

Make 'Em Do It! I Still Choose Using High Value Platinum Coin Seigniorage To End Austerity!

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Yesterday, [Ezra Klein](#) reported in the [Washington Post](#) ^[23] that:

The Treasury Department will not mint a trillion-dollar platinum coin to get around the debt ceiling. If they did, the Federal Reserve would not accept it.

That's the bottom line of the statement that Anthony Coley, a spokesman for the Treasury Department, gave me today.

?Neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit,?

he said.

The inclusion of the Federal Reserve is significant. For the platinum coin idea to work, the Federal Reserve would have to treat it as a legal way for the Treasury Department to create currency. If they don't believe it's legal and would not credit the Treasury Department's deposit, the platinum coin would be worthless.

This statement from Ezra Klein would have us believe that the Federal Reserve is an independent agent in this matter, and that it can refuse to credit the deposit of a newly minted high face value proof platinum coin, if the Treasury makes such a deposit. It also assumes that if the Treasury insisted on the deposit of the coin, that the Fed would be in a position to go Court to contest that; that it has a choice in the matter.

I don't believe that either of these things are true. I also think they are just a rationalization, so the President, who most probably decided this can pretend that this decision isn't on him; or at least can be partially blamed on the Fed. Let's review some critical aspects of the relationship between the Fed and the Treasury.

Fed Independence?

First, here are a some quotes from the US Code and comments.

"banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits." 12 USC 391

The coins are legal tender, and disbursements can't be made unless a deposit is credited. So, both imply that all banks that receive such deposits must credit them, and that the Bank officers at the New York Fed cannot refuse to credit the face values of a deposit of coins by the US Mint in its Public Enterprise Fund (PEF) Account. As for the Board of Governors, including the Fed Chair, forbidding the New York Fed from crediting the deposit, there is this part of the USC:

". . . wherever any power vested by this chapter in the Board of Governors of the Federal Reserve System or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary." 12 USC 246

The US code says that the Secretary has supervision and control, not the Fed Chair, or the bank

officers at any of the banks, however exalted, within the Fed system. So, if anyone in the Fed system wants to go to Court about this; it's hard to see that they could get standing even to file an injunction. In fact, if they attempted to get an injunction and to sue after a Treasury order prohibiting them from doing that, apparently the Treasury Secretary could fire the offending parties if "supervision and control" means what it usually means.

In short, the Platinum coin is still on the books. [24] The legal rationalizations of the Treasury and the Fed are a smoke screen to obscure the President's deciding not to use the authority he is granted by the Platinum Coin Seigniorage (PCS) [25] legislation. And finally the coin certainly would work if the President decided to use it, provided he ordered the Secretary to mint and have a platinum coin deposited in the Mint's PEF at the New York Fed; and provided the Secretary sent instructions to the New York Fed and the Board of Governors ordering that the coin be credited and no attempts be made to contest the Secretary's action in a Court of Law.

The Wrong Kind of Coin

After a hiatus of 16 months the Trillion Dollar Coin (TDC) surfaced again in the mainstream blogging and MSM World [26] at the beginning of December. The outbreak of posts and discussions [27] was fairly intense as people began looking beyond the "fiscal cliff" crisis and started looking ahead to the debt ceiling fight to come. During the second half of December however, posts and commentary slowed as we got closer and closer to the "cliff," and most commentary focused on that.

But at the beginning of the New Year, after the "cliff" was partially deflated, new posts from mainstream bloggers on the possibility of minting a Trillion Dollar Coin (TDC) to avoid the debt ceiling appeared, including a post from Paul Krugman. [28] In addition, Jerrold Nadler (D-NY) became the first Congressman to advocate for the TDC [29] to get around the debt ceiling, the TDC was suddenly ubiquitous on MSNBC, and began appearing on other networks as well.

The ground swell for the TDC continued through the first week of January and kept growing larger and larger facilitated by the #minthecoin twitter campaign. The hashtag #mintthecoin was originated By Stephanie Kelton [30] of the Economics Department of the University of Missouri at Kansas City. Joe Wiesenthal, blogging at Business Insider, [31] picked it up, used it to name a White House petition, and marketed a viral petition drive. [32] urging the President to mint a TDC and use it to pay down debt so the debt ceiling could be avoided.

The twitter campaign became a phenomenon and a trending topic, accompanied by more and more blog posts across the political spectrum, both pro and con, about using the TDC. Signatures on the petition grew fast, finally resulting in questions at White House news conferences about the TDC, asking whether the President was going to use it or had considered it.

Increasingly, after January 5th, the platinum coin was everywhere even getting covered by the Colbert show. Finally, on June 12, as the web frenzy continued to grow and after a very notable panel discussion of Platinum Coin Seigniorage on Chris Hayes's Up show,^[33] including both Wiesenthal and Kelton, among others, this past Saturday morning at MSNBC, the Treasury and the Fed tried to put an end to speculation by announcing that the Administration would not mint the coin.

So, now the web echos with cries that the platinum coin is dead,^[34] some of the cries are joyful. Some of them are angry^[35]. Perhaps they're right. Perhaps the coin is dead. But perhaps also it will come back again, in a new guise, when conditions are right. How can that be?

Well first, we need to recognize that the TDC, with its intense and frenzied web-based campaign was based on the wrong coin^[36] and the wrong cause. The cause or the problem it was addressed to was getting past the debt ceiling by creating some head room below it with the seigniorage proceeds. After that, the TDC bloggers envisioned that deficit spending would continue to require issuing debt instruments, and that there would be no further ?disruption? in the normal way of doing things, and also that the President would cope with the coming sequester, and continuing resolution (CR) conflicts separately.

