Wyoming Bills Would Require State's Trust Funds to Hold "Monetary Metals"

Three bills presented by Wyoming legislators last week requiring the state's treasurer to invest in gold and silver are the logical follow-up to the state's decision last summer to declare gold and silver as legal tender, just like the Constitution demands in Article I, Section 10: "No State shall … make any Thing but gold and silver Coin a Tender in Payment of Debts."

If signed into law, the three bills would direct the state's treasurer to invest 10 percent of the funds held in the state's pension fund, its reserve fund, and its mineral trust fund in gold and silver. Each bill has 15 or more cosponsors, and they are being sold to other legislators as a necessary counterbalance to those funds' traditional holdings of government bills, notes, bonds, and other investments. This is especially persuasive, as those funds have suffered paper losses of more than $200 million thanks to investments in foreign securities.

The bills would also reinforce the state's decision last summer to allow its residents to use gold and silver alongside Federal Reserve Notes (either paper or digital) in daily transactions, and eliminate any taxes on those transfers. That bill received overwhelming support in both the Wyoming House and Senate, and the bills presented last week are expected to get similar support.

Mike Maharrey, communications director for the Tenth Amendment Center, was delighted: "By removing the taxes on the exchange of gold and silver, Wyoming will treat specie as money instead of a commodity. This represents a step toward reestablishing gold and silver as legal tender and breaking down the Fed's monopoly on money."

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Former Congressman Ron Paul, an advocate for constitutional money, added, "It's just to me sad that we are so far removed from the Constitution. But a little bit here and little bit there [and] there is going to be a revolution in monetary policy."

William Greene, assistant professor of political science at South Texas College and analyst at Mises Institute, explained how important Wyoming's move back to the Constitution is — it could lead to Gresham's Law in reverse:

> Over time, as residents of the state use both Federal Reserve notes and silver and gold coins, the

> fact that the coins hold their value more than Federal Reserve notes do will lead to a "reverse Gresham's Law" effect, where good money (gold and silver coins) will drive out bad money (Federal Reserve notes).
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> As this happens, a cascade of events can begin to occur, including the flow of real wealth toward the state's treasury, an influx of banking business from outside of the state — as people in other states carry out their desire to bank with sound money — and an eventual outcry against the use of Federal Reserve notes for any transactions.

Even more importantly, the fraud of paper and digital money would be exposed. Former Fed Chairman Alan Greenspan knew about the fraud, and wrote of it in his article "Gold and Economic Freedom" in 1966:

> Government deficit spending under a gold standard is severely limited. 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, i.e., as the equivalent of what was formerly a deposit of gold.
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> But the fact is that there are now more claims outstanding than real assets. The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise.
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> Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion.

Greenspan added that citizens are caught in a trap thanks to the Fed's claim of a monopoly on what now passes for money: "In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold."

It's a dirty little secret that few know about, wrote Greenspan (who, it will be remembered, in later years headed up the very agency that was destroying the purchasing power of the currency through inflation): "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."

That is the real story of Wyoming's passage of legal tender laws that bring the state back into compliance with the Constitution. Wyoming, if Greene is right, will be the first state to declare loudly that those Federal Reserve Notes are not federal (constitutional) and there are no reserves. Like the child in Hans Christian Andersen's fairy tale "The Emperor's New Clothes," Wyoming will shout "But he isn't wearing anything at all!"

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