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November 27, 1991

[redacted]
Cincinnati, Ohio 45204
[redacted]

Dear C-Span:

I am watching your program right now and am sending letters out to Michael Waldman, Raul Yzaguirre and Patricia Ireland, the last two in care of your station because their addresses weren't available. The purpose of these letters is to give you a look at the Federal Exchange Proposal that I mentioned in my call to your program immediately preceding the one on now. At any rate, please read the enclosures and realize that some material regarding this proposal has been sent out by me to many members of Congress and President Bush. Also, I have many letters from some of them in my files, yet there is no talk of this proposal on commercial television as mentioned in my call. The problem that exists here is that all these people contacted are seemingly ignoring the issue, as far as bringing it out in the open. Cincinnati Community Video did air my production entitled [redacted]" on public access, but I have no way of knowing how it was taken by the public because there has been no response, which is practically impossible to believe. My wife [redacted] and I are working on a second production whose subject matter includes the Federal Reserve System, how it works, and the way that Exchange Notes and/or Credits would be entered in both their balance sheet and the ledger of the proposed Federal Exchange. The statistics mentioned in my telephone call and many others are included in the exerpts from the book that I intend to publish in the near future. I am now trying to raise either $4885 for one subsidy or $15,960 for the other publisher's required subsidy. I will be negotiating for better terms when and if there is any support out there that materializes in the future. This proposal is my work and has absorbed a considerable amount of my time for the last three years. Moral support has been forthcoming in letters from Henry Gonzalez, Chairman of the House Committee on Banking, Finance and Urban Affairs and Charles J. Luken, 1st District, Ohio, where I am currently residing. Furthermore, my files are filled with complimentary letters from a good deal of people in high positions and I hope it will be possible to make some progress in the 103rd Congress.

Sincerely, [redacted]

Script for Federal Reserve System Monetary Monopoly

11-16-91

Question; Why do you say that the Federal Reserve System is a monopoly?

Answer; Originally, Congress was given the sole power to coin money and establish its value, making it a monopoly, but the Federal Reserve Act, signed into law on December 23, 1913 by then President Woodrow Wilson, gave the Federal Reserve System the power to create an elastic currency, provide facilities for discounting commercial paper and allowed for the supervision of banking.

Question; How is the Federal Reserve System related to production, employment and the standard of living?

Answer; The Federal Reserve, through its influence on credit and money, affects indirectly every phase of American Enterprise and every person in the United States. Its principal function is to regulate the flow of credit and money in such a way as to limit any excessive inflation or deflation.

Question; Considering that inflation has outpaced income, GNP and employment growth for most of its history and especially the last 25 years, couldn't it be argued that the Federal Reserve System has done a poor job of limiting inflation?

Answer; In a word, yes and double digit inflation happened during the two oil-price-hikes by OPEC during the middle and latter '70s, but limiting inflation isn't possible under the present system anyway. The flow of credit can't even be realistically controlled by the Federal Reserve System, yet it tries by raising or lowering the discount rate and buying or selling government securities on the open market. Federal Open Market Committee members meet four or more times a year to discuss and set operational parameters for the buying or selling of government securities of all kinds. Buying securities is accomplished through securities dealers in the private sector who deposit Fed checks in Reserve Banks, adding to the reserve accounts of those member banks. This in turn puts these banks in a position to expand their loans, investments and deposits, diffusing these funds throughout the banking system. Five times the original amount is created by buying and likewise destroyed by selling securities, giving the Federal Reserve a virtual monopoly on the money supply in this country with their so-called "high-powered" dollars.

Question; What are these so-called "high-powered" dollars as compared with ordinary deposit dollars?

Answer; The Federal Reserve adds to or extinguishes a member bank's reserves by buying or selling government securities and depositing or withdrawing these "high-powered" dollars from their reserve accounts. Because reserves are only a fraction based on the current established level required by the Board of Governors, they function in such a way as to make about five times the amount of regular dollars equal to the same amount of "high-powered" dollars.

Question; What are member banks' reserves and how do they effect ordinary peoples' dollars?

Answer; Member banks' reserves are an amount of cash money and/or highly liquid funds, such as short-term government securities or commercial paper, equal to about one-fifth of the amount of demand deposits in that particular bank which must be kept on deposit in the local Federal Reserve Branch according to law. The effect of reserves is to insure that at least approximately one-fifth of demand depositors can withdraw their deposits in cash, leaving four-fifths with nothing except the FDIC insurance fund backing their deposit money. Congress is currently working on legislation to put sufficient funds in the FDIC account to cover any more bank failures due to the downturn in the economy that has probably caused many unemployed people, who would ordinarilly be depositing money, to withdraw money for their basic needs.

