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The Constitution of the United States
&
Honest Money

Douglas V. Gnazzo

"All the perplexities, confusion and distresses in America arise not from defects in the constitution or confederation, nor from want of honor or virtue, as much from downright ignorance of the nature of coin, credit, and circulation." [1]

Introduction

Last week's article was the first in a series on the seven clauses in the Constitution that address the money issue. It was stated that each subsequent week a new paper would be offered discussing the next constitutional clause regarding money. Last week the first clause was covered. This week we will attempt to decipher the second clause.

Below are the seven monetary clauses within the US Constitution. We list them again in their entirety for both ease of understanding and in respect for their importance as supreme issues of We The People's freedom and liberty.

The seven clauses in the US Constitution that deal with the subject of money are:

- Article I, Section 8, Clause 2. The Congress shall have Power…To borrow Money on the credit of the United States.
- Article I, Section 8, Clause 5. The Congress shall have Power…To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures.
- Article I, Section 8, Clause 6. The Congress shall have Power…To provide for the Punishment of counterfeiting the Securities and current Coin of the United States.
- Article I, Section 9, Clause 1. The Migration or Importation of such Persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or duty may be imposed on such Importation, not exceeding ten dollars for each Person.
- Article I, Section 9, Clause 7. No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.
- Article I, Section 10, Clause 1. No State shall…coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debt.

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Domino Day Is Less Than Two Months Away

Brady Willett & Todd Always

The world record for most dominoes toppled in a chain reaction is 4,002,136. This number would have been even larger if it were not for a bird flying into the arena and accidentally knocking over thousands of dominos before the show began.

While toppling dominos is entertaining, the financial market equivalent goes by the frightening word 'contagion'. The last time the financial markets had to deal with a serious bout of 'contagion' was in 1997.

And although the odds of another Asian crisis are not currently high, recent market events are threatening to spark a financial crisis. If a financial crisis grows large enough, the threat of contagion follows.

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Domino Day Is Less Than Two Months Away

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Fear is in the air

Thailand's currency, the baht, posted its biggest loss in four years yesterday following a military coup. Coup Leader, Army Chief Boonyarataklin, declared martial law and closed the markets today for a holiday. Tomorrow the Thailand stock exchange could open for business and with it another run out of the baht…

Over the last three weeks Amaranth Advisors has lost more than $4 billion in funds under management. The bulk of this loss is, reportedly, tied to a bad natural gas bet. The firm is currently trying to sell its energy portfolio to stay alive, and investors in the fund are scrambling to sell. No one saw the demise of Amaranth coming and – thanks to the funds secretive bets - no one can be exactly sure what tomorrow will bring.

But Don't Despair -- Yet

It is unlikely that a military coup in Thailand marks the birth of another Asian crisis. Leading into 1997 many investors/speculators started to pull money out of Asia, and as currencies and financial markets weakened the rush to get out quickly mushroomed.

It is also unlikely that Amaranth marks the birth of another LTCM. That Amaranth has lost billions, while alarming to some, really doesn't mean much so long as leverage is not in play and/or copious amounts of forced selling does not disrupt the markets. From what we know, Maounis's fund made some wrong way bets on natural gas. End of story.

Timing of the next toppling

The conclusion that another Asian crisis has not arrived should be of little comfort. Instead what should be remembered is that the Asian crisis only came to be regarded as such through the gift of hindsight. When the baht was devalued on July 2, 1997 the global financial markets

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- Amendment VII. In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved… [2]

The Second Clause

Article I, Section 8, Clause 5. The Congress shall have Power…To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures.

To more easily facilitate the understanding of the discussion of the above clause we are going to break the clause down into five (5) separate sub-topics:

- The Power to Coin Money
- The Power to Regulate the Value Thereof
- The Power to Regulate the Value of Foreign Coin
- The Power to fix the Standard of Weights and Measures
- What powers, if any, are not delegated, and hence are a disability not allowed, and are thus prohibited

Delegation of Powers

Congress was granted the power to coin money by We The People, through and according to the Constitution, which delegates whatever powers Congress has, as clearly defined by the 9th and 10th amendments of the Constitution of the United States - Bill of Rights - The First Ten Amendments:

IX - Rule of construction of Constitution: The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people.

