THE DOLLAR MAY NOT BE BEYOND REPAIR AND TRUMP MAY BE THE ONE TO REPAIR IT

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EXECUTIVE SUMMARY

America's first monetary revolution in 1933 under the leadership of F. D. Roosevelt with his *destructive gold policy* may be followed by a second 85 years later under the leadership of President Trump with his *constructive gold policy.*

In this article I would like to call attention to why Trump is uniquely qualified to rehabilitate the Gold Standard Act of 1900. He could reclaim America's gold reserve in its entiretythat has been squandered under various Administrations starting with that of Nixon.

In his zeal to trying to expunge the gold standard from the face of the Earth Roosevelt made a mistake which gave the **Trump card** (pun is intentional) to his successor 85 years later.

After his Great Coin Melt Roosevelt forgot to refine the proceeds to the prevailing international standard of fineness. As a conse

The U.S. dollar is a through and through debauched currency as shown by the fact that in less than one hundred years it has lost 99 percent of its purchasing power. This may be a record in the history of decaying and moribund currencies that survived as long as one century. The debauchery was deliberately fomented at the behest of the federal government as it was trying to boost the price level even at the expense of overthrowing the Constitutional monetary order of the Republic. In what follows we enumerate the varous *étapes* of the fomentation.

(1) The default on the government's *domestic* gold obligations (including the unconstitutional and highly repulsive, not to use the Biblical term "abominable" (*Proverbs, XX*-10) confiscation of the gold coins of the citizenry, pursuant to the executive order of Franklin Delano Roosevelt (a Democrat) in March, 1933, just a few days after his inauguration as president.

(2) The default of the federal government on its *international* gold obligations (including gold embargo that is still in force as shown by the recent refusal to release Germany's gold) on the executive order of President R.M. Nixon (a Republican) on August 15, 1971.

(3) The violation of the F.R. Act of 1913 which explicitly forbids the construction of F.R. credit on government debt with stiff progressive penalties for non-compliance that was the result of a conspiracy between the U.S. Treasury and the F.R. System that started in 1922 to initiate the open market operations od the F. R. banks. As a side effect of open market operations bond speculators are allowed (nay, incentivised) to reap risk-free profits by front-running the Federal Reserve in buying the bonds beforehand (to drop them into its lap at elevated prices). Open market operations is the main tool in the hand of governments to suppress the rate of interest even to zero.

All the dollars that were created after 1922 have come about *illegally*, through *check-kiting*. In more details: the Treasury and the Fed created liabilities and exchanged them, allowing the creation of further oliabilities *with no limit*. The situation is this: F.R. notes are by U.S. Treasury bonds payable in the selfsame F.R.notes for which they serve as cvollateral security. The result is the construction of a Babelian tower od liabgilities for which nobody takes responsibility.

The policy of open market operations is the main tool whereby the rate of interest can be pushed down, in some cases, all the way to zero.

Thus are the savings of the people syphoned off surreptitiously. Moreover, capital is being destroyed unobserved. (Rising bond prices increase the liability of banks and other institutions and firms on capital account. Any unintentional addition to the liability column of the balance sheet is tantamount to the *destruction* of capital.

(4) More recent is the violation of Contract Law through allowing (nay, encouraging) the replacement of physical gold by "digital" gold (a.k.a. "gold in the clouds") on the books of corporations and of the government and the Federal Reserve. The physical gold is hypothecated and spirited out of the country.

As a result of this prestidigitation, it is doubtful that the American gold reserve is as officially stated. The U.S. may not have any physical gold left. President Trump, should he decide to initiate the rehabilitation of the Gold Standard Act of 1900 that was sabotaged by Roosevelt,it might be impossible to do for reasons of the non-existence of the U.S. gold reserve, and he may have to abort the initiative.

The purpose of this article is to draw attention to the saving grace, namely, to the freak fact (missed by all observers), that , due to an oversight of Roosevelt, President Trump may be able to reclaim the U.S. gold reserve, and go ahead with his initiative nevertheless.

While he was trying to bury the gold standard, Roosevelt ordered the confiscated gold of the citizenry melted down, an outrageously destructive act, known as „The Great Coin Melt". The measure back-fired: President Trump may be able to reclaim the hypothecated gold that was subsequently sold and exported from the country illegally.

The problem is to how to find it.

