

Here's one I wrote after the Republicans emerged as the Majority Party after the "Democratic Slaughter" in 1994. As is usually the case after a great and sweeping victory, the newly elected majority party resolved publicly to right all the wrongs they had been blaming on the other guys (and gals). Now that **THEY** were in charge, things were gonna' change!! **NOW** that pesky budget was gonna' finally get balanced... now that the Democrats were no longer in a position to spend us into the poor house, how could the Republicans fail to restore us to fiscal solvency?? Unfortunately my good friends, a balanced budget doesn't suit the political agenda of **ANY** of our modern politicians (in all fairness there are a few stalwart patriots who remain true to their holy grail, but they are unfortunately in the minority!). **A BALANCED BUDGET?** Nay my friends, it ain't gonna happen. ...**BUT** there **IS** a way to return to fiscal solvency... Read on...



A Balanced Budget Amendment?

By the "Master Jouster"

End notes indicated in (red)

During the Spring of 1995 the Democratic Party was making much of the fact that the newly elected Republican majority had not been able to make good on their promise to pass a "Balanced Budget Amendment". The American People seem to be outraged at the apparent inability of our elected representatives to live within their means... or more correctly, our means! The proverbial 'fur' is flying on the 'soap box circuit' and budget cuts suggested by the newly elected Republican Congress are being portrayed by the Democrats as heartless examples of the 'Business Oriented (and backed) Puppets' of a capitalistic minority. What the heck is going on? Are we as a people, incapable of living within our means? Do we (collectively) disdain the plight of our fellow man? Would we allow our fellow man to starve? Is it possible that we (as a society) have not come to the conclusion that it was the intent of our forefathers to make certain even the most 'unproductive drone' be allowed to live in the manner that he (or she) would like to become accustomed? Just exactly what is this squabble all about? Unfortunately as I see it at any rate, the issue involved here is the 're-electability' of some of the most notorious 'scalawags' to surface since the late *War of Northern Aggression*.

Before everyone gets turned off, I promise not to turn this into a pure economics lecture. Economics has been characterized as “The Dismal Science”, and as it is usually taught I couldn’t agree more. Most current economists claim to be what has/have come to be called *Keynesian Economists*. This title being taken from the English economist, John Maynard Keynes. I suppose this would be all right, but you must bear in mind that ol’ ‘John Baby’ was a long standing member of the English ‘*Fabian Socialist Society*’. These guys have a history of preaching such neat stuff as the subtle redistribution of the wealth of the World. They advocate a dissolution of such hateful things as national sovereignty, and the establishment of a ‘One World Government’. The ultimate outcome of such nonsense would appear to be a way of implementing the Soviet cry of “*from each according to his ability, to each according to his need*”... An interesting concept, but one that totally ignores reality and human nature. For those of you who are into the “Conspiracy Theory” stuff, you might check out the extremely close ties that the **National Education Association of the United States** has with the **Fabian Socialist Society of England**. Our current President (as well as John F. Kennedy, for that matter) seems/seemed to be quite fond of quoting George Bernard Shaw, a roaring and well documented English Communist!... Hummm... Current history and civics teachers in many areas of our country are neglecting our proud national heritage and advocating the surrendering of our national sovereignty to a ‘One World Government’ under that fine institution, The United Nations!... gag, retch, heave... Please check out our **NEA**! As a former high school teacher, I recommend it highly! My point in this paragraph, is to alert you to the fact that our current batch of politicians or our economists are not terribly keen on balancing the budget... how in the hell can you redistribute the wealth if you are going to balance the budget and limit the amount of worthless ‘script’ (‘shinplasters’) you can print to accomplish this goal??

It is, I’m afraid, human nature to want something for nothing. Even though we say we are willing, nay *desire*, to work for everything that we have in life, human nature would indicate otherwise. How many of you fine folks would go looking for the owner of a \$20 bill you found on the street? How about a handbag containing \$1000 with no identification therein... would you turn it in to the police on the off hand chance that someone would come in to claim it? How about a briefcase full of cash with absolutely no identification. Drug money perhaps? Who knows? What are the cops going to do with it? Who’s gonna’ know if you keep it and spend it carefully and in small quantities to avoid drawing attention to yourself? My point is that free money is (or has the potential to be) very attractive to anyone.