Question; Banks, in other words, don't have enough money to pay back their depositers money? Where did their money go?

Answer; Banks have taken approximately four-fifths of their depositors' money and loaned out or invested it in whatever way they saw fit according to banking regulations. Current levels, according to Commerce Department's statistics, show demand deposits at around $270 billion dollars, meaning that after you subtract reserves (approximately $50 billion) and FDIC (approximately $20 billion), you have about $200 billion of ordinary peoples' money loaned out or invested by banks.

Question; There's been a lot of talk in the commercial media for years now concerning interest rates with an emphasis on the discount rate and investors wanting the Federal Reerve to lower it to spur economic activity. Could you talk about interest rates and their effect on the economy?

Answer; According to "The Federal Reserve System" a 1953 publication by the Fed, "The market rate on Treasury bills is the most sensitive index of changes in credit market forces, including particularly changes in commercial bank reserve positions. Other short-term interest rates usually have similar movements. When credit and monetary demands expand and member bank borrowing at the Reserve Banks increases, rates on short-term Government securities tend to rise and this tendency toward higher rates is in turn transmitted to other credit markets. Adjustment of the discount rate to these changes depends on the judgement of the Federal Reserve as to the general economic situation and the strength and soundness of credit developments. The relation of the discount rate to a representative short-term interest rate is shown here on page 147.

Long-term rates generally rise when short-term rates rise and decline when short-term rates decline. The tighter or easier credit conditions that accompany changes in business activity are generally felt directly in both long- and short-term fields. One reason is that, for some lenders, the long-term markets for credit are competitive with the short-term markets. While short- and long-term rates generally move together, the change in long-term rates is ordinarily smaller than that in short-term rates."

Currently, short-term rates have been going down meaning that commercial banks are resisting the temptation of lower discount rates by the Federal Reserve and not borrowing. Meanwhile, long-term interest rates have been going up and widening the gap between short- and long-term rates as the stock markets seem to have peaked and fallen back to previous high levels. It is my contention that unless we do something new, like Exchange Note or Credit Funding from a federal level, the economy has little chance to improve. Congress and the President have resisted my attempts to get this idea off the ground during the last two years and the economy has continued to deteriorate with problems like: savings & loans failures and the creation of RTC, real estate fallout throughout the US and abroad, collapse of communism in the Soviet Union & Eastern Europe, Banking failures at record levels, insurance companies going bankrupt including Blue Cross & Blue Shield in some states and now, the stock markets are starting to falter.

It is most certainly time to act on this measure concerning Exchange Funding and I will try my best to present the idea here, using a Federal Reserve Bank Combined Balance Sheet from December 23, 1953 to show how it would work. This balance sheet is known generally as the weekly condition statement and was issued weekly on Thursdays reflecting the combined balances of the twelve Reserve Banks in 1953. Principal daily newspapers used to print a copy of the statement, usually accompanied by an explanation, in their Friday editions, but I could only find this condensed form and it will have to serve my purpose here of illustrating how Exchange Notes and Credits would be accounted for in the Federal Reserve ledger. The Federal Reserve used to authorize the Treasury to issue Gold and Silver Certificates for the Gold and Silver it acquired, entering them as assets in the form of a "due from" claim on the United States Treaury, but we have discontinued using both since going off the metallic standard altogether in August of 1971 when Richard Nixon, then President, and his economic advisors announced to the World that the US was going off the Gold Standard.

This condensed form of the Federal Reserve's Combined Balance Sheet shows one possibility of how a Federal Exchange's Note and Credit Issue could be balanced using conventional methods.

	Millions of dollars
Assets	
1. Gold Certificate Reserves	21,139
2. Other cash	298
3. Discounts for Member Banks	420
4. Other discounts and advances	15
5. Industrial loans	2
6. Acceptances purchased	..
7. U.S. Government Securities	25,886
8. Federal Exchange Notes & Credits.*	50,000
9. Federal Reserve Notes of other Reserve Banks.	167
10. Uncollected cash items	4,503
11. Other assets	197
Total Assets	102,827
Liabilities	
12. Federal Reserve Notes and Credits.**	66,808
13. Deposits	
(a) Member Bank--Reserve Accounts.***	30,064
(b) U.S. Treasurer--general account	799
(c) Foreign	461
(d) Other	427
14. Deferred availability cash items	3,134
15. Other liabilities	26
Total Liabilities	101,719
Capital Accounts	
16. Capital paid in	265
17. Surplus (Section 7 and Section 13b)	612
18. Other capital accounts	231
Total Liabilities and Capital Accounts	102,827
19. The Reserve Ratio (per cent).****	43.9