X - Rights of the States under Constitution: The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people. [3]

In other words, if the Constitution does not specifically delegate a power to Congress, one cannot be said to exist by association, or by a "living interpretation" that CHANGES the interpretation of the Constitution according to the times or the then current popular beliefs.

Powers expressly granted to Congress by the Constitution:

Cannot Change Without a Constitutional Amendment

Powers not expressly granted to Congress by the Constitution:

Are Reserved for the States Respectively or For We The People

Power To Coin Money

The first point is simply what the words express: the power to coin money. Once again recall that Congress only has powers expressly granted by the Constitution - all other powers are reserved for the States or for We The People.

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An Economy On Thin Ice

By Paul A. Volcker

The U.S. expansion appears on track. Europe and Japan may lack exuberance, but their economies are at least on the plus side. China and India -- with close to 40 percent of the world's population -- have sustained growth at rates that not so long ago would have seemed, if not impossible, highly improbable.

Yet, under the placid surface, there are disturbing trends: huge imbalances, disequilibria, risks -- call them what you will. Altogether the circumstances seem to me as dangerous and intractable as any I can remember, and I can remember quite a lot. What really concerns me is that there seems to be so little willingness or capacity to do much about it.

We sit here absorbed in a debate about how to maintain Social Security -- and, more important, Medicare -- when the baby boomers retire. But right now, those same boomers are spending like there's no tomorrow. If we can believe the numbers, personal savings in the United States have practically disappeared.

To be sure, businesses have begun to rebuild their financial reserves. But in the space of a few years, the federal deficit has come to offset that source of national savings.

We are buying a lot of housing at rising prices, but home ownership has become a vehicle for borrowing as much as a source of financial security. As a nation we are consuming and investing about 6 percent more than we are producing.

What holds it all together is a massive and growing flow of capital from abroad, running to more than $2 billion every working day, and growing. There is no sense of strain. As a nation we don't consciously borrow or beg. We aren't even offering attractive interest rates, nor do we have to offer our creditors protection against the risk of a declining dollar.

Most of the time, it has been private capital that has freely flowed into our markets from abroad -- where better to invest in an uncertain world, the refrain has gone, than the United States?

More recently, we've become more dependent on foreign central banks, particularly in China and Japan and elsewhere in East Asia.

It's all quite comfortable for us. We fill our shops and our garages with goods from abroad, and the competition has been a powerful restraint on our internal prices. It's surely helped keep interest rates exceptionally low despite our vanishing savings and rapid growth.

And it's comfortable for our trading partners and for those supplying the capital. Some, such as China, depend heavily on our expanding domestic markets. And for the most part, the central banks of the emerging world have been willing to hold more and more dollars, which are, after all, the closest thing the world has to a truly international currency.

The difficulty is that this seemingly comfortable pattern can't go on indefinitely. I don't know of any country that has managed to consume and invest 6 percent more than it produces for long. The United States is absorbing about 80 percent of the net flow of international capital. And at some point, both central banks and private institutions will have their fill of dollars.

I don't know whether change will come with a bang or a whimper, whether sooner or later. But as things stand, it is more likely than not that it will be financial crises rather than policy foresight that will force the change.

It's not that it is so difficult intellectually to set out a scenario for a "soft landing" and sustained growth. There is a wide area of agreement among establishment economists about a textbook pretty picture: China and other continental Asian economies should permit and encourage a substantial exchange rate appreciation against the dollar. Japan and Europe should work promptly and aggressively toward domestic stimulus and deal more effectively and speedily with structural obstacles to growth. And the United States, by some combination of measures, should forcibly increase its rate of internal saving, thereby reducing its import demand.

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Inflation Non-Cents

Benson's Economic & Market Trends

When was the last time you actually bent down and picked up that penny you dropped? The U.S. penny is on its way to extinction so it's time to bid farewell to the basic coin and share with you an inflationary "penny for your thoughts".

