption of it. The one that performs best will eventually prevail. -THG]

[Offset or clearing obviates the need for settlement using paper notes, coins or other money instruments]

"The whole "standard" idea is concocted under the mistaken belief that the issuer of money is the backer, whereas in reality, it is the seller who backs money. To issue money is the function of the buyer; to back it is the function of the seller - the only one who puts value back of it. The people, by accepting money, have always backed it. The government has merely requisitioned it through taxes, which is the only way it has of retrieving its issue." pp. 93-94

[This statement is also misleading. It is true that the seller "backs" the money initially by trusting the buyer/issuer to eventually reciprocate, but it is ultimately the buyer who backs it. If he does not honor his obligation to reciprocate by accepting his money back in payment for real value, his money becomes worthless. Thus it is the integrity, faithfulness, and ability of the buyer/issuer upon which the money system depends. As I have expressed it, the issuer of money must be ready, willing, and able to deliver goods and services and accept his money back as payment.]

"It is important for us to realize that the sum of money instruments used in trade is far from coextensive with the sum of money transactions. Offsetting items are common in business, thus reducing the need for money instruments to settle balances." p. 94

[In other words, obligations among a group of traders can be cleared without the need for money to be used in each transaction; rather amounts that one owes can be offset against amounts that one is owed. This is the process of credit clearing that is applied both in commercial trade exchanges and grassroots systems like LETS.]

"…money can spring only from a debit and not from a credit, thus showing that the basis of money is a pledge to surrender value on demand - a pledge which, as we shall see later, is a mutual or compound pledge, and not a private debt and which, incidentally a government is not competent to make, because it is not able to redeem it." p. 95

"Money is created by the process of incurring a debit and is destroyed by the process of offsetting a debit." p. 95

[Traders themselves] "…have all the powers to form a pact that affects solely their own interests. They take nothing from any one. They interfere with no one's rights. Their trading practices cannot possibly have any adverse affect upon anyone except those who are denied thereby an opportunity to exploit them. To be sure, they must establish rules of practice for their exchange but this too they are competent to do without outside assistance." p.97

"**Heretofore, economics has located the source of production at one point and the source of money at another, with the result that synchronization and balancing of issue between wealth producing power and money power were impossible.** Under the valun concept, the two are united, synchronized and made coextensive so that there is never shortage, never surplus and never lag. The individual thus conveys his services with one hand and requisitions his fellow worker's product in equal measure with the other, keeping production and consumption ever in balance at the highest level. This guarantee of mass distribution and consumption is the perfecting factor in the American system of mass production." p. 103

"There is no purpose in increasing mans capacity to produce, if his capacity to consume is not commensurately increased." p. 104

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Chapter VI HOW THE MONEY IS ISSUED
CHECKS AND CURRENCY AND THEIR BASIS

[Chapter VI is brief and describes the transaction processes in terms of the technologies that were available at the time--paper ledgers, paper currency notes, telephone and postal services.]

"A money system is a vast accounting mechanism. The private accounts that are kept on the millions of ledgers of private tradesmen are all auxiliary to this master ledger which determines the meaning of the terminology in which these individual accounts are kept. Disturb or distort the master ledger and you affect likewise all the millions of subsidiary ledgers in the economy. Society must have a stable money system to preserve its own stability.

"When businessmen resolve to set up a money system, they agree to hold in trust for each other goods and services that are pledged against the drafts which they have issued in the form of money. These values - that are held in trust by all for any who may present a money draft therefor - constitute a vast pool, not housed at one place, but scattered throughout the trading sphere. **This vast pool of goods and**

services is the basis or backing for the outstanding money supply. "Reserves" and metal hoards are but window dressing. Only that which is purchaseable is back of money.

“…there must be a central bookkeeper, with an all-seeing eye, that keeps account of who holds values and who holds claims thereto.” p. 109

[Riegel takes several paragraphs to describe how information is sent to the central bookkeeper to enable a transaction to take place. It comes down to this:
“A telephones the central office and states that B has ordered some merchandise at a given money price and asks whether B's account will permit the charge. On being assured that it will, the goods are shipped and the central bookkeeper debits B's account and credits A's.” (p. 110) *Thus, B has been authorized to issue money according to a prearranged line of credit, and A has that money to spend wherever and whenever he desires.]*

[Riegel also describes in this chapter how paper currency vouchers and coins could be drawn against account balances at neighborhood “Valun Currency Counters” *to enable petty transactions. With today’s technologies this could be done more simply and cheaply by authorizing a participant to print vouchers himself that bear QR codes or some other unique identifier. It could also be done using smart card balances or mobile phone “wallets.” He also describes how these VC Counters, operating as franchises, would provide an exchange service for exchanging dollars for valuns and vice-versa. Again, with today’s technologies all of this could be done electronically.]*

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Chapter VII EACH ISSUER'S LIMIT

DETERMINATION OF EACH PERSON'S LIMIT OF MONEY ISSUE AND ITS REDEMPTION AND THE MAINTENANCE OF ADEQUATE SUPPLY WITHOUT INFLATION AND DEFLATION

“We come now to the crux of our problem in determining the money issuing power. Through the traditional bank credit practice, which is an outgrowth of the ancient aristocratic attitude, our minds have become habituated to attributing creditability to possession of material resources. **We should be careful not to borrow mental attitudes from the autocratic political money system which we are undertaking to renounce**.” p. 116

“There are infinite varieties of human energy in physical form but, basically, there is but one commodity in exchange and that is human energy. It is the only value.” p. 118

LABOR MONEY

“Others have comprehended this and from this premise - that all value is labor, and that money is based on value - have reached the conclusion that money must be based on labor, and rightly so. **The fatal error, however, that labor money planners have made is that they set a measure of labor, such as**

an hour, as a unit of value. This destroys the entire function of exchange, which is to evaluate labor. When exchange is not free to evaluate, it is impeded, and when exchange is impeded, production is retarded.

