



The latest irresponsible fiscal proposal to be reviewed by members of US Congress.

The Treasury avoided the federal debt limit by handing the Federal Reserve a single US\$1 trillion platinum coin, with the Fed then crediting the Treasury's bank account with US\$1 trillion.

Is there anything special about platinum? Simply, yes.

The coin doesn't have to contain \$1 trillion worth of platinum, but it has to be made out of platinum. In explanation the Treasury has the right, by an obscure law, to mint platinum coins, but only platinum coins. Otherwise, making money by making money is the Fed's domain. However countries that pay for what they spend by printing money or, these days, creating it electronically, are usually experiencing financial difficulty, to say the least.

In fact, the US has major expenditures coming due in the form of Social Security, Medicare, and Medicaid payments to the baby boom generation – I.O.U.s, which have been conveniently kept off the books. When the US baby boomers retire the liability kicks in, and what a liability it is. There will be a need to payout \$3 trillion (in today's dollars) per year in these benefits. Perhaps I can bring this into alarming perspective; \$3 trillion is 1.5 times Russia's GDP.

The US is of course now printing money that will, they hope, raise prices only after assets are protected against inflation. Over the past five years, the US Treasury has, in effect, done its \$1 trillion coin trick twice.

In 2007, the US monetary base, the amount of money that the US government printed in its entire 231 years of existence totaled a mere \$800 billion. Today only 6 years later it totals \$2.8 trillion.

What the advocates of the \$1 trillion coin are, therefore, proposing is to impose tax in a hidden way. This is not just taxation without representation but also taxation with misrepresentation.

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