

The Grand Challenge of humanity in these early years of Democracy was over the basis of human societies. Broadly, and simply stated, DOES MANKIND NEED TO BE RULED BY ELITES OR ARE MEN CAPABLE OF SELF GOVERNMENT? The answer not only determines our form of government, but will influence the way humanity develops. If authoritarianism was to be applied, distrusting citizens to make the correct choices, many would act to confirm that choice. If instead self governance was accepted, many would rise to it, and set an example to the world.

Martin Van Buren, the eighth US President gave us a compelling narrative of this battle in his book THE ORIGIN OF POLITICAL PARTIES IN THE US (1867). After the revolution was won in 1781, "It became at once evident that great differences of opinion existed... in respect to the character of the government that should be substituted for that which had been overthrown."

One viewpoint held that the British system "was the best that could be devised to promote the welfare and secure the happiness of Mankind". Although they had been "prompt to resist tyranny" and were "stung by the oppressions practiced upon the colonies by the British Government", in theory they "tolerated its forms and constitution". This was the view of the Federalist Party, which included most of the merchants and was led by the banker Alexander Hamilton. It was the Federalists who had pushed for the Constitutional Convention in 1787, to re-make the Confederation of states into a stronger national government. Reacting to the Federalist thrust, opposing popular viewpoints were grouped as the "Anti Federalists. "

In their drive for a more powerful central

government, Van Buren admits that the Federalists (who he generally opposed) were right. As to their opponents, "...they were too much in the habit of regarding (the federal government) at that early period, as a foreign government only remotely responsible to them."

"Their minds had become thoroughly impressed with a conviction that the disposition to abuse power by those who were entrusted with it was not only inherent and invariable, but incurable, and that it was therefore unwise to grant more than was actually indispensable to the management of public affairs." These Anti Federalists included most of the landowning farmers.

The former colonists were familiar with various forms of government, most were what we now call "command" societies. From feudal, "might makes right" orders, to monarchies sanctioned by "Divine Right", to "constitutional" monarchies. For more self regulating societies they had the distant examples of democracy in Athens and the republican period of Rome.

This antagonism between the two ideologies was compromised in the Constitution. While Hamilton's and Adam's desire for a British style Monarchy had no chance of acceptance, the Constitution which was hammered out did strengthen the national government, but also put clever checks and balances into place, which when combined with Madison's Bill Of Rights only APPEARED to block authoritarian rule.

MONETARY POWER WAS LEFT UNDEFINED

By the resulting compromises, the US Constitution gave the Federalists a stronger central government, and the anti federalists had their checks and balances. Everyone would live

happily ever after right? Wrong! The Constitution left open a back door through which a form of authoritarian rule could enter; a form more insidious than monarchy. It was more dangerous because it was less visible, not understood, and more threatening still because its center of power was outside the nation in Europe.

It would take Jefferson almost twenty years to understand what had been ignored in the Constitution, and he would spend the rest of his life doing battle against the MONEY POWER. Jackson's Presidency became literally a life and death struggle with the bankers. Van Buren thought he had finally finished them off, in 1840, but he was overly optimistic.

The writers of the US Constitution had failed to adequately define the monetary power in the new nation! Authoritarianism had been kept out politically, and religiously, but was allowed to sneak in monetarily. Van Buren recognized this years later when he wrote "The MONEY POWER ... was itself ... destined, when firmly established, to become whatever of an Aristocracy could co-exist with our political system." But why did the framers of a document so far advanced in its day regarding the balance between legislative, judicial, and executive power, not realize that the monetary power if left unchecked, could endanger and ultimately overwhelm the whole edifice?

The main explanation is that as a group, the founding fathers didn't have a good understanding of the nature of money. Most schools of economics have accurately defined, or agreed on a concept of money. This may be the greatest failure of economics, since money is at the heart of every aspect of it. This confusion over the nature of money is to the advantage of

the banking aristocracy.

CONSTITUTIONAL CONVENTION DOWNPLAYED THE EXPERIENCE OF THE COLONIES

By the time of the Convention, the great benefits of the Continentals was nearly ignored; along with much of the rest of our hard won monetary experiences. Many wanted to emphasise that the Continentals became worthless and placed all abstract money under that cloud, and then rejected the idea of paper money altogether. They ignored the facts that paper money was crucial in giving us a nation, that abstract money usually requires an advanced legal system in place, and that the normal method of assuring its acceptability is to allow the taxes to be paid in it. And then there was the little matter of a War against the world's strongest power!