“While it is true that labor, mental and physical, is the only value - and therefore the sole commodity that passes through exchange - **it does not follow that labor is uniformly valuable**. To state that all value is made up of labor, is not to state that all labor is equally valuable or even that all labor is valuable. Labor may be wasted; it may be so unintelligently applied that it is worthless.” p. 118

“We are all laborers and therefore fountains of wealth, in that we emit human energy, but we must direct that energy the way our fellow laborers would like it; and in the measure in which we respond to this demand will our energy be valued - and not by the time we have consumed in projecting it, nor by the sweat and toil that we have sacrificed. In turn, our fellow exchange participants must project their energies to our liking. These processes of projecting and evaluating energy are the function of exchange and, after evaluation has been determined, money expresses the evaluation; but money, if it is true, will have no influence whatever in determining the value. **Money is not a measure of value; it is a method of stating a value determined by exchange.** p. 119

“Every person or corporation is entitled to create as much money—by buying, as he or it is able to redeem-—by selling.” p.119

[Riegel then goes on to describe “a starting policy” *that must be subject to adjustment as experience may dictate. In allocating credit lines he maintains that* “It is better to allot too much money power than too little,” *because it is overdrafts that create the money supply needed to facilitate transactions, and as he says,* “Only the moneyless can create money.” p.121. *He goes on to describe how the allocation of credit lines should take account of the rate of turnover in each particular line of business, and proposes that employees also be empowered to create money.]*

“Each employer would list with the Exchange the names of employees who are members of the Exchange - together with the amount of salary payable to each over a three months period, including officers and owners. The amounts, so stated, to constitute the debit limit of each such employee. p. 121

“Each such employee-member to be authorized to write checks up to the limit stated. The amount of the stipulated salary to be credited to the Exchange account of the employee as earned and simultaneously debited to the employer's Exchange payroll account. Checks written by employees to be debited to their accounts. No further payroll process would be necessary. Thus the money creating would begin by employees writing checks for their needs. If employee A had a salary of 100 valuns a month, his debit power would be 300 valuns. In other words, he could overdraw his account up to 300 valuns.

“The employer would have two accounts, a payroll account and a commercial account. His payroll account to have a debit limit equal to his total payroll for three months. His commercial account to have a debit limit of 1/2 this amount or as much more as the class of his industry entitles him to as determined by the industry study of turnover.

"To include all members in debit power, thus providing for those who are on no payroll, a minimum of, say 100 valuns might be provided for every member." p. 122
[It is my position that this minimum debit should not be granted immediately upon launch but should be phased in after the exchange has become well established; otherwise its relatively slow circulation could become a drag on the system. The health of an exchange system depends upon a rapid circulation of credits through the system but these minimum lines of credit in the aggregate give spending power to those who are least likely to reciprocate in a timely manner. A great many LETS systems and commercial trade exchanges have failed to thrive and many have failed because too much credit was allocated to non-producers, slow-sellers, or producers of non-essential goods and services. Any new exchange system will be at the outset in competition with the existing political money system so it must begin from a position of strength to prove its effectiveness and superiority.]

"These debit limits would not be loans, no instruments would be executed for them and the actual debit would be the amount of overdrafts on the account. There would be no term to them; and they might be maintained indefinitely. The reason for this is that they constitute the money supply and are necessary to exchange, and there is no reason for making them rotating. Debit balances on some accounts of course imply credit balances on others." p. 122

[Riegel then proceeds to give some examples that illustrate the details of his proposal.]

"Once we have established the principle of debit power for employees, we have released a power for stability that is not possible when this power is confined to employers or sellers of goods. How far we may go in this direction cannot be forecast but it is plain to be seen that debit power at this point can positively prevent depression because sustained purchasing power means sustained employment demand."

"When goods show a tendency to accumulate in warehouses, it indicates that employees have not been paid wages high enough to buy the goods they have produced. p. 125

[Riegel then points out that "the political money system is the greatest disturber of competition," *which leads to imbalances between goods supply and money supply, and argues that his valun system is* "ideally suited" *to be a compensatory force that can* "balance the inequities of imperfect competition" and would "prevent the depression spiral from forming." *(p. 125)]*

"The aim of the valun system is to establish a true money system, and to rely on competition to keep the economy on a steady keel. It is not inspired by the aim to establish a compensatory system for inequalities that may exist in exchange; but we point out that, if a compensatory program must be pursued, the valun system supplies the need effectively." p. 126

"If, however, we must choose between a higher price level, with continuing employment, and a lowered price level with unemployment, the choice would be unanimously for the former." p. 127
[The managers of the political money system learned this lesson the hard way during the Great Depression of the 1930s, and have applied it in subsequent "recessions."]

“Debit policy is the vitals of the whole system and if the principle of the democracy of the money power is respected, all else is a matter of judgment and preference as willed by the members through their elected servants.” p. 127

“It is not the purpose of this study to outline arbitrarily a debit policy. **Debit policy is the vitals of the whole system and if the principle of the democracy of the money power is respected, all else is a matter of judgment and preference** as willed by the members through their elected servants.” p. 127

“It is possible not only to assure continuity of prosperity of all employed members of the Exchange, but also to even absorb gradually the unemployed from among the non-members. The cycle of production and consumption need not begin with production; it can begin with consumption. An unemployed person may actually *buy himself into a job* by consuming existing goods, thus inducing demand for labor. Since a person having valun debit power can spend his valuns only with suppliers who are members of the Valun Exchange, his demand can be directed only within the system; and thus all reaction remains within the valun community.