Now picture yourself as an elected representative. Your constituency consists of a ‘less than affluent’ ethnic group. These folks have been sold on the idea that their lack of affluence is due to the “System”, and has nothing to do with the fact that they do not currently possess the skills necessary to become nuclear physicists. The so called ‘ruling class’ is blamed for all their problems. Along comes a ‘White Knight’(1) (you), who tells them that:

1. **They** (the prospective voters) are to blame for nothing. Drug addiction, theft, muggings, killings and gang activity are all due to the fact that the ‘Government’ isn’t doing everything it should to make society ‘fair’.
2. **You** (the White Knight) promise these voters that if they will only elect you, you will see that they get everything that’s coming to them. After all it is the function of

our government to keep them in the manner they would like to become accustomed, is it not?

Now this is 'heady stuff'. Having been 'vilified' as drones by the working class (the very group the above constituency figures is responsible for their lack of success) really 'pisses them off'! After all, in the words of the immortal John Wayne "no man likes to be known as 'high smellin' or 'low down'."(2) Your voters are set up to catapult you into office if only you can promise them lots of goodies for nothing, and more importantly, deliver(3)! The question is, how can you deliver 'pie in the sky' promises to your prospective constituents without raising taxes, cutting defense spending, or eliminating existing programs that have catapulted other aspiring political 'hacks' into office? Impossible you say... not necessarily! The 'economic engineers' have made it possible. But how can you 'create money' to make good on your promises? "Listen my children and you shall hear(4) ..."

Let's go back to the time of the Great Depression(5) . Franklin D. Roosevelt, had just been elected on the promise of 'doing something about the ills of society.' He had to come up with something to soothe the masses who had just elected him to lead them out of the depression. Now how in the heck was he gonna' do that? Well... why, he calculated, why don't we do it by decree? American 'money' has (had?) been the envy of the world since our earliest days... because it has/had always been backed by GOLD (and silver in coinage)! Our forefathers had the insight/foresight to insist that our money was either gold or silver, or in the case of 'shinplasters'(6) (Civil War paper money), was at least backed by gold! The requirement that our currency be backed by gold was a real fly in the ointment to FDR! Heck! This was an emergency, was it not? Why don't we just change that requirement, he reasoned? People won't notice (at least not immediately, at any rate), and by then the depression will (hopefully) be over! FDR took a fateful set of steps. First, he decreed that it would henceforth and hereafter be illegal for any U.S. Citizen to own/possess any gold(7) that was not in the form of jewelry! He then cut the amount of gold backing required for our Federal Reserve Notes (current day 'shinplasters) by 50%... Thus, FDR, with one stroke of the pen, doubled the amount of money he could print to cover his recovery(8) programs. The 'hungry masses' could be fed, and campaign promises kept... And our country would start on its long slide toward socialism (and worthless banknotes).

FDR's prayers were answered, not by his many social programs, but by the Japanese strike on Pearl Harbor in 1941. True, he had created many programs to put people back to work. We now had the WPA (Works Progress Administration), the NRA (National Recovery Act, not the National Rifle Association), the CCC (Civilian Conservation Corps), etc. True, these programs did create jobs (some inane, some useful) financed by his 50% newfound supply of cash, but it was really the war that got his(9) (and our) 'fanny out of the crack'. Defense jobs and maximum military employment do wonders for a recovery from a depression! FDR, of course, did not live to see his dream of recovery (at any cost) from the depression. This was left to his somewhat unlikely successor, Harry S. Truman.

Now Harry was the consummate politician, and though he had never been much of a success at anything else, he knew his way around the electorate. He realized that the end of the war held a whole bunch of pitfalls for the ol' country boy from Missouri. What could happen? Well, first of all, the end of the war meant massive unemployment for the returning veterans of the late war. The end of wartime military contracts (weapons, ammunition, clothing, aircraft and other peripherals), possessed a real potential for another

depression or at least a recession. The question was, now what? The answer was not long in coming. Taking a page out of FDR's notebook, Harry simply removed another 25% of the gold backing requirement for our modern 'shinplasters'. Let's take a look at this little maneuver. With a stroke of the pen, Harry had (again) effectively doubled his available money supply... Lots of new money could now be printed to fund any new programs to take care of the potentially discontented masses. We could now fund a "G I Bill", finance veteran's housing, give veteran's preference in hiring procedures, money for veteran's college education etc.