Here is the fortuitous fact that makes the finding of the exported American gold reserve easy. As pointed out above, this has escaped the attention of observes, but it is the centerpiece of our article.

On Roosevelt's order the melted old coins were recast in bar form (400 oz. or 12,5 kg „international good delivery bars."

Not one single other country followed the American lead in melting down its gold coinage.

INDELIBLE WATERMARK

The obvious intent behind Roosevelt's Great Coin Melt was to prevent any future Administration from reversing the unconstitutional measures of the Roosevelt Administration. In and of itself this was a highly anti-democratic and immoral act. No Amdinistration should have the power to commit all future Administration to continue its own pet policies. Periodic elections are held in democratic countries precisely in order to give a chance to the electorate to reject objectionable policies.

Because in 1933 the American gold reserve encompased virtually all the monetary gold in the world, it is apparent that Roosevelt went all out in his zeal to expunge the gold standard from the face of the world.

Now we see that this effort was frustrated because of an oversight in the execution of the Great Coin Melt.

The American gold coinage did not consist of 999 fine gold. It was an alloy of only 925 fine; the rest being copper in order to make the coins harder and more resistant to wear and tear. Consequently the „international good delivery bars " into which they had been cast before they were hypothecated, sold and spirited out of the country, all carry an indelible „watermark”: the impaired substandard fineness. This betrays their origin as having come from the merican gold reserve.

The upshot is that the Trump Administration will not be thwarted if it wants to rehabilitate the Gold Standard Act of 1900, as plotted by Roosevelt. American monetary gold that has been illegally hypothecated and spirited out of the country can be tracked down. All President Trump has to do is to declare „watermarked” gold contraband and claim it as gold that is still part of the American gold reserve, wherever it may be located and whoever may be its putative owner.

There no need to repatriate the gold by force. As pointed out, contraband gold carries an indelible „watermark”.

Having „tabooed ”contraband gold, President Trump will promote the U.S. as the country with the largest gold reserve of any country in the world, beating China and Russia to it, two countries which scramble to achieve that desirable goal.

Moreover, the United States under the Trump Administration will be able to reverse the worrisome flow of gold from the Occident to the Orient that has bled the Western countries white, making them virtually impotent economically and financially.

The repercussions are truly breath-taking. The U.S. government debt and thed dollar can comvincingly be made gold-redeemable once again. American Treasury paper will shine, recapturing its former glory as the most desirable asset second only to gold itself to own by anyone, anywhere, anytime. *The illegal check-kiting between the U.S. Treasury and the Fed can be terminated immediately.*

Moreover, the United States under the Trump Administration will be able to reverse the worrisome flow of gold from the Occident to the Orient that has bled the Western countries white, making them virtuaslly impotent economically and financially. The output of the world's gold mines will flow to the U.S. Mint rather than to China and Russia.

The Bric-countries and a China-Russia coalition can no longer bully the United States threating to dump the dollar as the world's reserve currency, unless they are prepared to make their currency gold redeemable that they won't be able to do if only because their gold reserves are inasufficient (at least for the time being). The same applies to the so-called “nuclear option” (namely, the potential blackmail of China to dump U.S. Treasury bonds in order to cause financial turmoil to the discomfiture and detriment of the U.S.

LACKING MORAL COURAGE

Keynesian politician had ample time to initiate a Constitutional amendment to make the irredeemable dollar legitimate. They failed to do so. Why? They don't have the moral fortitude. A Constitutional monetary system could never be built on a debt-based currency. The reason is that *there is no way to define the monetary unit such that it is logically sufficient.*

In more details, if we define it as debt, then we must be able to answer the question *whose* debt it is.This question leads to a vicious circle as follows: If it is the debt of *A*, represented by the bond *a*, then *a* occurs in the liability column of the balance sheet of *A*. Let this liability be balanced by *b*, a bond issued by *B*. Then *b* occurs in the liability of the balance sheet of *B.* Let this liability be balanced by *c*, a bond issued by *C.* And so on and so forth. We have an infinite chain tht means that the irredeemable currency has no backing whatsoever: it is nobody's liability. This being the case, the currency can scarcely have any value (whether or not this fact is recognized). At this point the "experts" chime in saying that, as a matter of fac, the vhain is finite and its last link is the bond *x*, the liability of *X,* the U.S. Treasury. The circumstance that *X* is the world's greatest debtor with a debt that grows day in and day out, and that *X* has neither the intention nor the means to ever to retire it, is conveniently sidestepped. Once again the "experts chime in" suggesting that there is really no need to back the liabilities of *X* because *b* is recognized as an ultimate extinguisher of debt.