“We shall not have fully comprehended human rights until we recognize the right of every man to proffer his services to society by the practical means of requisitioning the services of others through his power to issue money. In an exchange society man's only means of employing himself is to employ others and thus induce the reaction of demand for his own services. In sheer justice, therefore, we cannot deny to any man the right to issue a draft upon his own energy, even though, at the time of such issue, he is unemployed.” pp. 127-128

[The final section in this chapter is titled, “**FEARS UNJUSTIFIED,”** *in which Riegel discusses possible defaults and their various reasons and consequences, and possible compensatory actions. I leave it to readers to consult the source and judge for themselves, but I think Riegel may be a bit too optimistic about it, at least in the early stages of system launch, as I argued above.]*

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Chapter VIII HOW THE UNIT IS TO BE DETERMINED
THE METHOD OF FIXING AND STABILIZING

“A money unit that is not sponsored and controlled by a political government naturally has no political boundaries; and is in its nature a potentially universal unit. The valun, being a non-political private enterprise money unit, is boundless in the scope of its operation; and, if successfully launched in any locality, may and should spread to all parts of the world.

“There is, of course, nothing to preclude any organizations of private enterprisers from adopting valun principles and setting up units by other names, but, if this should prove to be the case, they will be as foreign to each other as are the present political units, of which there are some sixty. The probable evolution, however will be an extension of the valun - because, if it demonstrates its success, there will be no need to imitate it - since participation in the valun system will be open to all. An universal monetary language is advantageous to all; and therefore to set up another language is to defeat the purpose of trade, which by nature is interdependent and unionist.

"Thus we may approach the problem of determining and defining the valun in the consciousness that we are creating an implement of world trade as well as one to serve the members of the initial Exchange that may be organized." p.130

[The above prolog to Riegel's ideas about establishing the "monetary unit" *or unit of measure of value, expresses the scope of his vision for the eventual global spread of moneyless exchange via the credit clearing process. Next, he argues that the concept of value relativity that he introduced in Chapter V applies as well to political currencies like the US dollar and the British pound, and observes that when in 1934 the U. S. government committed itself to give $35 per ounce of, instead of the prior $20.67, it* "had no affect (sic) upon the international rating of the dollar, nor was it changed by raising the price of gold." *The subsequent complete abrogation in 1971 of any commitment to redeem US dollars for gold further at any price proves his point that the value of a currency does not depend upon gold redeemability. He goes on to say that as the purchasing power of the dollar declines, the purchasing power of gold would decline along with it, and,* "This tandem decline will continue until $35 per ounce will be (due to the depreciation of the dollar) an insufficient price for gold. **Gold and the dollar will then part company and gold will trade on its actual value like all other commodities"** (p. 132). *That is precisely what has happened as the dollar has been continually debased by improper issuance, which has caused the general price level to rise.]*

"As all political units are foreign to each other so the valun will be foreign to all, including the dollar. In due course, if the valun demonstrates the greatest stability, it will wrest leadership from the dollar, and become the international money criterion. **If and when that point is attained it will signify the doom of the political money system, and the approaching end of all national or political monies; and the world will then be united on the economic plane, regardless of its political divisions.**" p. 132-133

[Riegel then quite reasonably argues that: "As stated in Study 5, any commodity or unit of value may be adopted as the money unit. However in the presence of existing money units it is expedient to make a new unit either par with or a fraction or multiple of, some existing money unit. Obviously - because the valun is to begin in the United States, and because the dollar is also the international standard - it is advisable to base the valun on the dollar." *To be clear, what Riegel means here is that the Valun should be defined initially to be at par with, or some multiple of the dollar.* "As is explained in Study 5, **this implies only the key note or the starting point; and thereafter the two units become separate entities. It does not, should not and cannot imply any fixity of relationships**." (p. 133).

"**The ideal of money unit stability has never been and can never be, attained by a political money unit. This is because it is constantly disturbed - either by the bank loan process, or by political fiscal policy. Both these influences are eliminated in the valun system; and therefore business may at last hope for and expect a money unit that has approximately the same power in one generation as another.** We say approximately, since it may be too much to expect perfection, in view of possible political influences, even though the direct influence upon money be removed." p. 134

*[To the above argument I add a fundamental feature of the political money system that Riegel seems to have overlooked which is that a political money unit can never attain stability because **when banks***

create political money by making "loans" they charge interest, thus creating a chronic shortage of the aggregate money supply in relation to the total amount of debt that needs to be repaid. *This is what causes the periodic cycles of boom and bust that can only be ameliorated by government intervention in the form of deficit spending. The continual expansion of sovereign debt in every country of the world over a very long span of time should be adequate evidence of this fact.]*

"Concurrently with the organization of the first Valun Exchange there will be organized The Central Board of Valun Exchanges, which will be the supreme authority for coordinating all Valun Exchanges. Upon it must fall the task of determining and proclaiming which dollar the valun shall be based on." p 134.