Capitalism again triumphed much to the surprise of the calamity howlers (surprise, surprise?). Even though the vast amounts of cash didn't turn out to be necessary to pull us out of a second depression, no one even considered putting the 25% back into our gold backing. Why? Well, there were such things as the Marshall Plan, aid to the recovery of Europe, Japan and of course, the financing of the fledgling United Nations that needed vast amounts of money. Everyone apparently wanted this 'U.N. thing', but nobody had any money... or did they? We began to sow the seeds of our own potential downfall.

Since this is a financial discussion and not a history lesson, we can skip to the Kennedy/Johnson years. In an attempt to head off 'hoarding' of real money (silver coins), 1963 marked the last year real coins were minted AND the last year our 'shinplasters' were redeemable in silver(10) (gold redemption having been eliminated by FDR in 1934). Our 'money' was now worthless in the classic sense. Ten years later (1974), our coins were worth as follows (now being made of base metals as opposed to silver):

Silver Dollar \$.04

Half Dollar \$.02

Quarter \$.01

Dime \$.004

In other words, our coinage was now essentially worthless along with our Federal Reserve Notes. The government had the new coinage 'nickel clad' so it looked like the real thing. The sudden appearance of copper coins would have destroyed the public confidence in U. S. money. Now the citizens of the United States could no longer hold 'real money' in their hands! Or, of course, hoard it against what has joking become known as 'Judgment Day'! Gold was disdained as 'barbaric' by the current breed of economic scientists, and laughed off as worthless in the context of modern times. Little did they know... The acceptance of a substance or standard of monetary exchange does not necessarily fit the desires and theories of the economic engineers! Gold and silver remain king, economic theories be damned. For what ever reason, the people still want gold and silver, 'economic rocket scientists' be damned! However, our leaders were not yet finished. The last major villain was about to appear, and he was, surprisingly enough, considered to be a conservative. Enter Richard Nixon.

Without getting into a detailed economic lecture, suffice it to say that Nixon raised the price of gold from \$35 per ounce to \$38 per ounce in December 1971 (raising the number of dollars that could be printed). This was not as serious as the fact that U. S. Dollars were not redeemable in gold by anyone (foreign governments included) as of August 15th 1971.

Since gold was no longer redeemable (at any price), even by foreign governments, and since we (as citizens) had not been able to redeem our 'shinplasters' (for gold) since 1934 or silver since 1964, this meant that the Government no longer had to have any gold (or silver) backing for our paper 'dollars'! Without getting into a lengthy economic debate about the worth (or lack thereof) of paper money, suffice it to say the Government (in my opinion, often an 'unholy alliance' between both the Executive and Legislative Branches) was now free to print as much paper 'funny money' as was needed to finance their 'pork barrel projects/programs'. ...And just incidentally, to help insure their return to public office on a recurring basis. No hard money backing necessary... scary? You bet! Why the hell don't we say (as a people), "hey, Government, this stuff you're passing out as Federal Reserve Notes, is not money. It does not meet the dictionary definition of money, and *is redeemable in NOTHING!?*" There are two reasons that I can think of right off hand. The first is that we are basically a nation of sheep, and if the head shepherd tells us to 'bleat', we 'bleat'! The second reason is that one of the most vocal and eloquent advocates⁽¹¹⁾ of the return to hard money was, harassed, audited, fined and sentenced to prison for pointing out that the 'emperor had no clothes'. This is obviously a situation *not* designed to encourage further public dissent!... Don't look for any further public outcry against nudity if the Emperor is a sexual pervert who enjoys 'flashing' his subjects! Let's take a closer look at the availability of money (bogus or otherwise) versus a balanced budget.

I'm going to make a sweeping statement right up front! ***Congress doesn't want a Balanced Budget Amendment!*** Why? Haven't their constituents cried out time after time that they want the budget balanced? Hasn't the Democratic Party insisted that they couldn't balance the budget because of the defense excesses of the Republican Party? Doesn't the Republican Party insist that the runaway social program agenda of the Democrats prevents a meaningful budget balancing exercise? The truth is considerably more sinister. In actual fact *neither* party truly wants a Balanced Budget Amendment. Why not? Easy, with a Balanced Budget Amendment they couldn't promise their way into power with idiotic programs that will ultimately be funded with 'un-money.'⁽¹²⁾ The current budgetary status of the United States can be compared to the 'hair-brained' lady who was complaining to the bank teller that she couldn't possibly be overdrawn since she still had checks in her checkbook. Consider the following.