The truth, however, is that there is but one ultimate extinguisher of debt, *gold*, the peerless asset that has no counterpart in the liability column os the balancwe sheet of *any other* economic unit.

OPENING THE MINT TO GOLD

There is some urgency that the Trump Administration act quickly and expeditiously to make the dollar gold-redeemable again through reclaiming the hypothecated American gold reserve on foreign soil.

By the same token, equally importan is that the Trump Administration open the U.S. Mint forthwith to the unlimited coinage of gold free of seigniorage charges (as distinct from asssay charges), that was forcibly and unconstitutionally closed by Roosevelt in 1933. This will invite the world's gold mines to bring forth their surplus gold and exchange it to spanking shiny American gold coinage, ounce for ounce, in unlimited quantity – preferably before China and Russia wake up ond open *theirs* in an effort to thwart the U.S. *One should see this as the real danger threatening the U.S.* If there ever was a *"*nuclear option*"* then that's it: China and Russia opening their

Mints to gold *before* the U.S. does.

Once the word is out that the Trump Administration is studying the matter of rehabilitating the Gold Standard Act of 1900, everybody will try to second-guess what the new gold price will be as quoted in the irredeemable F.R. notes.

As it turns out, *it does not matter.* The issue will not be dectrmined on Quantity Theory of Money considerations. The number of gold coins to be struck will not be decided by the U.S. Treasury, nor by the Federal Reserve. The new gold price will not be fixed by the government: it will be fixed by the public at large. This exactly as it was envisaged by the Founding Fathers when they drafted the U.S. Constitution. They did not want the government to decide such a momentous matter as the size of the stock of money in circulation. Significantly, the Constitution did not establish a central bank for the country. Instead, it established the U.S. Mint, thus conferring the right to create money on the public at large.

It is not widely recognized that the American banking system is insolvent and is close to the point of declaring bankruptcy. The same is true for the most important banks abroad as well. The Trump Administration in outting the dollar on old basis will avert a devastating international banking crisis and should earn the gratitude and admiration of the world for its foresight and courage.

To recapitulate, when all is said and done the truth is revealed that no irredeemable currency can ever play the role of the ultimate extinguisher of debt. In paying down debt with irredeemable currency debt is merely *shifted* from one bank to another (ultimately, to the U. S. Treasury), or from one debtor to another. But *shifting* debt is not the same as *extinguishing* it. The only ultimate extinguisher of debt that exists in our world is gold, because as an asset it never occurs in the liability column of the balance sheet of a counter-party. This is why under the regime of irredeemable currency debt can only grow, never decline, imparting great instability to the financial system. By contrast, under a gold standard total debt is kept in check because the rate of interest acts as an obstruction to credit expansion.

INTRODUCTION

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(2) The default on the government's *international* gold obligations (including gold embargo that apparently is still in force as witnessed by the recent refusal to release Germany's gold pursuant to an executive order of R.M.Nixon (a republican) on August 15, 1971.

(3) Lesser known is the violation of the F.R.Act of 1913(before amendments) which explicitly forbids the construction of F.R. credit on governmwent debt with stiff and progressive penalties for non-compliance that wasthe nresult of a conspiracy between the U.S. Treasury and the F.R.System that started in 1922 to initiate open market operation of the Federal Reserve banks. As a side effect bond speculators are invited to reap risk-free profits by front-running the Fed (buying the bonds beforehand to drop them later in the lap of the latter at elevated prices). The policy of open market operation is the main tool in the hand of the government to suppress the rate of interest, in some cases all the way to zero.

Thus are the savings of the people syphoned off surreptitiously.Moreover, capital is being destroyed unobserved. In more details: falling interest rates are tantamount to rising bond prices that increase the liability of banks and other firms on capital account. Any unintentional addition to the liability column of the balance sheet means *capital destruction*.

*All the dollars that were created after 1922 have come about through **check-kiting***.In more details, the Treasury and the Fed have exchanged liabilities allowing more liabilities to be created without limits.The situation is this: F.R. notes are backed by U.S. Treasury bonds payable in the selfsame F.R. notes for which they serve as collateral. The result is the building of a Babelian tower of liabilities for which nobody takes responsibility.