[Riegel proposed that the value of the dollar as of 1939 should provide the "keynote" value for the valun. This because at the time of his writing during World War II, mandated price controls were in effect which negated market mechanisms and made price indexes unreliable. In today's world, price indexes published by governments remain unreliable but for different reasons. For political reasons, governments uniformly manipulate their indexes to understate the true cost of living, i.e., the loss of purchasing power of their currencies. In any case, I maintain that there is no compelling reason to base the initial peg of the valun on anything other than the current value of the dollar at the time when the valun exchange is launched. I suggest that the valun be declared at that time to be valued at one valun equals two dollars, or in other words, that the then dollar be declared to be worth a half a valun or 50 valun cents.]

[Next, Riegel expresses the crux of the currency valuation problem:]
"To proclaim the ratio of the valun to the dollar is simple enough. To make it operative is something quite different. The Central Board can proclaim the ratio - but, to make it so, the members must back it up by actual exchange transactions. This confronts us with the question as to what gives meaning to a money unit. If we think the question through we realize that nothing but practice accomplishes it. There is a popular superstition that the authority of government sponsorship, or some guarantee of redemption, or some reserve, determines the power of a money unit. **But we know that money secures its meaning solely by the act of purchase - and thus the whole meaning comes from exchange itself.** Nothing prior to or subsequent to or outside of exchange contributes anything. Figuratively, we may say that all the members agree to leave it to the Central Board to state the valun-dollar ratio; and we may even imagine all assembled in a room and by show of hands unanimously agreeing to accept the ratio announced. **But that is not enough. Concurrence must be backed by *determination through actual exchanges*."** pp. 135-136

"The question will be asked, "what is back of the valun?" As a matter of fact, like any money unit, until something has been exchanged for it, nothing is back of it. When it has exchanged for something, that something is back of it. Money's **material backing** is that which the **seller surrenders in exchange** for it; **its moral backing** is **the buyer's promise to back it with an equivalent value when in turn he becomes the seller. Further than this, money has no backing and more than this it does not need, but this is indispensible.** What then is needed to make the valun circulate is acceptors and prospective acceptors. The initial acceptors must be pledged to accept it for certain values which are determined by the valun-dollar ratio that has been officially adopted. Once this process begins, a mental attitude develops in the acceptors which makes them indisposed to surrender the valun for less than they gave.

After the unit circulates a number of times the mental attitude of traders jells into a fixed habit of thought; and the unit has established itself firmly." p. 137

[The above statement about "backing" is a reiteration of an extremely important point that Riegel makes repeatedly in his writings, a point that exchange innovators must understand and take to heart. In most of the remainder of Chapter VIII Riegel describes how the valun might maintain its value independent of changes in the value of the dollar based on the hoped for commitment of exchange members to fix their valun prices at the initial rate for a period of three months. He expects that to be sufficient to establish the value of the valun to be independent of the dollar. ***I consider that to be overly optimistic and unworkable and it is the point on which I find my greatest disagreement with Riegel's thesis****. In my view, traders will continue to price their goods and services with an eye toward the dollar prices that prevail in the market at any given time, because when people's thinking has over a long period of time become so fixed on dollar pricing, they will not find it easy to learn a different valuation "language."*

I am quite sure that the only thing that can lever the valun out of the rut of dollar thinking is to define the valun in terms of commodities that are actively traded in relatively free markets*. I initially expressed my ideas on this problem in Part III of my first book,* Money and Debt: a Solution to the Global Crisis*, then elaborated on the topic in Chapter 8 of my later book,* The End of Money and the Future of Civilization *which also describes in Appendix B,* ***An Objective Composite Standard Measure of Value,*** *how such a unit might be computed. It is also likely that other local commodity based standards and measures of value will spring up as the political money system disintegrates and local currencies and credit clearing systems spring up to take its place.]*
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Chapter IX HOW THE EXCHANGE IS TO BE ORGANIZED
ORGANIZATION STATE-WISE OF A PRIVATE ENTERPRISE MONEY SYSTEM EITHER BY THE LEADERSHIP OF THE GOVERNOR OR THE INITIATIVE OF BUSINESS MEN

In this chapter, Riegel proposes that the Valun Exchanges be organized on a "state-wise" basis. He observes that: "The sovereign power of the citizen rises to the state government; and from there it is delegated upward to the federal government, and downward to subdivisions. We are, first of all, citizens of our respective states; and this implies citizenship also in local and national governments." p. 139

He then recounts the history of the union of the American colonies after their separation from British rule and argues that: "The advantage in abolishing this multiplicity of monies *[of the various colonies]* was obvious, but the implications involved in surrendering the money issuing power to the federal government was not comprehended. The gain to all in uniformity of money unit was visualized; the loss in sovereignty thereby suffered, was not." p. 140

"We now realize that the money power of the private citizen is in fact his sovereignty; and that in yielding it he yields his sovereignty. Thus the transferring of the money power from the states to the federal government was the transferring of the citizens' sovereignty to the national government, and the reducing of the state to the status of a subordinate. p. 140

“The political money system implies that the citizen will abate his natural money issuing power, and make the criterion of his exchanges and the regulation of the money system entirely dependent upon the government that he recognizes as the money power. By making the federal government the sole money issuing power, the individual states transferred the fealty of their citizens to the national government, because they became thereby dependent upon its money power. The citizen having thus had his fealty transferred to the national government—it was taken from the state governments—and the latter are now dismayed by the increase of federal power and the commensurate subordination of state power.”

“What has actually transpired is a reversal of the intent of the federal plan whereby the national government was to be dependent upon the states for grants of power. The national government, through its money power, is now supreme and in reality holds the state governments in subjection to it. Federal fiscal policy now determines the bounds of state sovereignty. It took many years to reveal this structural weakness because, in the earlier days of the federation, the economy depended more upon the private issuance of money through the banking system, and thus federal fiscal power was dormant. The policy of the federal government up to 1932 was to leave to the banks the function of supplying money. During the Jackson administration, with the abolishment of the United States Bank, government participation in money supply reached its lowest point—with the government confining itself to the mere minting of gold and silver coins at a seigniorage charge to any one who brought the metal to the mint.” pp. 140-141.

