



What's Wrong With You? An Open Letter to Congressional Dems and the President

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Departments:

[Department of Bust Out Profit Models and Vampiric Capitalism](#) [1]

Thread:

[Corporatism](#) [2]

[Class Warfare](#) [3]

[Economic Apocalypse](#) [4]

Tags:

[congress](#) [5]

[deficit](#) [6]

[Debt Ceiling](#) [7]

[deficit spending](#) [8]

[national debt](#) [9]

[MMT](#) [10]

[Modern Monetary Theory](#) [11]

[beowulf](#) [12]

[14th Amendment](#) [13]

[coin seigniorage](#) [14]

[debt limit](#) [15]

[30 T coin](#) [16]

Dear Dems and Mr. President,

I've been a lifelong Democrat. But now, I don't know anymore. I'm still registered alright; but when I look at your behavior, I think I'm a freely floating voter resource now, and I'd probably respond to a poll as one in that amorphous blob of independents that stands for "the two parties suck; but we don't agree on much else." I'm sorry about that. I really had high hopes after the 2008 election, that a new period of Democratic resurgence had come, and that the Reagan era had ended.

Instead, of course, I'm seeing an Administration that is out-reaganing Reagan, and a Democratic Party in Congress that just goes along, and goes along, and goes along, no matter what the President and the leaders give away to Republicans just to get a deal, any deal! That's all very disgusting! Especially, when you self-described protectors of working and middle class

Americans are fixing to cut Social Security, Medicare, and Medicaid benefits for the sake of a Hooverite fairy story, told by the President, which tells you that the Government will run out of money if we, "the richest nation on earth," or so they keep telling us, in hypocritical bursts of national boosterism, try to maintain and extend a social safety net that is the least generous and most inadequate among the group of modern industrialized nations.

What's wrong with you? Why do you Dems in Congress believe in the fairy story [17] that the US Government, the sole issuer of its own currency, can ever run out of money? Why should the Government ever have to borrow back its own money? Why should it ever have debt in its own currency. The whole arrangement is ridiculous. It defies common sense, and it makes you slaves to the Hooverites, because you agree with them that we can't afford "entitlements," because the bond markets will cut off our credit; so that we must cut back on the safety net to save the Republic.

Well screw the bond markets! We don't need their USD! We can always make our own. On the other hand, they need us; because we provide them a risk-free way to earn interest on their USD holdings.

Now, the Republicans and your own President spinmeister, are whipsawing you into another suicidal vote on spending cuts, using the debt ceiling as the instrument of their "shock doctrine." Well, **you have only a few days left to learn that the debt ceiling is no problem**, and that you can, and should, safely vote against any deals that will reduce deficit spending by even a single dollar.

Now hear this! The deficit isn't big enough! It needs to get bigger. It is not making up for demand leakage due to savings and imports. And we don't want to: 1) reduce savings, especially among working people and the middle class, because we desperately need to reduce their debt; and 2) have less in imports, because imports are real wealth the American people receive in return for electronic credits. So, we need that excess of Government spending over tax revenues very badly right now, and any reduction in the deficit can only result in a loss of GDP and a loss of jobs.

Well, you'll say, what can we powerless Dems do? We can't do deficit spending without increasing the debt ceiling, and we can't get an increase in that from the Republicans unless we reduce deficit spending and even cut entitlements; and if we don't get that increase the world economy will tank and we will go into that double-dip recession and perhaps even into another Great Depression. Now, these are punch lines in that fairy story the President is telling, and like most of his stories and punch lines they depend on his not telling you what all the alternatives really are for dealing with a problem.

His style is to give you all the alternatives that are bad for you, and to exclude the ones that might get you re-elected. For example, how did that \$800 Billion stimulus bill full of tax cuts, and falling short of what was needed by another \$800 Billion, work out for you in the 2010 elections? Did it get people in your district telling you what a wonderful job you and your party were doing bring back the economy? What about that "deficit neutral" health care reform bill that got you the tea party movement, and big defeats in the 2010 election? How's that compromise he made last fall resulting in extension of the Bush tax cuts working for you now when you're trying to save Social Security, Medicare, and Medicaid from benefit cuts?