(4) More recent is the violation of Contract Law allowing the replacement of physical gold by digital gold (a.k.a. “gold in the clouds”) The physical gold was then hipothecated, swapped for paper gold, sold, and spirited out of the country illegally.

As a result of this prestidigitation, it is doubtful that the American gold reserve is intact. Some say the U.S. may not have any physical gold left. President Trump, should he decide to initiate the rehabilitation of the Gold Standard Act of 1900 that was sabotaged by Roosevelt in 1933, might find Fort Knox utterly empty and be forced to abort the initiative for reasons of the lack of an adequate gold reserve.

The purpose of this article is to draw attention to the saving grace, namely, to a freak incident that may make it possible for Trump to reclaim the American gold reserve and go ahead with his initiative.

While he was trying to bury the gold standard, Roosevelt ordered the confidcated gold coins of the citizenry be melted down – an outrageously destructive act known as the reat Coin Melt. As we shall see, the measure back-fired. Here is the fortuitous fact that makes the finding of the hypothecated and exported American gold reserve easy. Roosevelt had the confiscated gold recast in bar form (400oz. or 12,5kg "international good delivery bars").Not a single other country followed the American lead in melting down its gold coinage.

INDELIBLE WATERMARK

The obvious intent behind Roosevelt's reat coin Melt was to prvent any future Administration from reversing the unconstitutional monewtary measure of the Roosevelt Administration. In and of itself this was a highly undemocratic and immoral act. No administration is supposed to have the power to commit all future Administrations to its own pet policies. It can be seen that Roosevelt went all out in his zeal to expunge the gold standard from the face of the Earth. That is farther than the Russian Bolshevists have ever gone in destroying the Constitutional monetary system.

However, like a bungling burgler who left his fingerprint all over the burglerized premises, the schemers of the Great Coin Melt left an indelible "watermark" on every gold bar that came from the "burglerized" gold coins, making detection easy. Had they been more circumspect, they would have refined the gold to the customary fineness for international good delivery bars: 950 or better.

The American gold coinage was only 925 fine, the rest of the alloy being copper in order to make the coins harder and more resistant to wear and tear. The recast gold bars all carry the indelible watermark: their impaired, substandard fineness. This betrays their origin as having come from the Great Coin Melt.

The upshot is that Trump may not be thwarted (as plotted by Roosevelt) if he ants to rehabilitate the Gold Standard Act of 1900. All he has to do is to declare watermarked gold contraband and claim it as part of the looted American gold reserve regardless where it may be located, and whoever may be its putative owner.

There is no need to repatriate the gold by force. There is no profit in dealing in fenced gold any more than dealing in counterfeit gold.

Having “tabooed” watermarked gold, Trump will promote the U.S. as the country with the largest gold reserve of any in the world, beating China and Russia to it, two countries scrambling to ahieve that most desirable goal.

The repercussions are truly breath-taking. The U.S. government debt and the dollar can convincingly be made gold-redeemable once again. u.S.treasury paper will shine recreating its former glory as the most desirable assets second only to goldto own by anyone, anywhere, anytime. *The illegal check-kitingbetween the Treasury and the Fed can be terminated effective immediately.*

Moreover, Trump can reverse the worrisome flow of gold from the Occident to the Orientthat has bled western countries white, making them virtually impotent economically and financially.

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The Bric- countries and a China-Russia coalition will no longer be able to bully the U.S. with the threat of dumping the dollar as the world's reserve currency – unless they are prepared their currency gold redeemable that they won't be able to doif only because thei gold reserve is insufficient (at least for the time being). The same applies to the “novlear option”, namely, the threat to dump China's holdings of U.S. Treasury paper in order to cause financial turmoil to the discomfiture and detriment of the U.S.

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Keynesian politicians could have initiated an amendment to make the irredeemable dollar conform to the Constitution. They never had the moral courage to do so.

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In more details: if we define it as debt, then, we have tio be able to say *whose* debt it is.This leads to a vicious circle. Assume it is the debt of *A*, represented by the bond *a*.

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The truth is, however, that *there is only one ultimate extinguisher of debt, gold,* the peerless asset that has no counterpart in the liability column of the balance sheet of any other economic unit.