Money Power Is Sovereignty

“The states, to recapture their independence and sovereignty, must look to their citizens who, in turn, must assert their sovereignty by exercising their inherent money power. **It was right that the states should have surrendered their money power; but they should have surrendered it to their citizens, and not to another government.** At the time the federation was formed the nature of the money power was not understood; and it was not realized that it is the essence of sovereignty. But we know now that it is and if we wish to preserve the federation and also home rule, we must now deal intelligently with the money power.

“**While the states have surrendered their money power, their citizens have not.** The citizens have merely *failed to exercise* their natural powers against which *there is no prohibition* in either state or federal constitutions. This is not a political issue - requiring legislation or repeal of legislation, or constitutional amendments, or any official action - but it is, nevertheless, a profound political movement; because, as the people assert their money power, their natural intimacy with their state and local governments asserts itself - since there is no other power that can step between. Today, the federal government stands between the citizen and local government, and thus alienates him.

“**If our states are to develop their individuality and counter the stereotyping influence of a monetary dictatorship, if local government and private enterprise are to work out their natural virtues, if democracy is to prevail in business and government, and if our federal republican system is to survive, we must meet our problems by dealing with their fundamental causes - the political money system**.”

To accomplish these broad and vital aims, the Governor or some other public official should take the leadership of this cause within his state. In the absence of this, leadership must be taken by private citizens. It offers an incomparable opportunity for public service."

"**While the money issuing power is inherent in every man, it can be realized only by a pact among many. Therefore, the *individual* is helpless, and *organized action* is necessary. The method of organizing a Valun Exchange should be no different from organizing any other cooperative movement**." pp. 143-144.

[Riegel then proceeds to outline the organizational details of his plan, his start-up strategy, his proposed revenue model, membership eligibility, and other important points, stating that the Valun exchange should be organized as a "non-profit membership corporation" *with* "one vote for each member whether individual or corporation," *that the organization's revenues should be derived mainly from* "a charge for check clearance" *and a* "nominal membership fee" *which should be the same for both individuals and corporations, that is should enroll* "farmers as well as urbanites," *and that* "larger employers should be enlisted to enroll their employees." *pp. 144-146]*

[Within the present alternative exchange movement the inclusion of corporations as members has been a point of controversy. Given the almost complete takeover of the economy by corporations that have become ever more gigantic and powerful, it seems to make sense that only relatively small corporations be admitted to membership as a way of further promoting relocalization and the devolution of both economic and political power to the appropriate levels.]

Minimum Requirement

"**The Exchange should not begin to function until the three trades essential to life are well represented, namely; food, clothing and housing.** A complete cycle should exist in each. By this is meant that the food and clothing industries must have ample retailers to accept valuns from employees and the retailers must in turn have wholesalers who accept from them, and manufacturers who accept from wholesalers, and farmers who accept from manufacturers and packers. Farmers must in turn have local stores or mail-order houses to trade with. Landlords must have suppliers who are members. If these three lines are well represented, the ordinary processes of exchange will cause the system to ramify and expand naturally." p.146.

*[To Riegel's three essentials I would add two more, **energy and water**. Riegel expected that Valuns would circulate outside the exchange and that* "there will develop naturally an outer rim of dealers who will accept them because they know that they can either pass them to some member of the Exchange, or sell them for dollars to "The Valun Currency Counters." (pp. 146-147). *Riegel also repeats here his plan to have two classes of membership, Class A and Class B, with the difference being that Class A members are allocated a credit line and Class B members are not. The criterion for differentiation here is whether or not the member is based in the state in which the exchange is organized. If not, they would be classed as a B member with no line of credit but would need to maintain a positive balance at all times. He concludes this chapter by stating that the Valun exchange system is not an attack on the political money system, but operates as an alternative to it which enables* "its users will gain command over their economic and political affairs," *and thus will attract patronage toward it and away from the political money system. He further states his expectation that,* "As the valun system develops within a state, the state government will retrieve the power and prestige it has now lost to the federal government; and the

two would fulfill their respective functions with neither having control over the citizen."… **"The states cannot maintain their sovereignty so long as the federal government controls the supreme governing power—the money power."** *pp. 148-149.]*

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CHAPTER 10 FROM STATE TO WORLD OPERATION
THE LOCAL BEGINNING OF A POTENTIALLY UNIVERSAL SYSTEM, DEVELOPING ECONOMIC UNION WITH POLITICAL ISOLATION

[Riegel was not naïve in thinking that the establishment of an honest and effective system of exchange would be easy. In this chapter he described the obstacles and how they might be overcome. He also clearly describes the relationship between the money power and political power, especially the power to make war.]

"The world is accustomed to political money systems, all of which are established by the power of the state—without understanding of such systems by either the people or the statesmen. **To establish a money system by rational processes, and through the voluntary cooperation of its users, is without precedent. People do not want to understand money; they merely want to use it.** This is consistent with their attitude toward all utilities. They expect the specialist to understand the theory or philosophy or science of the utilities they use; they desire merely to enjoy them. This attitude is a necessary corollary of the practice of specialization of labor for the production of greater wealth.