* Hypothetical Exchange Note or Credit Entry
** Corresponding Reserve Note or Credit Entry
*** Hypothetical 20% Reserve Account
**** Doesn't include 20% Exchange Entry

The Federal Exchange should have about four divisions, under which different programs would be categorized, funded and supervised. My feeling is that Ecology must be the highest priority because, without a habitable environment, we will all perish and all other plans would be useless. I place Economics second because, after we have provided the necessary funding to ensure that our environment is placed as our highest priority, we can study economic problems in a new way and recommend changes in business as usual. The third category should probably be construction projects and our infrastructure is certainly in need of repair, especially funding. The fourth and final category should be space exploration and development that doesn't compete with private sector projects, but provides public access to outer space in a creative way. These four main divisions should cover practically all conceivable categories of programs, as they are thought up by those applying for Exchange Funds.

Every million dollars of Exchange Funds would create 50 jobs that would pay $20,000 per year or 50,000 new careers for every billion dollars spent. One trillion dollars would create 50 million jobs at this rate, so you might say that the current public debt principal of $3 to $4 trillion cost our nation 150 to 200 million jobs at the present time. We are supposed to pay this money back, most of it in the long-term, meaning we will have to float ever larger debts in order to service existing ones. Doesn't it make more sense to create a Federal Exchange at the Cabinet Level of our govt., put 25 million otherwise out-of-work people back to work and not add more debt to the already staggering amount of public and private obligations? My estimate of the amount of people out-of-work or not working but would if there were jobs is: 3-5 million on unemployment insurance, 6-10 million unemployed and not eligible for unemployment benefits, 10-15 million never or at some time employed but not currently at work including most of those receiving benefits such as GA, FDIC or SSI, SSD & ATD, another 15-20 million retired people of whom many would work if there really were jobs out there and their being employed at a decent wage wouldn't interfere with their Social Security Retirement benefits and finally, 1-3 million totally homeless people with no benefits of any kind.

These numbers add up to 35-53 million people alone and doesn't include so-called illegal immigrants whose numbers have been growing for years. A wild guess of 15-22 million would make our grand total of people available to work in an Exchange Sector of 50-75 million and would require anywhere from $1 to $1.5 trillion per year to employ them all in jobs paying $20,000 a year. The proposed monthly payroll for the Exchange Department, including management, on the following page is $10,750 million or $10.75 billion or approximately $130 billion per year. This would only employ about 6.5-7.0 million people and is only shown on the following page as an example of how the accounting method for Exchange Notes and Credits should be done in a combined balance sheet.

Federal Exchange Combined Balance Sheet

	Millions of dollars
Assets	
1. Ecology Division	
A. Administrative Budget	
1. Management Funding	2,500
2. Buildings and Maintenance	1,500
3. Office Equipment	1,000
B. Staff Payroll	2,000
C. Project Funding	3,000
D. Reserve Fund	2,500
2. Economy Division	
A. Administrative Budget	
1. Management Funding	2,000
2. Buildings and Maintenance	1,000
3. Office Equipment	1,000
B. Staff Payroll	1,000
C. Project Funding	3,000
D. Reserve Fund	2,000
3. Construction Division	
A. Administrative Budget	
1. Management Funding	1,500
2. Buildings and Maintenance	500
3. Office & Heavy Equipment	3,000
B. Staff Payroll	1,000
C. Project Funding	2,000
D. Reserve Fund	2,000
4. Space Travel & Research Division	
A. Administrative Budget	
1. Management Funding	2,000
2. Buildings and Maintenance	3,000
3. Office and Equipment	7,500
B. Staff Payroll	750
C. Project Funding	750
D. Reserve Fund	3,500
Total Assets	50,000
Liabilities	
1. Federal Exchange Notes and Credits	50,000
Total Liabilities	50,000
Total Reserves (per cent)	20.0

An Issue of this magnitude would seem excessive in light of the current trend of about $11 Billion/yr. avg. increase of our currency by the Treasury, except that we have a total stock of currency that amounts to $235 Billion and it is entirely debt-based or credit issued, as you probably know. A $50 Billion per year Exchange Issue would equal Credit Issues in five years time and =ing the total debt load of our entire economy would probably take much longer. The non-financial sector would seem to be turning over around $10 Trillion of debt per month, according to Fed statistics, but banks are considered illiquid when they aren't lending to those in need and yet, unable to pay back loans, which is the primary requirement for obtaining them in the first place. So, do we initiate what appears to be an excessive issue of Reserve Notes and become equal to the debt issue in three years time or should we make the issue smaller and more in line with the current level quantity of around $11 Billion a year?