OPENING THE MINT TO GOLD

There is some urgency that Trump act quickly and expeditiously to make the dollar gold-redeemable again through reclaiming the hypothecated American gold reserve on foreign soil.By the same token, equally important is that, in compliance with the Constitution Trump open the U.S. Mint to gold forthwith – prefgerably before China and Russia wake up and open *theirs* in an effort to thwart the U.S. *One should see this as the real danger facing the U.S.*

Once the word is out that the Trump Administration is studying the matter of rehabilitating the Gold Standard Act of 1900, everybody will try to second-guess what the new gold pricewill b as quoted in F.R. notes. As it turns out, it does not matter. The new gold price will not be fixed by the government. It will be fixed by the public at large, exactly as envisaged by the Founding Fathers when the drafted the Constitution. Significantly, the Constitution did not establish a central bank; instead it eestablished the U.S. Mint, thus conferring the right to determine the size of the stock of cirulating currency on the general public (rather than on the Treasury or on the Fed.)

THE REHABILITATION OF THE WAGE FUND

It is not true that the gold standard is contractionist, deflation-prone, and government spending and unbalanced budgets are neededt o keep the wheels of the economy spinning and to keep workers at their jobs – as charged by the Keynesians.

Rather than causing unemployment, the gold standard alone makes it possible through the market in real bills to create the Wage Fund out of which the wages of workers could be paid, if need be, a quarter (3 months, 13 weeks, 91 days)   before the sale of merchandise to the ultimate consumer.

The horrendous tsunami of unemployment that engulfed the world economy in the 1930's was *not* caused by the gold standard. *It was caused by the victorious Entente powers not to reopen the London market in real bills after the cessation of hostilities in 1918.* As is well-known, prior to 1913 the production and distribution og consumer goods was financed byreal bills drawn on London maturing in gold. The destruction of the Wage Fund was the consequence of that decision. In the absence of a market in real bills there was no one to advance the wages of the workers. They had to be laid off.

The victorious Entente powers were motivated by their neurotic fear of German efficiency. They could no longer *blockade* the country, so they *blocked* its bills financing exports and imports.

The destruction of the Wage Fund and the horrendous unemployment in its wake was predicted by the German economist Heinrich Rittershausen. Unfortunately, his warning was dismissed as chauvinistic German propaganda. Another German economist, Eilhelm Röpke said that it was not the gold standard that failed but those on whose care it was entrusted.

He threat of unemployment is still with us. We still lack a Wage Fund.

President Trump could remove the threat of unemployment for once and all. He could recreate the Wage Fund. To do this he would allow the trade of real bills drawn on New York, maturing in gold. After a century of hiatus, this measure would work miracles. Competitive devaluation of currencies (“race to the bottom”) would come to an end. The threat of trade war would vanish.

HOW REALISTIC IS THIS SCENARIO?

Well, just as realistic as it was to expect that Donald Trump beat Hillary Clinton in the last presidential election. Yet it happened. Very soon Trump will be confronted with the dollar problem and the problem of proliferating debt the country faces. *No one can offer e credible solution.* President Trumps economic advisors, Judy Shelton, Alan Greenspan, Ben Bernanke must tell him that the only way to rein in runaway debt is to bring gold, the only and trusted ultimate extinguisher of debt back into the international monetary system.

The picture is ugly. Trump has to choose between two destructive outcomes: inflation and deflation. The latter means allowing debt reduction to proceed through bankruptcies; the former means debt reduction to proceed through debasing the dollar to the point of worthlessness. It is quite likely that the incumbent reasury and Fed officials will push him to opt for the former. This is what their policies since the turn of the century and millennium suggests. There is no memory in this country of a Zimbabwe-style inflation. The American people will not stand for it. That's not why they sent Donald Trump to the White House.

Trump must realize that if the *destructive* gold policy of Roosevelt's *first* monetary revolution is ollowed, eighty-five years later, by a *second*, with *his constructive* gold policy, then deflation and inflation can be averted. He has the *power* to pull it off. Has he got the *intelligence?*

The alternative is that the U.S. dollar go the way of the Zimbabwe dollar.

Trump must remember that although Napoleon's Empire is long gone, yet its currency, also clled Napoleon (the 20 franc gold coin) still lives and prospers two hundred years later.

Can President Trump hope to make the dollar match that record?

If he repairs it, maybe.

December 8, 2016.