So, we here we are now, and President Spinmeister is telling us what the alternatives are once again. He's saying we can do a big \$4 Trillion deal that will include some revenues but very heavy cuts in needed social and safety net programs; a deal about ¼ to ½ the size, that will be all spending cuts with lesser cuts to entitlements, and a deal in which the President gets to raise the debt ceiling, while making cuts of his choice, where he and the Dems bear the responsibility for a debt ceiling increase. There may be a fourth alternative yet to come out of the off-again, on-again, negotiations; but like all the others it will be dangerous for Congressional Dems to vote for, because it is likely to lead to cuts in programs popular among their constituencies.

Well, Congressional Dems, I have another alternative for you. You can escape from being witless, gutless, suckers for a change. This one doesn't involve any deal with the Republicans or the President. But 1) it does put off all spending cuts until the next big fight over the budget; 2) it does demonstrate very graphically to the American people and everyone else, that the US Government cannot be forced to run out of money by anyone except the Congress itself, and 3) that it can never run out of money for its social safety net programs, however generous they may become, so long as Congress has the will to appropriate the money.

To get this deal, all you have to do is to vote against any deal raising the debt ceiling, and combine with the tea party Republicans to do it. At that point, President Obama will be faced with performing his constitutional duty, which is to do whatever is necessary and legally available to spend mandated appropriations, pay all US obligations, and not exceed the debt ceiling. To perform his duty, there is only one feasible way; the alternative he won't tell you about, to avoid default. That alternative is to use proof platinum coin seigniorage [18] to pay down the national debt, so that deficit spending can resume.

In this piece [19], I've outlined four options for using coin seigniorage. The most minimalist option would create \$1.6 Trillion in headroom between the national debt and the debt ceiling. The second would create \$6.2 Trillion of headroom, lowering the debt subject to the limit to \$8.1 Trillion. The third option would do what the second option would, but will also allow "deficit" spending to proceed without issuing debt until after the elections, of 2014, and the fourth would do everything the first three will, but allow deficit spending, if necessary, for a decade.

I favor the fourth option which will require issuing a coin with \$30 Trillion face value. This coin will not provide the authority for the Government to do deficit spending; but if Congress should appropriate deficit spending, then it will provide the capability for the Government to do the spending. In brief, it fills the Federal purse; but the purse strings will still belong to Congress.

I urge that Dems in Congress read the blog posts linked to above and also become familiar with

the four proposals for the seigniorage alternative. Then I ask that you publicize the coin seigniorage proposal and vote against any debt ceiling deal. Make the President do it! Make him stop giving away the reason for being of the Democratic Party! Make him face the possibility of default himself; and shout from the rooftops that he must use coin seigniorage to avoid it. At that point it will be his constitutional duty. No choice, whatever fairy story he chooses to spin.

Of course, the President, and yourselves, will need to be able to explain "the magic" of coin seigniorage to the American people; so I'll repeat a speech I wrote [in my last post](#) ^[19], which the President can use to explain how he ended the crisis. Here it is!

My Fellow Americans:

1) Until now we've been borrowing the money the Government created back from the private sector, in order to cover our deficit spending, so the national debt has been steadily growing.

2) That's silly! According to the Constitution, this Government, of the people, by the people, and for the people, is the ultimate source of all US money. So why should we ever borrow US money back and pay interest on it, since we can create it any time by the authority of the Constitution and Congress?

3) Congress has also imposed a debt ceiling, which, as you know, we've now reached, so we can't borrow back our own money, anyway.

4) So, on my order, and in accordance with legislation passed by Congress in 1996, and with the US Code, the US Mint has issued \$30 Trillion in a single platinum coin, and deposited it at the NY Fed. It's legal tender, so the Fed credited the Mint's Public Enterprise Fund (PEF) with about \$30 Trillion in USD credits, using its unlimited authority from Congress to create US Dollars.

5) This is not inflationary, because the Fed will put our coin into its vault, and keep it there permanently out of circulation, and we will use the \$30 T in USD credits only to pay back debt, and to spend what Congress has already approved, which is only a fraction of these credits and far from the amount needed to cause inflation.

6) **My action ends the debt ceiling crisis**, because we have no further need to borrow our own money back in the markets, so we don't need the tea party or other Republicans, or even my fellow Democrats to agree to raise the debt ceiling.

7) Now the Treasury, has plenty of money, much more than we need, in fact, to pay for all appropriations Congress has already approved for 2011, and, again, we won't have to borrow our own money back.