We can also make Exchange/Reserve Issues double or more the current debt or credit issue level and chip away towards equality in 10, 25 or 50 years time. Of course, we can also leave our economy in its present state and hope for the best as many investors are doing. After adjusting for inflation or quality in this case, the quantities fall short of levels that would be necessary to substantiate much optimism based on rising quantity levels. I have shown that money supplies can be raised or lowered in certain proportions to price levels and still maintain growth of quality in the macroeconomy. These statistics surprised me as I worked on them. There is no precedent in economic history to disprove this theory and objective scrutiny is needed. It is possible that only 10% of the discount issue would have to be made available, much like reserve requirements for banks now, making the total Reserve Note Issue necessary to sustain $1 Trillion of Exchange Notes equal $8 Billion or $1 Trillion EN = $80 Billion RN(8% discount)= $8B (10%).

This type of issue can't be defined as either convertible or inconvertible because there is no real gold standard in operation today. Convertibility to Reserve Notes would seem to make Exchange Notes fall under the convertible category though and the outstanding quality of being free from a corresponding debt makes them unique in monetary history. American banks fell in the 1800's even though they had unlimited issues and convertibility, leading the English to believe in their restrictive measures as able to control prices, make the exchanges more favorable and bring more gold home to their coffers. This seems to be a widely held misconception today.

Currency principles cause circulation to increase or decrease according to the restictive or generous measures employed. Banking principles cause circulation to increase with the rise of interest and prices, then decrease with the fall of interest and prices. Exchange principles will supply the needy and improve the quality of circulation.

Currency principles are defined as a bank issuing notes for gold or gold for notes & Banking principle are defined as notes issued in the repayment of deposits, discounting of bills or making of loans. Exchange principles would cause increases in circulation according to income needs caused by decreases in the private sector's ability to provide enough increases of per capita incomes and would decrease as the private sector becomes more able to provide a substantial growth of incomes. Furthermore, Exchange Notes & Credits, in contrast to paper credit, wouldn't have a debt behind them. Reserve Notes are founded on public confidence while Exchange Notes would be founded on the authority of the issuer, the Federal Exchange, created by the President and empowered by Congress to issue Exchange Notes & Credits.

This method will provide substantial income money that is not extracted from any other sector of the macroeconomy. Exchange Notes and Credits would be exchanged at the bank where they are credited to their individual Exchange Accounts on which checks can be written to cash or make payments, etc. The Exchange Notes and Credits are transferred from the bank to the Exchange Centers for credit to the bank that is used to honor Exchange Account transactions. Banks would get about an 8 to 10% additional credit on Exchange transactions which would come out of the Reserve Accounts of each division. Wage increases in proportion to profit margin could be practiced by the private sector as the Exchange Method improved the overall economy. Prices can either be left to find their own levels or ceilings could be set according to desired ratios as explained earlier. Minimum wage levels should be established at different levels of employment and fines levied on employers not in compliance with reasonable compensation to employees.

The Currency principle led Parliament to pass the Act of 1844 which required the Bank of England to keep circulation of Bank of England Notes equal to the amount of Bullion and was made possible largely by Sir Robert Peel. Bankers had already started the practice of keeping a percentage of gold in reserve to back their notes in circulation from 1841 to 1844 and this practice continues today in this country with Federal Reserve Note requirements according to laws in accordance with our Federal Reserve Bank. It amounts to the commercial banks being required to keep cash (Reserve Notes) in their vaults according to a percentage of their outstanding credit and this reserve level is determined by directors of the Federal Reserve Bank. Metallic currency is no longer in effect and our cash reserve is well below 10%, the Currency principle has been replaced in large measure by commercial banking principles that operate at the Federal Level. Exchange principles would be implemented by adding Reserve Note to Exchange Note Currency, their sum could be brought in line with total debt or credit issues to restore a form of Currency principal to the Federal Level. These three principles could restore the economy to a sound footing that is sadly lacking in our presently economy.

PS: I have decided that instead of mailing letters for Raul Yzaguirre, President of the National Council of La Raza and Patricia Ireland of the National Organization of Women, to you, requesting that you send me their addresses. It also occurred to me that you might be interested in running one of my programs on C-Span sometime in the future. We could also work together on a new program dealing with this or any other issue since I would like to make a career of working in television.

Please let me know what you think of my proposals and I will keep watching your wonderful programs. Have a good Holiday season and I'll look forward to hearing from you.

Sincerely, [redacted]

The script is for the 2nd show to be taped by myself on Monday.

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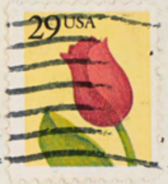

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