

The first step consists of eliminating legal tender laws. Article I Section 10 of the Constitution forbids the States from making anything but gold and silver a legal tender in payment of debts. States are not required to enact legal tender laws, but should they choose to, the only acceptable legal tender is gold and silver, the two precious metals that individuals throughout history and across cultures have used as currency. However, there is nothing in the Constitution that grants the Congress the power to enact legal tender laws. We, the Congress, have the power to coin money, regulate the value thereof, and of foreign coin, but not to declare a legal tender. Yet, there is a section of U.S. Code, 31 U.S.C. 5103, that purports to establish U.S. coins and currency, including Federal Reserve notes, as legal tender.

Historically, legal tender laws have been used by governments to force their citizens to accept debased and devalued currency. Gresham's Law describes this phenomenon, which can be summed up in one phrase: Bad money drives out good money. An emperor, a king, or a dictator might mint coins with half an ounce of gold and force merchants, under pain of death, to accept them as though they contained one ounce of gold. Each ounce of the king's gold could now be minted into two coins instead of one, so the king now had twice as much "money" to spend on building castles and raising armies. As these legally overvalued coins circulated, the coins containing the full ounce of gold would be pulled out of circulation and hoarded. We saw this same phenomenon happen in the mid-1960s when the U.S. government began to mint subsidiary coinage out of copper and nickel rather than silver. The copper and nickel coins were legally overvalued, the silver coins undervalued in relation, and silver coins vanished from circulation.

These actions also give rise to the most pernicious effects of inflation. Most of the merchants and peasants who received this devalued currency felt the full effects of inflation, the rise in prices and the lowered standard of living, before they received any of the new currency. By the time they received the new currency, prices had long since doubled, and the new currency they received would give them no benefit.

In the absence of legal tender laws, Gresham's Law no longer holds. If people are free to reject debased currency, and instead demand sound money, sound money will gradually return to use in society. Merchants would have been free to reject the king's coin and accept only coins containing full metal weight.

The second step to reestablishing competing currencies is to eliminate laws that prohibit the operation of private mints. One private enterprise which attempted to popularize the use of precious metal coins was Liberty Services, the creators of the Liberty Dollar. Evidently the government felt threatened, as Liberty Dollars had all their precious metal coins seized by the FBI and Secret Service this past November. Of course, not all of these coins were owned by Liberty Services, as many were held in trust as backing for silver and gold certificates which Liberty Services issued. None of this matters, of course, to the government, who hates to see any competition.

The sections of U.S. Code which Liberty Services is accused of violating are erro-

neously considered to be anti-counterfeiting statutes, when in fact their purpose was to shut down private mints that had been operating in California. California was awash in gold in the aftermath of the 1849 gold rush, yet had no U.S. Mint to mint coinage. There was not enough foreign coinage circulating in California either, so private mints stepped into the breach to provide their own coins. As was to become the case in other industries during the Progressive era, the private mints were eventually accused of circulating debased (substandard) coinage, and in the interest of providing government-sanctioned regulation and a government guarantee of purity, the 1864 Coinage Act was passed, which banned private mints from producing their own coins for circulation as currency.

The final step to ensuring competing currencies is to eliminate capital gains and sales taxes on gold and silver coins. Under current Federal law, coins are considered collectibles, and are liable for capital gains taxes. Short-term capital gains rates are at income tax levels, up to 35 percent, while long-term capital gains taxes are assessed at the collectibles rate of 28 percent. Furthermore, these taxes actually tax monetary debasement. As the dollar weakens, the nominal dollar value of gold increases. The purchasing power of gold may remain relatively constant, but as the nominal dollar value increases, the Federal government considers this an increase in wealth, and taxes accordingly. Thus, the more the dollar is debased, the more capital gains taxes must be paid on holdings of gold and other precious metals.

Just as pernicious are the sales and use taxes which are assessed on gold and silver at the State level in many States. Imagine having to pay sales tax at the bank every time you change a \$10 bill for a roll of quarters to do laundry. Inflation is a pernicious tax on the value of money. but even the official numbers, which are massaged downwards, are only on the order of 4 percent per year. Sales taxes in many states can take away 8 percent or more on every single transaction in which consumers wish to convert their Federal Reserve Notes into gold or silver.

In conclusion, Madam Speaker, allowing for competing currencies will allow market participants to choose a currency that suits their needs, rather than the needs of the government. The prospect of American citizens turning away from the dollar towards alternate currencies will provide the necessary impetus to the U.S. government to regain control of the dollar and halt its downward spiral. Restoring soundness to the dollar will remove the government's ability and incentive to inflate the currency, and keep us from launching unconstitutional wars that burden our economy to excess. With a sound currency, everyone is better off, not just those who control the monetary system. I urge my colleagues to consider the redevelopment of a system of competing currencies.

EXPRESSING THE CONDOLENCES OF THE HOUSE OF REPRESENTATIVES ON THE DEATH OF THE HONORABLE TOM LANTOS, A REPRESENTATIVE OF THE STATE OF CALIFORNIA

SPEECH OF

HON. RON KLEIN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, February 12, 2008

Mr. KLEIN of Florida. Madam Speaker, I rise today to honor a great man, Congressman TOM LANTOS.

I would like to send my deepest sympathies to Annette and the whole Lantos family. Congressman TOM LANTOS' partnership with his wife, Annette, was one of respect and true adoration. I hope that the whole family will be comforted by the knowledge that TOM's work has enhanced the lives of millions around the world.

I was proud to serve on the Foreign Affairs Committee under the chairmanship of TOM LANTOS. Within the Congress, he was viewed as the strongest and most vocal defender of human rights. When he spoke, people listened, and when he led, people followed. His moral clarity serves as an example that generations to come will strive to follow.

His achievements in world affairs will live on as his legacy. His impassioned protection of human rights, his crusade for democracy, his defense of Israel and Jews worldwide, show that one individual truly can make a difference in this world.

Last fall, he and Annette asked me to lead the Congressional Taskforce on Anti-Semitism, which is a project that they started together as Holocaust survivors. Now, as we continue our fight against anti-Semitism throughout the world, his memory will carry on in everything that we do.

Congress and the Nation have lost an important voice. But that voice will continue to inspire America and people throughout the world.

PERSONAL EXPLANATION

HON. LYNN C. WOOLSEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 13, 2008

Ms. WOOLSEY. Madam Speaker, on February 7, 2008, I was unavoidably detained and was not able to record my votes for rollcall Nos. 32–42.

Had I been present I would have voted:

Rollcall No. 32—"yes"—Providing for consideration of the bill (H.R. 4137) to amend and extend the Higher Education Act of 1965, and for other purposes.

Rollcall No. 33—"yes"—Providing for consideration of the bill (H.R. 4137) to amend and extend the Higher Education Act of 1965, and for other purposes.

Rollcall No. 34—"yes"—Calling for a peaceful resolution to the current electoral crisis in Kenya.

Rollcall No. 35—"yes"—To extend for one year parity in the application of certain limits to mental health benefits, and for other purposes.

Rollcall No. 36—"yes"—Petri of Wisconsin Amendment No. 4.