



Written by [Joe Wolverton, II, J.D.](#) on March 29, 2011

## Tenn. Joins States Considering Alternate Currency Legislation

According to the text of [Senate Joint Resolution 98](#), Ketron's purpose in initiating such a proposal is "to create a special joint committee to study whether the State of Tennessee should adopt a currency to serve as an alternative to the currency distributed by the Federal Reserve System in the event of a major breakdown of the Federal Reserve System."



Ketron, who gained a nationwide reputation for his [bill](#) that would outlaw Shariah law in the Volunteer State, has drafted an alternative currency resolution that is consistent with several similar measures under consideration in other states.

The state governments of South Carolina and Virginia have passed their respective versions of the law, and both houses of the [Utah](#) legislature has passed a bill approving gold and silver as legal tender (it awaits the Governor's signature or veto). Colorado, Montana, Missouri, Indiana, Iowa, New Hampshire, Oklahoma, Tennessee, Vermont, Georgia, and Washington are also considering doing the same thing.

In response to questions posed by *The New American* related to the likelihood that the Federal Reserve system would crash, Senator Ketron's office stated:

We now owe China in the trillions and Japan is second. What would happen if there was another cataclysmic event? I'm not Chicken Little saying the sky is falling, but prudent businesses are always prepared for the worst-case scenario.

Opponents paint the effort as misguided and a distraction from what they say is the "real business" of government: that is, the creation of jobs.

Ketron's colleague, Senator Lowe Finney (D-Jackson), made the following observation regarding the proposal:

Senator Ketron is trying to change our currency when what I think we ought to be doing is helping people earn more currency. My question is, How many jobs is this going to create, and what problem is this solving?

We've got counties out here with unemployment rates as high as 20 percent. I believe they voted for us to come up here and put them back to work.

In what sounds like a case of the pot calling the kettle black, Vanderbilt University Professor of Economics and Finance David Parsley [called](#) Ketron's bill "absurd":

I really don't know what it's coming from. Why should somebody be willing to accept Tennessee currency over a Federal Reserve note? Presumably, the United States has a lot more resources at its disposal with which to honor those debts. Why this is so absurd is that the [federal] currency is



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inherently backed by nothing. You can't take it to a bank and say, "Give me gold." The exchange is inherently backed by nothing[;] its value is the goods and services you exchange for it.

In the text of his bill, Ketron makes a sound legal argument countering Professor Parsley's position. First, the Senator cites the case of *In re Rahrer*, 140 U.S. 545, 554 (1891), wherein the U.S. Supreme Court held that "the police power" of a State "is a power originally and always belonging to the States, not surrendered by them to the general government, nor directly restrained by the Constitution of the United States, and essentially exclusive."

Following that decision, Ketron moves to the decision in *Beer Company v. Massachusetts*, 97 U.S. 25, 33 (1877), which held that the police power of the States "extend[s] to the protection of the lives, health, and property of the[ir] citizens, and to the preservation of good order."

The bill then avers that:

... the protection of the lives, health, and property of Tennessee's citizens, and the preservation of good order in the State, depend upon the maintenance of both an adequate system of governmental finance and a sound and robust private economy ... an adequate system of governmental finance and a sound and robust private economy cannot be maintained in the absence of a sound currency....

Finally, In response to questions posed by *The New American* related to the likelihood that the Federal Reserve system would crash, Ketron turns his attention to the notion that the Federal Reserve is a reliable, robust, and trustworthy institution:

The present monetary and banking systems of the United States, centered around the Federal Reserve System, have come under ever-increasing strain during the last several years, and will be exposed to ever-increasing and predictably debilitating strain in the years to come; and

many widely recognized experts predict the inevitable destruction of the Federal Reserve System's currency through hyperinflation in the foreseeable future; and

in the event of hyperinflation, depression, or other economic calamity related to the breakdown of the Federal Reserve System, for which the State is not prepared, Tennessee's governmental finances and private economy will be thrown into chaos, with gravely detrimental effects upon the lives, health, and property of Tennessee's citizens, and with consequences fatal to the preservation of good order throughout the State; and

Tennessee can avoid or at least mitigate many of the economic, social, and political shocks to be expected to arise from hyperinflation, depression, or other economic calamity related to the breakdown of the Federal Reserve System only through the timely adoption of an alternative sound currency that the State's government and citizens may employ without delay in the event of the destruction of the Federal Reserve System's currency....

Professor Parsley makes one last attack on the bill, asserting that the Constitution places the minting of money exclusively under congressional authority. Ketron's bill answers that challenge, as well, stating:

The Supreme Court of the United States in *Lane County v. Oregon*, 74 U.S. (7 Wallace) 71, 76-78 (1869), and *Hagar v. Reclamation District No. 108*, 111 U.S. 701, 706 (1884), has ruled that the States may adopt whatever currency they desire for the purposes of performing their sovereign governmental functions, even to the extent of adopting gold and silver coin for those purposes while refusing to employ a currency not redeemable in gold or silver coin that Congress has



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designated “legal tender. ...”

In fact, there is no provision of the U.S. Constitution granting to Congress the exclusive power to coin money. Article I, Section 8 states, “The Congress shall have power to coin money.” That is not the same as stating that *only* Congress can coin money, however.

There has been the legal exchange of private currency throughout the history of America. Anyone could print anything and exchange it for a good or service provided that the supplier of that good or service was willing to accept the bill or coin offered to him. While it is true that such privately minted money would not have the designation of “legal tender” for all purposes, its circulation would certainly not be unconstitutional per se.

There is nothing in the Constitution preventing a state (or any institution or organization) from minting any coins, printing any notes, or exchanging any type of currency whatsoever, provided the two parties to the exchange agree on its acceptability. Therefore, Senator Ketron’s bill seems to be on sound constitutional footing, as do the similar ones currently under consideration in other states.

Senate Joint Resolution 98 is currently pending in the Delayed Bills Committee of the Tennessee State Senate. Should it receive a favorable vote in that committee, then the Senate will create a “special joint committee to study the feasibility of [the state] adopting an alternative currency in the event of a breakdown of the Federal Reserve System.” The joint committee would then have until February 1, 2012 to report its findings to the General Assembly.

*Photo: Tennessee State Sen. Bill Ketron*



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