The penny's composition has changed over the 219 years it has been in circulation:

From 1787 to 1837 the composition of the penny was pure copper; From 1837 to 1857, the penny was made of bronze (95 percent copper and 5 percent tin and zinc); From 1857, the penny was 88 percent copper and 12 percent nickel; The Cent became bronze again (95 percent copper and 5 percent tin and zinc) in 1864 and stayed that way until 1962; In 1962, the cent's zinc content was removed. Then, in 1982, the composition of the penny was changed to 97.5 percent zinc and only 2.5 percent copper. (This information was taken from the United States Mint website)

You may be wondering why the United States had to switch from a penny that consisted of mostly copper, to one that is almost all zinc. Well, before 1982 the old copper coin weighed 3.1 grams. 100 coins - or $1.00 worth - weighed 310 grams. Since a pound is about 453 grams, 100 pennies at 310/453 = .68 pound. Today, at $3.45 a pound for copper, 100 of those 1982 mostly copper pennies are worth about $2.35.

The U.S. government, which is in the business of "making money", has done a fabulous job of profiting on this coin. Since 1982, they've used an inexpensive copper (zinc) as something of greater value (copper) in the minting of the penny. With inflation today, even the zinc in the penny is now worth more than the penny itself. It actually pays to take your paper money to the bank and exchange it for pennies, then sell them for scrap. I guess the time has really come to stop making these coins.

But the real story behind the

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An Economy On Thin Ice

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But can we, with any degree of confidence today, look forward to any one of these policies being put in place any time soon, much less a combination of all?

The answer is no. So I think we are skating on increasingly thin ice. On the present trajectory, the deficits and imbalances will increase. At some point, the sense of confidence in capital markets that today so benignly supports the flow of funds to the United States and the growing world economy could fade. Then some event, or combination of events, could come along to disturb markets, with damaging volatility in both exchange markets and interest rates. We had a taste of that in the stagflation of the 1970s -- a volatile and depressed dollar, inflationary pressures, a sudden increase in interest rates and a couple of big recessions.

The clear lesson I draw is that there is a high premium on doing what we can to minimize the risks and to ensure that there is time for orderly adjustment. I'm not suggesting anything unorthodox or arcane. What is required is a willingness to act now -- and next year, and the following year, and to act even when, on the surface, everything seems so placid and favorable.

What I am talking about really boils down to the oldest lesson of economic policy: a strong sense of monetary and fiscal discipline. This is not a time for ideological intransigence and partisan posturing on the budget at the expense of the deficit rising still higher. Surely we would all be better off if other countries did their part. But their failures must not deflect us from what we can do, in our own self-interest.

A wise observer of the economic scene once commented that "what can be left to later, usually is -- and then, alas, it's too late."

The writer was a chairman of the Federal Reserve From 1979 – 1987.

Article By:
Paul A. Volcker
April 10, 2005

The Constitution of the United States & *Honest Money*

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The wording expresses the power to **coin** money - not to print money, not to issue money, not to create money, not to loan money - simply the power to **coin** money.

Which then raises the question: what is the meaning of to coin money, as used and understood in Colonial times?

Prior to the Constitution the colonies had created a confederation of States as articulated and governed by the written document known as the Articles of Confederation: Article 9 reads in part:

"The United States in Congress assembled shall also have the sole and exclusive right and power of regulating the alloy and value of coin struck by their own authority, or by that of the respective States -- fixing the standards of weights and measures throughout the United States…" [4]

Further to the above, the word coin at the time of the writing of the Constitution meant to form discs composed of specific weights and fineness of precious metals, and to then stamp them with marks denoting their weight, fineness, and the State/Nation of issue.

From The Avalon Project: Blackstone's Commentaries on the Laws of England we read the following concerning the coining of money:

> **"THE coining of money is in all states the act of the sovereign power; for the reason just mentioned, that it's value may be known on inspection. And with respect to coinage in general, there are three things to be considered therein; the materials, the impression, and the denomination.**

WITH regard to the materials, sir Edward Coke lays it down, that the money of England must either be of gold or silver; and none other was ever issued by the royal authority till 1672, when copper farthings and half-pence were coined by king Charles the second, and ordered by proclamation to be current in all payments, under the value of six-pence, and not otherwise. But this copper coin is not upon the same footing with the other in many respects, particularly with regard to the offence of counterfeiting it.

