Dollar’s Decline Catches Up With U.S. Mint

Within days of each other, two announcements concerning the future of U.S. currency appeared in the popular press, and each avoided any mention whatsoever of the primary driver of the changes.

First was the announcement on November 26 from Secretary of the Treasury Timothy Geithner that the U.S. Mint will begin removing pennies and nickels from circulation starting the first of the year, supposedly because they’re too expensive to make. It costs the mint nearly 5 cents to make each penny while it costs more than 16 cents to make a nickel. This is costing the mint a lot of money, an estimated $187 million last year alone.

Two days later CNN reported that the Government Accountability Office (GAO) called for the United States to stop printing one-dollar bills and switch instead to one-dollar coins. The GAO claimed that such a move could actually make the government some money:

> A $1 coin typically costs about 30 cents for the U.S. Mint to produce, but then the government can sell them to Americans for a dollar each. That financial gain is called seigniorage, and over a period of 30 years, it could [make] the U.S. government about $4.4 billion, the GAO said.

Avoiding the real issue, the GAO said that although the coins cost more to make, they would last longer, thus turning a profit to the government:

> We continue to believe that replacing the note with a coin is likely to provide a financial benefit to the government if the note is eliminated and negative public reaction is effectively managed through stakeholder outreach and public education.

Unfortunately there is little likelihood that any of that “outreach” and “education” will include any attempt at explaining why the change is necessary.

The real issue is the declining purchasing power of the currency. And that goes back to the year 1913 when the Federal Reserve System was successfully foisted upon the American public as a result of the banking establishment’s antipathy towards the gold standard, which prevented them from creating fiat (unbacked) money out of thin air. Perhaps no one understood that antipathy better than Alan Greenspan. In 1966, prior to becoming chairman of the Fed, Greenspan championed gold, writing in The Objectivist:

> An almost hysterical antagonism toward the gold standard is one issue which unites statists of all persuasions. They seem to sense … that gold and economic freedoms are inseparable.

He then went on to explain that the real reason for the push behind the scenes for the Federal Reserve was to finance the welfare state:

> Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes. A substantial part of the confiscation is effected by taxation.
>
> But the welfare statists were quick to recognize that if they wished to retain political power, the amount of taxation had to be limited and *they had to resort to programs of massive deficit spending*, i.e., they had to borrow money, by issuing government bonds, to finance welfare expenditures on a large scale. (emphasis added)

But who would buy these newly issued government bonds in sufficient quantities over a long period of time to emplant the welfare state firmly onto the American public? There was in place, finally, the purchaser of last resort:

> The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit. They have created paper reserves in the form of government bonds which — through a complex series of steps — the banks accept in place of tangible assets and treat as if they were an actual deposit.

Greenspan knew exactly how the system worked, and the inevitable end result of such unlimited expansion of the money supply:

> The law of supply and demand is not to be conned. As the supply of money … increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings saved by the productive members of the society lose value in terms of goods.

He concluded:

> This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statists' antagonism toward the gold standard.

Years later, when Greenspan was chairman of the Fed, Representative Ron Paul (R-Texas) pointed out the immorality of such a scheme:

> When the government can replicate the monetary unit at will without regard to cost, whether it's paper currency or a computer entry, it's morally identical to the counterfeiter who illegally prints currency. Both ways, it's fraud….
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> This system of legalized plunder … allows one group to benefit at the expense of another. An actual transfer of wealth goes from the poor and the middle class to those in privileged financial positions.

After the last remaining inhibition against unlimited expansion of the money supply was removed in 1971, when Nixon ended the Bretton Woods agreement, the money supply has virtually exploded and the purchasing power of the dollar has dropped precipitously.

Such decline was bound to catch up with the U.S. Mint eventually. Now it has.

Editors have learned that the source of the information about the Treasury removing pennies and nickels from circulation in January is spurious. The writer who created the fiction has written a retraction here: http://www.sutori.com/phpbb/viewtopic.php?f=81&t=1719&p=2843#p2843 The *editors regret the error and thank readers who picked up on it.*

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