Imagine that you are the son (or daughter) of a wealthy businessman. For years, you have been able to write checks for virtually anything you heart desires. If you overdraw your account, the bank simply transferred money into checking from the family savings account. Finally, your father cracked down. "No more overdrawn checks," he sez. "From now on you are going to have to stay within the following budget. If you overdraw your account, you will be punished with returned check charges. You may face possible criminal charges, and if it can be proven that you deliberately wrote a check knowing there was no money in the account, you may go to jail (the cops call this '*paper hanging*')!!" The question I have for you is, would you prefer to operate under a system that allows you to spend whatever you want with no real accountability? ...or would you prefer to operate by the second set of rules that holds you strictly accountable for what you spend? What if you had been using this bottomless pit of money to keep your sexual appetites satisfied? What if you were a drug addict and used the money to keep your habit satisfied? Hummm... if you can't see the parallels in a Congressperson or Senator keeping their constituents satisfied (in order to stay in office), I fear you may be beyond hope. Welfare programs are addictive to the recipients. The holding of public office is often addictive to those individuals who remain there by keeping their restless natives (constituents) in line by

satisfying their thirst for free money, benefits, etc. It's a little more complicated than that, but not much. The principles are correct and the addictions are real. ...*And* these congressmen/women do **not** want any restraint on their spending, unless of course it has to do with someone else's pork barrel program!

If you accept my premise, you will see that getting these guys (and dolls) to agree to limit their spending is **not** a reality. I guarantee, they do not want to be limited in their 'creativity' by a catch phrase (a 'balanced budget amendment') that has been sold to the voters as good thing! Up until now they have been using the 'legendary budget deficit' as a reason/excuse/ 'holy cause' to throw the (current) scoundrels out of office. After all, aren't these the individuals who have done this (these) terrible thing(s) to you (the citizen) and your descendants? Does not the party pointing out these terrible acts by their rivals, promise to bring down the deficit and balance the budget? But when push comes to shove, it reminds me of the loudmouthed school bully who told everyone how he was gonna' whip the kid who had been 'bad-mouthing' him around school. Upon inadvertently coming face to face his opponent (something he had hoped to avoid indefinitely) he finds that his antagonist outweighs him by 30 pounds and is 6" taller. Now what? Unless this character is a lot tougher than those I remember, he'll find a way to back out, bury the hatchet or at least put the fight off in hope of avoiding it altogether. And so it is when a politician finds him/herself faced with cutting off funds for his/her own pet programs that keep the masses satisfied and themselves in office. Pork barrel politics has kept many politicians in office for years, much to the detriment of our County's fiscal well being. I could beat this one to death, but I think you've gotten the idea by now.

The current crop of politicians seem to be rapidly backing away from a Balanced Budget Amendment, but are now promising to balance the budget in seven (7) years... don't bet on that one my friends, it just ain't in the cards. I'm afraid the 'bread and circuses' routine is too deeply imbedded in the current political agenda to be so lightly discarded. Without the amendment, it just ain't gonna' happen. However there is another way...

So what's the answer? The easiest and most foolproof way to do this thing is go back to a hard money backing for our paper script. The way the current system works is to pass 'pie in the sky' government programs. These range from well meaning, to some that are absolute idiocy. The Government then simply prints up enough additional money to fund the damn things. They figure that the average citizen won't understand what's going on and will not complain as long as he or she continues to draw a paycheck. The reason that this idiocy works so well, is that 'reckoning day' probably won't occur within the lifetime of the politician concerned... certainly not during his political career. Remember, here's how it works:

- 1) create program (or political agenda).
- 2) print worthless (un-backed by gold or silver) money to pay for program.
- 3) let our kids pay for it!