As to the impression, the stamping thereof is the unquestionable prerogative of the crown: for, though divers bishops and monasteries had formerly the privilege of coining money, yet, as sir Matthew Hale observes, this was usually done by special grant from the king, or by prescription which supposes one; and therefore was derived from, and not in derogation of, the royal prerogative. Besides that they had only the profit of the coinage, and not the power of instituting either the impression or denomination; but had usually the stamp sent them from the exchequer.

THE denomination, or the value for which the coin is to pass current, is likewise in the breast of the king; and, if any unusual pieces are coined, that value must be ascertained by proclamation. In order to fix the value, the weight, and the fineness of the metal are to be taken into consideration together. When a given weight of gold or silver is of a given fineness, it is then of the true standard, and called sterling metal; a name for which there are various reasons given, but none of them entirely satisfactory. And of this sterling metal all the coin of the kingdom must be made by the statute 25 Edw. III. c. 13. So that the king's prerogative seems not to extend to the debasing or enhancing the value of the coin, below or above the sterling value: though fir Matthew Hale appears to be of another opinion. The king may also, by his proclamation, legitimate foreign coin, and make it current here: declaring at what value it shall be taken in payments. But this, I apprehend, ought to be by comparison with the standard of our own coin; otherwise the consent of parliament will be necessary. There is at present no such legitimated money; Portugal coin being only current by private consent, so that any one who pleases may refuse to take it in payment. The king may also at any time decry, or cry down, any coin of the kingdom, and make it no longer current." [5]

To Regulate The Value

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The exact wording is "to regulate the value thereof . . ." The task before us then, is to determine what is meant by "to regulate the value thereof."

Before proceeding with the discussion as to the meaning of the phrase, recall the already quoted Articles of Confederation: Article 9 as further evidence as to the then common usage of the term:

"The United States in Congress assembled shall also have the sole and exclusive right and power of **regulating** the alloy and **value** of coin struck by their own authority, or by that of the respective States -- fixing the standards of weights and measures throughout the United States…" [6]

To regulate means to adjust to some type of measure, rule, or standard. That which is adjusted already exists; in other words, the power to adjust does not express the creation of something new that is not already in existence.

Therefore to regulate refers to the adjustment of the value of coinage already in existence according to arranging the value to a system of order denoted by a measure, rule, or standard.

Hence we see the natural affinity and genesis of the term "and fix the **Standard** of Weights and Measures" that follows after "to regulate the value thereof" in Article I, Section 8, Clause 5, presently under review.

To regulate the value thereof means to compare the weight and fineness of the coin to the STANDARD of weights and measures, and by such comparison of weight to weight to determine the ratio or value the coin had in terms of the standard.

The Value of Foreign Coin

The precise phrase from the Constitution reads: "to coin money, regulate the value thereof, and of foreign Coin." Foreign coin obviously refers to coin from other nations. We offer two references to documents that provide detailed descriptions of "to regulate foreign coin."

"All gold coins ought to be estimated according to the quantity of fine gold they contain and the proportion which the value of fine gold bears to that of fine silver in those FOREIGN markets at which these states will probably carry on commerce." [7]

Previous to the assessment by the Continental Congress of the current coins passing as currency in the colonies, we find the Dollar Proclamation 1704, Queen Anne's Pillar Dollar Royal ... 6 Anne c.30 s.1 ... Dollar Weight which referred to:

"A table of the value of the several foreign coins which usually pass in payments in our said plantations, according to their weight, and the assays made of them in our mint, thereby showing the just proportions which each coin should have to the other." [8]

Thus we find that to regulate the value of foreign coin was done by the same process as to regulate the value of coin minted by Congress: i.e. to adjust and order the value of said coins by comparing their weight and fineness to the STANDARD weights and measures.

Standard Weights and Measures

The wording used in standard weights and measures has a long history of both illustration and application in dozens of monetary systems throughout the world and ages: back to England from whence the Colonists hailed, to France and Spain, and further back to Rome and Greece - throughout all times and in all places precious metals have set the standard for many a monetary system.

We have seen by the usage and meaning of coinage that all money was to be minted of coins - hard money - commodity money - silver and gold.
Prior to the Constitution were the Articles of Confederation. Article 9 we have already quoted above, and will only submit the pertinent section for the present issue under review:

"The United States in Congress assembled shall also have the sole and exclusive right and power of fixing the standards of weights and measures throughout the United States…" [9]

Now to find the concise definition to fix the standard, we know that **only coin** is to be money. Furthermore we know that **only gold and silver** are to be coined as money.