CONVENTION SKIRTS THE MONEY ISSUE

The Convention met from May to September, 1787, but the money question was not taken up in earnest until August 16! When we think of the "Founders" at the Convention, we should remember that Jefferson and Paine were not there; and Franklin was so advanced in age that someone else had to deliver his closing speech for him. In addition to ignoring the nations rich practical experience with money, the convention paid little heed to the brilliant writings of John Locke and Benjamin Franklin on money. The delegates didn't bother to find out why Locke in 1718 wrote: "Observe well these rules: It is a very common mistake to say that money is a commodity ... Bullion is valued by its weight ... money is valued by its stamp." Locke viewed money as a pledge for wealth, rather than wealth itself:

"For mankind having consented to put an imaginary value upon gold and silver by reason of their durability, scarcity and not being liable to be counterfeited; have made them by general consent, the common pledges ... they having as money, no other value, but as pledges ... and they procure what we want or desire only by their quantity, it is evident that the intrinsic value of silver and gold, used in commerce is nothing but their quantity."

They didn't consider the reasons Ben Franklin gave in his 1729 "Modest Inquiry Into The Nature And Necessity Of A Paper Currency, for agreeing with Locke's view: "Silver and gold... (are) of no certain permanent value..." and "We must distinguish between money as it is bullion, which is merchandise, and as by being coined it is made a currency; for its value as merchandise and its value as a currency are two distinct things ..."

Those delegates who understood money were mainly the bankers, Hamilton, and Robert Morris. Both had attempted to set up private banks to issue money, since 1779, even before the revolution was won. They didn't want the Nation to have the money power because their intention was to assume that power themselves - to take it from the nation, as had been done in England. This would soon be demonstrated, when Hamilton and his associates put forward "a funding system, upon the English plan, ... as the first great measure of the new government..."

"TO EMIT BILLS OF CREDIT"

The coveted monetary power was contained in those 5 "magic" words. They were already in the Articles of Confederation which was being supplanted. They were the authority under which the Continental Currency came to be issued. "To emit bills of credit" is what the various colonies

had done when they created their paper moneys. Madison recorded the arguments over this provision: Gov. Morris (Pa.) "The moneyed interest will oppose the plan of government if paper emissions be not prohibited." Mr.-Mason (Va.) "The late war could not have been carried on had such a prohibition existed." Mr. Ellsworth (CT.) "By withholding the power from the new government, more friends of influence would be gained to it than by almost anything else."

Madison thought the power was needed for emergencies, but wanted to make its acceptability voluntary, not a legal tender. The power to create money, long regarded as a key element of sovereignty, was withheld from the new government by the "Moneyed interest", while they proclaimed the need to strengthen the national government! They tried to get a clause forbidding it, but failed. The Constitution is silent on the power, neither conferring or forbidding it.

What would be the effect of ignoring this power? Delegate Gorham of Massachusetts sluffed it off-. "The power so far as it is necessary or safe, is involved in that of borrowing." Really? In other words the government would be forced into borrowing "money' instead of creating it. The honest patriots would assume that the government would be borrowing physical assets - gold and silver commodities - and paying interest on it. The bankers however, knew that they would soon have the government borrowing paper bills of credit emitted out of thin air by their private bank, and paying interest on it to the bankers, as was being done in England at the time.

Their bank would be allowed to do what they had blocked the government from doing - to

create paper money - their own bank notes, pretending to back them with gold and silver. The bank would be issuing paper money notes not really backed by metal, but pretending to be redeemable in coinage, on the condition that not a lot of people ask for redemption!

So the real question in practice was not whether money was a legal power or a commodity, but whether private banks or the government would be allowed to create paper money. Will the immense power and profit of issuing currency go to the benefit of the whole nation, or to the private bankers? That's always been the real monetary question in this country.

LIMITED US MONEY "POWERS"

Having been sold the idea of money as a commodity, in particular gold and silver, the Convention took minimal monetary actions. The entire extent of Federal monetary powers stated in the US Constitution are: " Art.1, sec. 8. The Congress ... shall have power ... to borrow money on the credit of the United States ... to coin money, regulate the value thereof, and of foreign coin ... to provide for the punishment of counterfeiting.

" Regarding the individual States, the Constitution declared: "Art.1, sec.10. No State shall coin money nor emit bills of credit, nor make anything but gold and silver coin a tender in payment of debts..." Note that the monetary power was explicitly denied to the individual states.

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The Writing of the US Constitution, Monetary Powers, and the Missing Fourth Branch of Government