"This outline of the valun system was not written with the expectation that it would be read and understood by all prospective members of Valun Exchanges. The hope, on the contrary, is that it will convince those persons who have the *quality of leadership* for this great human project. Such leadership will cause the mass to follow, for they love to follow and go places. **To tell the common man that he has within him the power to create money is interesting; to tell him that he can be assured of control over his economic and political affairs is fascinating, but to explain the innards of the new gadget that is to thus serve him is boring.**

"Every money system that has thus far existed has been faulty and adverse to the interests of the people. But they have been handed to them as finished tools; they had only to use them and they have always avidly done so. Likewise, they will use this valun system without understanding it, once it can be used to ring a cash register.

"While a private movement cannot have the prestige of a government project, we must still count on the only power that we can exert —and that is the power to inspire confidence. Faith springs eternal. Men yearn to place their faith in other men. **Those of us who will dedicate ourselves to this grandest of all projects for humanity must by the earnestness and persistence of our pleading inspire our fellow men with confidence in our integrity and in our judgment.**

"We have one great advantage. That lies in the fact that anyone can try the valun system without its costing him anything."

“It should be noted that the Exchange itself would have no money creating power, but would operate on a credit balance.” pp. 150-151
[While I agree with the sentiment behind this statement, and history has shown that authority, large or small, always tends to abuse the power to issue money, I think Riegel’s policy is overly restrictive. A trade exchange is, after all, a provider of valued services and therefore should be entailed to a line of credit in proportion to the value of the services it provides. I have proposed that trade exchange administration be provided with a line of credit but ***on the same terms*** *as every other participant in the exchange system.]*

“Another great advantage we have is that we don't have to win elections, or convince the majority, before operation. The valun system is only for those who want to come into it. There is nothing to argue about, as in a political project where under it is proposed to impose a plan or a system upon those who do not favor it. Those who like it can come in; those who don't can stay out.

“How many are needed to make an Exchange function? This is not easy to answer. It depends to some extent upon how compact the membership is, and also how varied are the lines represented. It also depends upon how much the enrolled membership is "rarin' to go." It would seem advisable, however, not to undertake operations unless there is assurance that at least one quarter of the members' business can be done in valuns.” p. 152

[Riegel continues to lay out his vision of how the direct moneyless exchange of value will spread around the world, saying, “When we get our first Exchange in successful operation we will have conquered the earth—because there will be no stopping the spread of the system.” *I agree. We have seen over the past three decades how eager journalists have been to report on local currency and exchange projects and local initiatives in general, this despite media bias in favor the “corporatocracy” and the concentration of media ownership. Unfortunately, they have yet to find a robust model of the sort that is needed and which Riegel prescribed. He then goes on to suggest that,* “The promoters of the first Valun Exchange should concurrently promote the Valun International Trading Union which could actually start trading on a dollar basis before the valun is available.” p. 152]

TRADE A UNIFIER
“Men divide in political concepts, in religion, in social customs and racially—but unite naturally on trade. There is nothing snobbish in trade. Trade is an undeclared but inextinguishable democracy. Peoples of the highest culture trade with those of the lowest and distance is no barrier. There are no clashing ideologies in trade. It has but one common motive—self advancement or profit.”

“Governments do not contribute to this unifying influence that is common with all peoples in all parts of the world. On the contrary, they interfere with it. Their greatest separatist implement is their separate national money units. To this is added their tariffs, their subsidies and their embargoes. Lately they have come to use trade as an implement of economic warfare. Governments are trade disturbers and creators of international friction.”

“If trade is a unifier and promoter of wealth and interdependence, while governments are separators, disturbers and provokers, should we not strive for political isolation and economic union?”

“There is no more need for ambassadors or other government representatives in other nations, than there is for churches to send plenipotentiaries to each other. They are but spies, provocateurs and intriguers. Trade does not need them. Trade found its way around the world before the diplomatic idea was invented. What services they may render to tradesmen and travelers can be better rendered by private agencies—such as have no power to ensnare peoples in quarrels and intrigues.”

Intervention of any kind by one government in the affairs of another nation is undemocratic, presumptuous and indefensible. All wars are negotiated by diplomats. If governments had no contact with each other, the provocative background could not be laid and private industrial and financial interests, and war mongers, would have no tool for international exploitation. pp. 154-155

No single people controls the politicians of all nations, but the politicians, internationally united back of the reciprocity or conference idea, thwart each people. p. 156

MONETARY DISARMAMENT

“**But trade interferences are the minor evils of government. Its major evil is its war making power.** To escape this evil will be our greatest victory. We come at long last to the way out— for the valun system, once it gains such general acceptance as to entirely displace the political money system, will write the doom of Mars.

“All agitators first strive to get into political power—because, with that, comes the money power of government. Before the war precipitation the demagogue professes to be a man of peace, and is interested in military preparedness only "for defense." Even the cost of this he dares not reveal to the citizen. He does not raise it by taxes; he "borrows" it—which is a method of creating money that the constituency does not understand.” p. 157

“War is purely a politicians' game, and there is no natural basis for it. There is no people that wants to make war on any other people and, to bring a people into war, *their own politicians* must first deceive them and ensnare them. **There is one way and one way only that this politicians' game of war can be defeated. This is to deny to government the money creating power,** through which it frees itself from citizen control. We have heard war referenda advocated. It has never been tried—and would be a great embarrassment for war mongers—but it is conceivable that even this might be successfully maneuvered by a clever politician if he still controlled the money power. Take away his money power, however, and you have imposed upon him the unbeatable referendum. It would mean that **every penny of expenditure—cash, pay-as-you-go —would have to be asked of and paid by the citizen. Thus every step would require his approval.** There would be no camouflage, no illusion—and propaganda would have met its neutralizer. **This is the war panacea; the formula for perpetual peace. Monetary disarmament is the only effective disarmament.”** p. 158

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CHAPTER 11 AMERICAN LEADERSHIP

THE INTELLECTUAL REVOLUTION

[In this final chapter, Riegel restates the essential monetary problem, describes the crisis that the political money system makes inevitable, and confidently predicts the eventual adoption of the sort of exchange system that he has advocated and outlined in this book. The gradual unraveling of the political money system and the corruption of democratic government that he foresaw in 1944 has come to pass, making the implementation of private enterprise money ever more urgent.]