Thus the standard, or that which all coins of precious metals are to be compared to, for compliance as to weights and measures, precludes that the standard itself must be some weight and fineness of gold or silver.

As Blackstone says in his commentaries:

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"In order to fix the value, the weight and the fineness of the metals are to be taken into consideration together. When a given weight of gold or silver is of a given fineness, it is then of the true **standard**, and called sterling metal. And of this sterling metal all of the coin of the Kingdom must be made. The King may also legitimate foreign coin, and make it current here; declaring at what value it shall be taken in payments. But this ought to be by comparison with the standard of our own coin." [10]

The word fix, as used to fix the standard, is to make something the same without change - complete - unalterable. To fix the standard is to denote something by which all other things are to be compared to, in able to determine their value in comparison to the standard.

If the standard were to constantly change it would not be the standard. It would be as if the standard that 12 inches equals one foot was to daily change to 14 inches or 18 inches equals one foot.

Such change would turn the lumber and other markets that used the standard of a foot to measure and compare their goods to, upside down in confusion as to what measure was to be exchanged for/as one foot.

Powers Not Delegated

We have seen that the power to coin does not include the power to print, issue, emit, create, make, or decree what is to be money. Likewise, the Constitution prohibits the issuance of bills of credit, i.e. paper bank notes that circulate as currency and legal tender.

Article I, Section 10, Clause 1 states that:

"No State shall…coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debt." [11]

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Inflation Non-Cents

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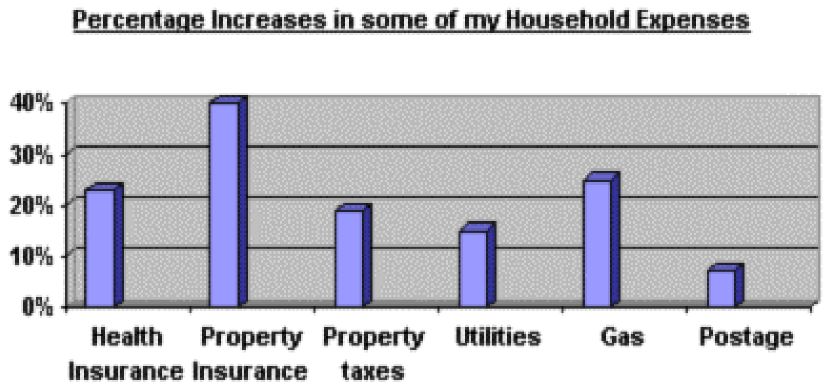
now-worthless penny is, by far, the surge in inflation. If the core inflation rate is, indeed, only 2.6 percent, and the year-over-year increase in the CPI is 4.3 percent, I wish someone would explain why my household expenses have gone up so much (see chart below):



This chart doesn't even include the following: the cost of groceries or prescription drugs; take-out food can cost as much as eating out; parking garages in a city like New York are charging $10 more a day to park, reaching $40 a day in some garages; newspapers are shrinking to stay in business because the cost of paper is so high, they need to use less of it. *(Circulation is also down as many former subscribers now read the news directly from their computers)*.

Worse yet, global warming has lead to record heat in the Midwest and pushed up the cost of wheat to a ten-year high. Fruit is also shriveling and nuts are getting burned in their shells.

It's so hot, farm workers can sometimes work only half a day. This hasn't helped the cost of food one bit so I'm stocking up before the middle class figures this out and there's a mad rush at Costco to buy groceries cheap, especially cereal.

When the penny is retired and prices for goods and services are subsequently "rounded up"- an item that would ordinarily cost $1.97, may cost $2.00 - expect a little extra pop in inflation. (The Europeans saw a lot of this rounding up when they turned in their local currencies for the euro.)

For as long as I can remember, inflation has been with me, even as a kid when I bought penny candies. In the 1950's, my father actually purchased a brand new modest two-bedroom house in the Midwest for $11,700 and a new car for $2,500. *(Some suites at fancy hotels in Las Vegas can charge $2,500 for one night)*.

