



End the Austerity War Against the People: Mint the Platinum Coin!

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How can the President win a victory for the people in the coming hostage-taking over the budget? Here's a scenario!

1. Mint a [platinum coin](#) [18] with face value big enough to cover pay-off of the national debt, and the gap between tax revenues and Government spending for many years to come. For example, \$60 Trillion in face value would generate enough electronic credits in the Treasury General Account (TGA) at the Fed to last for about 20 years or through 2030. Result: \$60 Trillion in the TGA, none of it spent, so no possibility of inflation.

2. Immediately pay off the \$6.2 trillion owed by the Federal Government to the Federal Reserve Bank, the various Government Agency Trust funds, among them Social Security and debts to other Government Agencies. Result: Reduction of the national debt from \$14.3 Trillion to \$8.1

Trillion, all of it owed to the non-Government sector. None of the \$60T spent in such a way that the money goes into circulation; so no possible inflation.

3. Pay off the non-Government sector debt, as it comes due using Proof Platinum Coin Seigniorage [19] (PPCS) revenue when necessary. Result: Since the estimated cost is about \$300 Billion paid off per month; we can expect another \$1 Trillion to be paid off by the end of the year leaving a national debt of about \$7.1 Trillion, with a bit less than \$53 Trillion still left in the TGA. The \$1 Trillion in debt "swapped" for non-governments sector cash reserves is very unlikely to cause inflation [20], since the debt instruments are probably more inflationary.

4. Use PPCS to pay for any 2011 spending not covered by taxes between now and the end of the year, estimated at about \$600 Billion. Result: \$52 Trillion left in the TGA. And since the 2011 deficit spending hasn't created full employment, no inflation will result from this action either.

5. Go into the negotiations on the budget with a position, saying

?there will be no spending cuts in this budget at all. In fact, I want a) a full payroll tax cut for employers and employees until full employment is reached; b) immediate lifting of the limit on number of weeks someone can get unemployment insurance; c) restoring food stamp program spending to its state before the recent cut; d) immediate revenue sharing for the States in the amount of \$1,000 per person to enable State Governments to retain public service jobs; e) A Federal Job Guarantee program with a base wage of \$8.00 per hour cost-of-living adjusted from the lowest cost of living SMSA in the nation upward, with full fringe benefits, and including Medicare enrollment for FJG workers; and f) an increase in SS payments by 50% effective immediately. Now, what is it you gentlemen want??

Result: They will say that's ridiculous, and threaten to shut down the Government. The President can reply by pointing out that he has solved the austerity/solvency/debt/deficit problem, and there's no need to cut spending.

6. Make a major address to the American people telling them the situation and the history of Republican efforts to tank the economy, informing them of your proposal to head off the likely double-dip recession, end unemployment, and strengthen Social Security, point out that the Treasury General Account has \$54 Trillion left in it, and that the national debt is being repaid at a rate of \$200 - \$300 Billion per month, will be 50% repaid by the end of 2011, and will be almost entirely repaid by 2014. So, there is no deficit, debt, or deficit reduction problem. There is plenty of money in the Federal till to do all the things you've proposed and provide jobs for all, and create plenty of sales to get business roaring.

Tell them the Republicans are standing in the way of jobs for everybody, and that they need to get on the phone to their representatives and demand that they make a deal with all the President's proposals in it. Result: Congressmen and Senators will get all kinds of mail, phone calls and other communications supporting the proposals and telling them to end the sufferings of the American people, or else. That will be even more likely to happen if the economy is continuing to get worse. However, the Republicans will probably still reject the President's

proposals, call them profligate spending, and the tea party Reps. will probably threaten to shut the Government down, if their demands are not met.

7. The President can then call for a meeting with the leaders of both Houses to get the demands of the Republicans on the table, and see whether there can be a settlement. The Republicans will propose all kinds of harmful cuts in spending, no tax increases and will demand passage of the Bush Tax cuts on a permanent basis. Emboldened by the presence of \$54 Trillion in the bank, the Democratic Leaders will demand passage of all of the President's proposals; but they will probably no longer demand expiration of the Bush Tax cuts, because they will probably recognize that there is no longer any visible money problem.

The President can end the meeting by saying that the Republican position on cutting spending is untenable because he has proven that the US has no revenue problem, and that there is no reason for austerity. At the same time, he can suggest to the Democrats, if they called for letting the Bush tax cuts expire, that there is no economic justification for doing that, and that the only justification is one of fostering greater economic equality; an important issue, but perhaps not one that ought to block a deal with a Republican House on the budget. Then he can ask the leaders to get back to their caucuses and propose a compromise that is likely to pass both Houses.

Result: The President will have leverage to propose a compromise to the country. The Democratic leaders will have no problem getting the full support of their caucuses for the deal. The Republican leaders will have problems with their tea party people; but they can point out that the proposed compromise doesn't violate Grover Norquist's pledge, and also that it will be very hard to oppose a compromise that will definitely produce full employment for everyone who wants to work, and that carries with it no visible debt problem.

8. The President should, at that point, immediately outline a compromise proposal to the nation including all of his demands, and also one Republican demand, namely a continuation of the Bush tax cuts. He can emphasize that **he has ended the deficit/debt problem with its need for austerity for good**. He must again ask the country to tell their Senators and Representatives to support him in his new compromise which gives the Republicans what they've wanted badly, and also gives to the people the programs that will finally create the good jobs needed to end unemployment.

He can also ask them to fulfill his special request, which is to tell their Representatives and Senators that if they vote against his compromise, the voter will vote against them if they are primaried in 2012, and will even vote against them if the other major party runs an acceptable candidate who supports the President's jobs proposals.

Result: the flood of messages coming into the Capitol will cause the Republicans to cave? to the compromise proposed by the President. And the President will finally have stood up to the hostage-takers and arrived at a good deal for the people of the United States.

I can't conclude this scenario without noting, that the successful outcome of the coming budget hostage-taking will not be possible without changing the background of any negotiation that will accompany it. Specifically, to be successful, and resist the hostage-takers, the President must change the situation to remove the most obvious justifications for cutting spending.

The function of minting the high face value platinum coin, filling the Federal purse using PPCS, and beginning to pay off the national debt quickly, is to demonstrate dramatically that **there is no US solvency problem, or any debt and/or deficit reduction problem.**

Issuing the coin and getting the Fed to issue \$60 T in credits to Treasury, will demonstrate exactly that, and blow any justification for austerity and spending cuts out of the water. The Republicans won't be able to spin that; and without a plausible claim that austerity is necessary, the drive to force austerity on America will evaporate. Within a few weeks we will have a new political discourse.

The main problem I see with this scenario is getting the President to use PPCS to shake up the austere system, destroy its forward momentum, and bring forth a new progressive era. He has the power to do it; but he is so tied into his Hooverian austerity-mongering, that I don't think he will use PPCS even though it could well mean the difference between victory or defeat in 2012 for him. He'd rather cling to his neoliberal world view than to learn and to change the terms of the debate and the political paradigm that he is so comfortable with.

That's why I propose that we press for his resignation now! Before he comes up with any more horrible deals with the Republicans and the tea party. Face It! This man can no longer be our leader. His pragmatism is not the pragmatism of FDR and the great Democrats of the past. It is a corrupt short-run pragmatism. He does not deserve our support or our loyalty! What he needs to do is to heed Oliver Cromwell's old admonition to the long parliament:

?You have sat too long here for any good you have been doing. Depart, I say, and let us have done with you. In the name of God, go!?

In other words, ask him to resign, immediately!



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