8) So we will pay all Government debts which will come due in 2011. Treasury securities and all other debts included. We will also pay back all debts held by other agencies of Government and the Federal Reserve. When we do this we will lower the national debt by about \$7.5 T, rillion reducing the "debt burden" by about half this

year, and creating an actual Social Security trust fund with 2.6 Trillion in cash reserves in it; and again, to do this we don't have to borrow our own money back, and we will also reduce our interest costs on the outstanding national debt.

9) None of the \$30 T in new credits created by our actions is "money" in the economy until the Treasury spends it. For now it is just **capability to spend** awaiting the appropriations of Congress to mandate deficit spending, should it need to compensate for the reduction in demand, probably close to 10% of GDP right now, caused by your own desire to save (which we want to do our best to facilitate), and your desire to import goods from foreign nations.

10) We have created \$30 Trillion in new credits even though we needed only a fraction of that to cover anticipated deficit spending and debt repayment until 2021. The reason for this, is that I wanted to have enough capability created in the Treasury account, so that the national debt could be completely paid off (except for a small amount in very long-term Treasury debt still not mature by 2021), and all projected Federal deficits covered over the next 10 years.

11) Of course we can always make new coins if our projections turn out to be wrong; but I thought it would be best to ensure that all \$14.3 T of the "debt burden" can be completely eliminated from our political concerns; and also to provide enough funds in our spending account at the Fed so that it would be very clear to Congress and all newly elected Representatives and Senators, that even though they, according to the Constitution, continue to control the purse strings, the national purse is very, very full, and that we will be able to afford whatever deficit spending for the public purpose, including for full employment and Medicare for All, that Congress, in its wisdom, chooses to appropriate now and before the election of 2012.

Good night, my fellow Americans and sweet dreams! Rest well knowing that our beloved country won't be defaulting on any of its debts, and that I've prevented this without going over the legal debt ceiling, by providing money for spending mandated appropriations, in compliance with the laws authorizing coin seigniorage, while supporting the Constitution's prohibition against our Government ever defaulting on its debts.

I hope that in the future everyone will obey the 14th Amendment's prohibition against questioning the validity of Federal Government debts, and think twice before they indulge themselves in such loose talk. America will always pay its debts in US Dollars, according to the terms of the contracts it has concluded, and in line with the pension payments and other obligations that it owes. Neither you, nor the rest of the world, need ever doubt that again!

So, that's what I think you Congressional Dems should be doing; not caving to the President and the bond markets. And again, I ask you, including Mr. President, what's wrong with you? You're about to cut the heart out of the Democratic Party heritage, and none of you appears, in public, to have lifted a finger to investigate/research whether there were any alternatives to the very poor options you're going down the road with.

Why have you accepted these options?

Why haven't you been moving heaven and earth to find another way of doing things to neuter the debt ceiling in such a way that you wouldn't be hurting people?

Why haven't you been thinking?

Why have you left it to an obscure blogger named beowulf to come up with a solution to the debt ceiling problem that would let you protect the social safety net? You're the ones with the staffs and the lawyers to figure this sort of stuff out?

So, why didn't you do it? Is it because you're just sheeple? Is it because you've been in Washington too long? Is it because you really don't care about the well-being of the people in your districts and States? Is it because you've all been bought by the banks and Wall Street?

What is it? What's wrong with you?

If you can't tell us in a way that we can understand, then I think every one among you should make this your last term in office. And as for you, President Spinmeister, I think it's long past time for you to resign. We didn't intend to elect the reincarnation of Herbert Hoover as our President in 2008; and we'd really rather have another choice in 2012, other than one between HH, on the one hand, and the reincarnations of Warren G. Harding (oops, Mitt Romney), or Bloody Mary (oops Michelle B.) on the other! So, please make America happy, resign!

Give Joe Biden a shot! He doesn't look like much; but maybe he's old enough that he can remember what a real Democratic President is like, and act like one himself if he's given the chance.



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[2] <http://www.correntewire.com/thread/corporatism>

[3] http://www.correntewire.com/thread/class_warfare

[4] http://www.correntewire.com/thread/economic_apocalypse

[5] <http://www.correntewire.com/tags/congress>

- [6] <http://www.correntewire.com/tags/deficit>
- [7] http://www.correntewire.com/tags/debt_ceiling
- [8] http://www.correntewire.com/category/tags/deficit_spending
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- [14] http://www.correntewire.com/category/tags/coin_seigniorage
- [15] http://www.correntewire.com/category/tags/debt_limit
- [16] http://www.correntewire.com/category/tags/30_t_coin
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