Inflation also makes planning and saving for retirement a real issue. Unless you know how long you will live, I have to assume that the core cost of goods I need will be going up at least 10 to 15 percent in nominal dollars a year.

So, for the time being, our best recommendation for a long-term inflation hedge is to own real gold and silver.

In years past, Americans would hoard dimes, quarters and silver dollars (before the silver was taken out of them).

A silver dollar weighing one ounce would today be worth $11! Therefore, in the long run, stashing away zinc pennies may actually make a lot of cents. Any enterprising boy scout should be able to figure this out.

Article by:
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METALS BULL ALIVE: STICKING WITH GLD & SLV

Todd Stein & Steven McIntyre

While the Dow may soon briefly take out its old 11,700+ highs, the real story of late in our opinion is the recent pummeling of all commodity markets. Though we follow oil, natural gas, copper, and other commodities with great interest, our continued belief is that the best risk/reward set up in the major commodities comes in the form of the precious metals - namely gold and silver. You see, after peaking at $720 an ounce on the yellow metal and $15 an ounce for the poor man's gold, the two metals have come under a great deal of selling pressure.

We think this correction is due to a number of factors. The first being that the precious metals likely got a little ahead of themselves (gold was up 40% less than 5 months into the year and silver was up 75%). The second reason for the correction has likely been the continued resilience of the U.S. Dollar. For most of the year this was due in large part to the fear that "Gentle" Ben Bernanke might actually grow a backbone and would ratchet rates up a great deal more than originally anticipated to break the back of inflation.

Bernanke is by no means Paul Volcker having revealed his true stripes long ago. So late this summer, the rest of the market learned that Bernanke was done and curiously gold and silver have not been able to rally since.

With the intense correction in the commodity complex, it appears that the black box traders (who can from time to time dominate gold and silver markets) are selling gold and silver simply because they are going down. Selling has continued to beget more selling and the fact that a clearly weakening U.S. economy only *supports* the case for gold and silver is overlooked. (Remember, gold and silver should be looked at as "money" rather than plain commodities)

Despite temporarily lower prices, gold and silver's strong fundamentals haven't changed one bit. If anything they have only gotten stronger. We have recently seen that gold mine supply through the first half of the year amazingly dropped 2% year-over-year on 10% higher cash costs as the continued supply constraints from the difficulties in finding world-class low cost gold mines remain.

Likewise, we have also seen that despite stepped up September gold sales ahead of the annual September 26th deadline, the European Central Banks (for the first time in seven years) will likely fall about 20-25% short of their 500 ton gold sale maximum quota as central bankers led by the Germans begin to realize the investment value of gold.

The news is also fundamentally strong for silver with the silver ETF continuing to gobble up ounces at a far greater rate than anyone had ever expected. **Despite silver being 30% off its yearly high, SLV just recently reached a new peak number of ounces in its vaults**. A world record monthly trade deficit of $68 billion was recorded in August by the U.S., which once again should be long-term U.S. Dollar negative and gold and silver positive. Yet, despite all this, panic has set in the metals markets. Most investors seem quite confident that a commodities bubble is unwinding and gold and silver will be no different than copper or natural gas for that matter.

Over the last couple of years, we have tried to step up during these steep and nasty metals corrections and say that these times will turn out in hindsight to have been great buying opportunities for long term gold and silver bulls such as ourselves. Now, once again, we sense the level of angst for gold and silver participants is high and the level of concern about the U.S. Dollar is low.

Those with the courage to hold $600 gold and $11 silver in September 2006 will likely find heady metal gains in their stockings in the years ahead. Picking the exact bottom is impossible but the precious metals have now lost 15-20% in a little over a few weeks' time and when one considers the supply/demand tightness in both markets, we think that such buying opportunities won't exist for very long.

Article by:
Todd Stein & Steven McIntyre
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September 27, 2006

Gold Rises as Indian Jewelers Purchase Ahead of Wedding Season

Danielle Rossingh

Oct. 2 (Bloomberg) -- Gold gained in London for the first trading session in three as jewelers in India, the world's biggest bullion buyer, increased purchases in the run-up to the country's wedding and festival season.

Indian demand typically rises in the wedding season, which runs from late September to December. Purchases by jewelers accounted for 73 percent of demand last year, according to the producer-funded World Gold Council.