“The common cause of distress is the inability of people to monetize their own labor and thus work out their own economic and political freedom. The common mental attitude that deludes them is the belief in "Santa Claus."

“The people of all nations have come to believe that Government is an agency for economic betterment. Individualism and private enterprise are in the shadows cast by the towering state. The teachings of scholars and old-time statesmen have been forgotten.”…

“When Government was largely a matter of prohibitory statutes, men like Thomas Paine met concurrence in the thought that "government is a necessary evil" but now that we have government by appropriation —and it essays to take care of us from the cradle to the grave—men tend to believe that government is a necessary blessing. What has brought about this transformation? Briefly, the increasing need of money, and therefore the increasing dependence upon Government which monopolizes the money power.

“As the process of specialization of labor and resultant greater productivity of wealth progresses, the need for exchange increases —with resultant demand for greater money supply and its more equitable distribution. A tradition having fixed in men's minds the error that the state is the fountain of money, the political money system is put under increasing pressure to meet the demands put upon it. This pressure first manifested itself against the banking wing of the political money system. As has been shown in the foregoing studies, banks provide business with the power to create only substitute money, and this expands the total money supply until the accumulated deficiency—arising from the unliquidated interest charge, and from the unbalance between substitute dollars and government dollars—precipitates a reaction and depression ensues—and money supply is depleted through bankruptcy of banks and borrowers.” pp. 160-161

“If the people persist in their belief that the Government can be and is Santa Claus it may destroy civilization itself. Once the mental attitude of dependence becomes fixed in a people's mores, cultural advancement becomes impossible and decadence inevitable. Dependence is defeatism, leading to degradation. Crush individual initiative and nothing remains worth saving.” p. 163

“…the Government Santa Claus-process is one of buying out the people's estate, and accomplishes by economic operation what otherwise would have to be accomplished by military confiscation, as was done in Russia.” p. 163

“Since the federal Government functions by appropriation, a power that cannot be employed by our states - due to their lack of money power - we have transferred our affections to the great provider. “

“Beset as we are, with swarms of Government agents and all manner of bureaucratic regulations, we should recognize that it is political proprietorship that is creeping over us; the Government is buying us out. Bureaucracy is but the administrative machinery of a "buyocracy" which has come upon us through the unlimited money issuing power of the Government. Unless we overcome the Santa Claus complex and declare our independence of the political money power, we must become a dispossessed people, and even the mantel piece on which we hang our stocking will be owned by Santa Claus." pp. 164-165

"The history of Liberty is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the process of death, because concentration of power always precedes the destruction of human liberties."—Woodrow Wilson.

"But how can we resist this "process of death"? Resistance to governmental encroachments can be offered only by asserting sovereignty, and when we fail to exert our money power we yield our sovereignty. How can we desist that which we require, namely money, if we accept the Government as our main source of money supply? "Nobody shoots Santa Claus," but there is no need to shoot him. We need only quit writing notes to him and begin writing them to ourselves through our money issuing power. It is the only way out for the people, and the only way out for the Government, which is the victim of a perversive power, thrust upon it and accepted in ignorance of the laws of money." pp. 164-165

"The banking system, today, in every nation, is but an agency of government - a deceptive device for political finance. With the money system - which is the life blood of the economy - now socialized, it is inevitable that the entire economy will become socialized, unless we find the solution.

To do this, we must become fundamental in our thinking. We must comprehend the great liberating fact that the money power is in all of us; that it must not be perverted by political control, and that it must be democratically exerted to assure both economic and political democracy. Otherwise, the present process of subjection must continue." p. 166

"We have failed to realize that the Federal Government's deficit power is its money power. … The viciousness of political money power has never been comprehended by the people. We are being socialized by a process that is beyond our ken, and beyond the power of the government to arrest without our aid, which can be given only by the assertion of our private money power." p.168

[Here Riegel presents his challenge to the reader and to all citizens saying,]
"Until you assume your responsibility of monetizing your own labor, the government will have an insuperable problem, no matter who its officials may be and its efforts to do for you what you must do for yourself will miscarry—and with increasing evil results. You may, in your perplexity, feel that the Government must be changed. But, it isn't the Government that needs to be changed, it's you. You must be fit not only for political self-government, but also for economic self-government. In fact, without the latter, the former is impossible. You cannot be a leaner on government. You must stand on your own; government must lean on you.

"In asserting our money power, we will save political democracy by founding economic democracy; and will thus show the world a pattern of pacific revolution that all may emulate, and may gain thereby what could never be gained by violence, or by opera bouffe revolutions." p. 169

ECONOMIC DEMOCRACY
“Economic democracy is 100% democracy; political democracy is merely the rule of the majority, leaving the minority forever tyrannized. However tragic it may be to thwart the minority— which always contains the seeds of progress, while the majority often represents decadence—political democracy can nevertheless operate in no other way.