To stop this process we've got to cut off the ability of these idiots to print the money to fund them!! This can be likened to cutting the fuel line on a runaway automobile to prevent it from crashing into a wall. If we went back to even so small a requirement as to require

(by law) that a mere 1% of our paper script be backed by gold. That would put the brakes on the U.S. Treasury printing presses. Monetary inflation is by definition an inflation of the *money* supply, **not** an inflation in *prices and wages*! The Confederacy had a runaway inflation problem almost from the start of the Civil War. Only during one two week period of the war did the inflation of Confederate Money drop to zero... this was the period that the Confederate printing presses were overrun by the Damn-Yankee forces. It took two weeks to get the presses running again... and of course, inflation resumed as usual. So what's that got to do with a balanced budget? Easy... if there is an absolute ceiling on the amount of money that the United States Treasury can print and have in circulation at any given time, the runaway social 'give away programs' could not be funded with complete impunity.

Foreign aid would have to be carefully scrutinized. Inflation would slow or stop and your savings would retain their value. Cost of living raises to Social Security could be halted without injuring the recipients. COLAS(13) to Government Employees, Social Security recipients and Military Personnel would become unnecessary and save millions of dollars every year. Congress could stop giving themselves huge raises... hummm... The trick is to have a finite amount of money in circulation at any given time, not controlled or interpreted by the Federal Reserve, but self limited by the amount of gold in the coffers at Ft. Knox. Obviously, 1% is not the optimum minimum gold backing required for us to go back to being the most formidable and fiscally powerful nation in the World, but it would be a start in the right direction. It would put a cap on runaway pork barrel social and 'give away' programs, both foreign and domestic. If there ain't no money, ya' just can't spend it! Simple?... sure! Will it work? Yes! Can we look for our Government to go back to a gold or silver standard? Ho, ho, ho... you've got to be kidding! This would place the same onerous restrictions on them that the Balanced Budget Amendment would... No one with an unlimited ability (and inclination) to spend will willingly give up this ability. To be fair, not all Congresspersons or Senators fit in this mould, but those who do seem to make up for the rest.

To sum up, a Balanced Budget Amendment isn't the answer. What would it mean at any rate as long as unlimited monetary printing is allowed and condoned by those we have elected and appointed to public office? Balancing the budget in seven years? Same problem. Unlimited printing of script is still technically possible, and politicians can always say "sorry, we didn't anticipate this or that problem when we set this thing up." The only way that will work is to cap the money supply and allow the feedback of the American People through their elected representatives dictate where their money is to be spent. I know this is crazy, but I'd swear that I heard of a country that was set up like that once... I think it was called The United States of America...

ROC (August, 1996)

(End notes for "A Balanced Budget Amendment?")

- 1) '*White Knight*' here is used to indicate some sort of generic hero, as opposed to having any ethnic connotation.
- 2) Quotation from the movie "*Rooster Cogburn*".

- 3) Consider the case of a New York Congressman (based in New York City) who traveled to Puerto Rico and enlisted prospective constituents for his district in New York City. He promised them Government financed trips back to Puerto Rico, instant welfare benefits upon arrival, a place to stay, educational benefits, benefits to their relatives in Puerto Rico, etc.... and delivered! Needless to say, he was handily elected!
 - 4) To paraphrase Longfellow.
 - 5) The time normally considered to be 1929 to approximately 1941.
 - 6) 'Shinplaster' was a derogatory term applied to the American paper money created during the Civil War to pay the masses 'called to the colors'. People simply did not trust paper money... We should be so lucky!
 - 7) The Gold Reserve Act of 1934.
 - 8) Read 'socialist'.
 - 9) I could be unkind and point out that FDR did his damndest to get us into WWII, all to no avail until the Japanese took matters out of his hands. Such machinations give credence to the rumor that FDR was aware of the impending attack on Pearl Harbor, but deliberately did nothing to insure our entry into the war.
 - 10) Check the 'redeemable promise' on pre-1964 Federal Reserve Notes! As of 1964, Federal Reserve Notes were no longer redeemable in silver!
 - 11) Irwin A. Schiff, author of *The Biggest Con*, and several other well documented treatises.
 - 12) "Un-money" is a term coined by Irwin Schiff.
 - 13) COLA refers to a **C**ost **O**f **L**iving **A**llowance, usually given as an increase to entitlement programs/government salaries tied to the current inflationary rate.
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