India's economy, Asia's fourth largest, expanded at a faster-than-expected 8.9 percent last quarter, according to the Central Statistical Organization in New Delhi.

Gold prices are expected to rise for a third consecutive week, according to a Bloomberg News survey. Bloomberg's survey has forecast the direction of gold prices accurately in 77 of 127 weeks, or 61 percent of the time.

Inflation Hedge

``Core inflation trends continue to look problematic,'' said Michael Darda, chief economist at MKM Partners in Greenwich, Connecticut. ``Gold is an inflation hedge.''

The index on personal-consumption expenditures, a U.S. price gauge tied to spending patterns that excludes food and energy costs, rose 2.5 percent in August from a year earlier, the Commerce Department said Sept. 29. That's the fastest rate since April 1995.

Gold surged to a record $850 in January 1980 after the 1979 Iranian revolution slashed oil exports and spurred inflation to 12 percent in the U.S.

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October 2, 2006

Domino Day Is Less Than Two Months Away

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barely noticed – the Dow closed up by 1% on the day. It wasn't until after other Asian currencies and financial markets were being toppled that the markets finally awoke to the crisis at hand: on October 27, 1997 the Dow dropped by what was then a record 554 points.

The US is more dependent on foreign investment than ever before, the US consumer is deadly dependent on US interest rates remaining low/asset prices remaining high, and US housing prices are starting to weaken. With much of the world overly dependent on slowing US demand and investors pricing in goldilocks, it doesn't take a great deal of imagination to envision a domino being flicked...

This year Domino Day is on November 14. By November 14 two more Fed meetings will be in the bag, the ominous month of October will be in the rear view mirror, and the US midterm elections will be over.

In other words, by November 14 we will have a clearer understanding of whether the Thailand coup and Amaranth collapse were important events for the financial markets, or hiccups akin to the krona's slide early this year and demise of funds like MotherRock.

Article by:
Brady Willett
wallstreetwishlist.com
September 20, 2006

The Outstanding Public Debt
National Debt:
8,480,008,027,889.84
The estimated population of the United States is **299,618,047**
US citizen's share of this debt is
$28,302.73
The National Debt has continued to increase an average of
$1.49 billion per day
Business, Government and Financial Debt exceeds
$44 Trillion

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The above clause of the Constitution is stating a DISABILITY of Congress by clearly NOT GRANTING the power to emit bills of credit, and instead PROHIBITING such issuance.

Further to this point is the preceding history of the colonies regarding the power to emit bills of credit.

The Articles of Confederation, which pre-date the Constitution, as the written form of government for the Colonies: DID ALLOW for the issuance of bills of credit in Article IX:

"The United States in Congress assembled shall have authority … to ascertain the necessary sums of money to be raised for the service of the United States, and to appropriate and apply the same for defraying the public expenses -- to borrow money, **or emit bills on the credit** of the United States…" [12]

By the prohibition in Article I, Section 10, Clause 1 of the Constitution, which **denies** any grant of power to emit bills of credit, and to make any thing but gold and silver coin a tender in payment; knowing full well, as Congress did, that the Articles of Confederation allowed bills of credit - is evidence that the framers DID NOT WANT BILLS OF CREDIT to be issued as currency and or legal tender.

Furthermore, the first draft of the Constitution INCLUDED the words emit bills of credit. After its reading to the members of the constitutional convention a fiery debate ensued. Feelings were strong and heated regarding paper money, as the Colonies had directly experienced inflation rates over 1000% caused by such issuance of paper money. The words of Maryland Legislature, Luther Martin sums up the issue quite well:

"By the tenth section, every state is prohibited from emitting bills of credit. As it was reported to the committee of detail, the states were only prohibited from emitting them without the consent of Congress; but the Convention was so smitten with the paper-money dread, that they insisted the prohibition should be absolute…" [13]

And so it came to pass - the power to emit bills of credit was REMOVED from the Constitution, and not only removed, but a specific **disability** and **prohibition** was inserted **disallowing** such issuance.
Thus ends our discourse on the second monetary clause of the Constitution. Next week we will attempt to decipher the third monetary clause:

Article I, Section 8, Clause 6: "The Congress shall have Power…To provide for the Punishment of counterfeiting the Securities and current Coin of the United States."

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