“Economic democracy, as asserted through the money power in all of us, involves no tyrannies or repressions. Each vote counts, and each voter wins the election. Elections are held in every market place, and in every town and city and farm, every hour of every day. When you exert your money power you cast the total vote in that exclusive sovereignty which is YOU. John Jones, next door, votes for the goods with the yellow label; you vote for the goods with the blue label. Neither has to yield to the other —both win. The manufacturer of the goods with the blue label may have the majority of the customers—but that doesn't interfere with the yellow label manufacturer serving the minority, no matter how tiny their number may be.” p. 170

“Because political democracy is unfair to minorities and economic democracy is fair to all, the sphere of the former must be minimized and the sphere of the latter maximized. This will be the logical consequence when we have asserted our individual money power and depend less upon the political means of attaining ends. Ultimately we will have complete separation of money and state—and will thus have achieved harmonious operation of the twin democracies.

“Do you want to take part in this most fundamental of all revolutions to rescue both the people and the Government from a fatal error? If so, you must first of all have a one-man revolution within yourself by casting out doubts of your inherent money power and fear from any quarter. This accomplished, gang up with other like-minded revolutionaries on the intellectual plane. Start talking— not in whispers, for this is a revolution in a fish bowl with a loud speaker. It can't hurt anyone. We're not going to grab the government; we're not even going to try to win an election. This is a cooperative and evolutionary revolution—the ins are in and the outs remain as before, unmolested in their way of life.

“Begin radiating the new credo by parlor parleys of small groups. Use this book as a text book, reading and discussing the studies. Expand your number until you can meet at some restaurant or hotel where you may have the space for the price of a meal. If in a rural section, ask for the use of the county court house, or school house, or farmers' Grange headquarters. If there be other valun groups in your city or county, work out a federation or merger. Develop trade as well as social intercourse among yourselves. Keep the press and radio informed of your activities. Enlist the churches and fraternities and commercial organizations. Be methodical; be persistent.

Remember, you are agitating a revolution to end political revolutions —a revolution that once and forever will make private enterprise really free—and will give the state and federal Government a really secure and well defined place in the scheme of life— where men and women will be permitted to work out their individual destinies without political intrusions and economic limitations, and where the threat of wars will be ended.

Always hold to this basic truth and resolve:

Money can be issued only by the act of buying, and can be backed only by the act of selling. I buy and I sell. Therefore, I have the right, the power, and the duty to be a money issuer." p. 171

"Government should not sell. Therefore it has no way of backing money issues. As it continues to issue unbacked money it gradually destroys the money system and undermines private enterprise upon which our life depends. Government's only alternative to the issuance of unbacked money is to back it by going into the making and selling of goods. This means government monopoly and dictatorship over all of us."

"It would be foolish to attack an existing system without first establishing a better one; and, when this is done, there will be no need to attack the old—because it will die from attrition. As more people come into the private money system, less trade will be done under the political money system; and the victory will be won purely by the test of public service and public preference. So, you see, we need no legislation or political action of any kind. If the idea of a private money system is sound, it is up to us to demonstrate it by private action. p. 172

"This does not imply, however, that we do not need our public officials—even though we ask no official action. We need their help because of their public prestige and their forum capacities. Their help can be enlisted because of their sincere interest in the public welfare, and also because their cooperation with public movements leads to greater political preferment for themselves. Therefore, the governor and all the legislators, federal and state and municipal, the mayor and other public officials, should be kept informed of the movement and invited into it. The movement should have a unifying influence upon all the elements of our society; and this will be a great contribution to our common security in the disturbing days ahead.

THE COMING STORM

"There is now brewing a cosmic storm that threatens every nation. Every national monetary unit must pass through the trial of inflation; and few, if any, will survive it. The dollar, which has been the North Star for international monetary navigation, is being shaken from its position; and the world will be without a standard. International trade, such as survives, will resort to whole barter; and every nation will have to struggle against the possible breakdown of money exchange, even internally. Runaway inflation and the war's end will come simultaneously—and either may precipitate the other.

"The world must face a grave disillusionment. Modern governments have played an awful trick on their peoples. They have made the people believe that government—even in war—need not be a tax burden to the constituency, but can reverse the process, and, by means of an unbalanced budget, can actually reward the people. It is but a new and deceptive method of taxation that will fall upon the people all of a sudden when they try to exchange their money for goods. The collapse will be equal to all the South Sea and Mississippi bubbles and speculative collapses of history, rolled into one.

"When the crisis comes, there will be a race between men and money —both seeking employment. If the money reaches the market places before the men reach the work places, there may result such a drastic and threatening price rise that manufacturers may pause for the storm to abate—and thus production paralysis may ensue while prices skyrocket. Be prepared for these contingencies. A large number of people will not listen to our program for a stable monetary unit until, in panic, they seek a storm cellar. It is imperative that the thinking, the far-seeing elements of our society begin the program for the valun before the dollar becomes too wobbly; and that they be thus prepared for the sudden onrush that may come from an inflation stampeded populace.

“Chaos is a favorable climate for an emotional revolution; but not for an intellectual revolution, such as we are agitating. Let us, therefore, be fore-handed, sure-footed and coolheaded. The world has great need for these stabilizing qualities of leadership, for conditions will grow ever more critical until we turn from the political or centralized concept of money to the private or diffused method of exerting money power. With technology developing ever higher forms of labor specialization, thereby increasing the need for facile exchange, society is, under the political money system, driven toward centralized government and subjection. The only escape from this lies in the ability of man to grasp the money power and thus save civilization from decadence. **The issue is—money or your life.**” pp. 172-174 End.

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