So, the TDC, even if used, would really change very little. It wouldn't stop the Republicans from pursuing spending cuts in entitlements and important discretionary programs. It wouldn't change the fundamental drive for austerity in both parties, fueled as it is by the view that ?national debt? is both frighteningly large, and also unsustainable. So, at best, the TDC was a tactic to put off the day of reckoning with the Republicans, and perhaps to use the law authorizing it as the basis for a swap with the Republicans of the PCS legislation for the debt ceiling law, a very silly^[37] and odious idea proposed by a mainstream blogger,^[38] wanting to return the system to ?normal? but not change it.

Considering this background, it is easy for the President to say that we won't use PCS. Maybe not as easy he would have liked. But still the TDC was only a tactic. The President can abandon it and talk about other tactics, or his apologists can talk about his desire to avoid default by having a government shutdown that will break Republican resistance, as President Clinton was able to do. If they and he can do that for long enough, then the President can keep Democratic Congresspeople in line for as long as it takes for him to make his ?grand bargain? for austerity with enough Republicans to join with the supine Democrats to pass it.

Even though I have blogged more frequently about PCS than anyone, I have never been for minting one TDC and returning to normal Treasury/Fed procedures for deficit spending. I have always proposed substantial and significant change in the financial system, change that would end with paying off the national debt, and with destroying the underlying political rationale for austerity based on the debt and the related idea of fiscal unsustainability.

During the whole current TDC campaign I have blogged constantly about High Value Platinum Coin Seigniorage (HVPCS) and its potential for changing the fiscal and political landscape and destroying the basis for austerity politics, while changing the game radically for progressive attempts to create greater economic and social justice. I referred to HVPCS as the big story the mainstream was missing^[39], and also as game-changing PCS^[40] that would change the context

of politics.

I believe that if the MSM bloggers hadn't set up one of their usual "only talk to fellow villagers" echo chambers, but instead had embarked on an honest discussion of PCS options, they would have ended with a groundswell of support for HVPCS to fight austerity and that idea, since it is more strategic than tactical, would have been much harder for the President, Geithner, and Bernanke to dismiss, after a campaign that had identified it as the way out of austerity for the United States.

The President must, if he's going to be successful in making the "grand bargain" continue to present himself as preferring not to make serious cuts to entitlement and other valued domestic programs, unless the Republicans "make him do it." To the extent possible, the Democrats who will support him, also want to deny responsibility for the actions they will take. For the President and his Democrats to be seen as forced into the "grand bargain," the President cannot be seen as acting to take an important way out of the austerity trap "off the table." And that is what he would have had to do if the TDC campaign had been replaced with an HVPCS campaign sold as an answer to austerity.

The MSM and the blogosphere generally have missed the chance to generate such a campaign with the really heavy pressure it would have placed on the President and the Democratic Party. That is its failure; yet another disservice to the American people by the MSM Press.

The Right Kind of Coin

I've been blogging about the right kind of coin for a long time now, and very frequently since the latest wave of PCS began in December. That kind of coin is a platinum coin with a face value of \$60 T. ^[41] Why \$60 T? Because that's the face value needed to pay off the national debt, and to cover deficit spending for 15 - 25 years, enough time to educate people about the nature of fiat money and the desirability of changing the current financial system so that the Federal Reserve is reorganized as part of the Treasury Department, and the Treasury's authority to create reserves as it spends, without either debt financing or seigniorage, is recognized as the way things ought to be done.

The idea that after Congress appropriates money for Federal deficit spending, that spending can only occur if and when the Treasury can raise the money, is a hangover from gold standard days and ridiculous for a fiat sovereign government like the United States. The authority to spend should be delegated by Congress to the Treasury at the point appropriations are approved.

Appropriations are a mandate on the Executive; that mandate, in a sane nation, would be accompanied by the delegation of the authority to fulfill the mandate. That is the system we should eventually have because it is the only one that makes any sense and that can keep both the Executive and Congress accountable for their actions.

But until Congress passes legislation creating that system, it ought to be recognized by all that the PCS legislation is on the books, and that for the President not to use it to fill the public purse with enough funds to banish the underlying fiscal conditions that underlie austerity politics, the national debt, and the ability to cover the deficit for a long time to come, is inexcusably corrupt, fiscally and economically irresponsible, and completely opposed to the public public purpose that

the President is supposed to serve.

So, I want to tell the President that for as long as the PCS law is on the books, and austerity is impending, he has the duty and the obligation to reject it and to mint a game-changing PCS solution using a very high value platinum coin, that after it is credited by the Fed, will make it very plain that there is no need for austerity, but that there is a need for whatever deficit spending Congress needs to appropriate, and he needs to implement, to put America back on the road to the economic and social justice we ought to be pursuing as part of a Green New Deal.

I call on him to mint that \$60 T coin now. And if he fails to do that; and instead, along with the Democrats, goes ahead with his plans to impose unnecessary austerity and sacrifice on most Americans other than the wealthy, in the face of his ability to create financial plenty, then I, and others who I am able to persuade about game-changing HVPCS, will do all we can to place the blame where it belongs for ?the great betrayal,? and to see that Congresspeople who join in the ?grand bargain? travesty of justice pay for it at the polls!

But before we get to that point, I call on others who want to see an end to austerity join me in beginning again to blog, comment, facebook, and tweet about PCS; but this time to forget about the TDC, which was always the wrong coin, and to focus on #minttheHVPC instead. That is up the ante! Make this about ending austerity, and using the right platinum coin to create the political space needed for doing it!

Forget about them taking PCS off the table! We're putting it back on the Table! Make 'Em Mint the HVPC! Make 'Em Do It!



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