

# Let's tax money creation, not people

By Richard Palmquist

Everybody agrees we should all pay our fair share of taxes. What is our fair share? Is it to pay our tax twice? If you pay income tax, you do just that. Inflation costs everybody. It is the first tax. Second, you pay the IRS each April 15.

However, the private owners\* of the Central Banks of the world don't have to pay tax at all -- not even once. They have the power to create unlimited amounts of money. They can work with the governments of the world to use the currency creation process to transfer real wealth to themselves.

## How is money created?

Local banks create money when they lend. By simply making a bookkeeping entry, a banker can lend many times as much money as people have deposited with him.

In contrast, Central Banks lend money to governments. They can create an unlimited amount of money -- as much as their government asks for. They sit at the computer and debit one account and credit another account. The money is there instantly. The "credit" becomes money. The "debit" becomes the Federal debt.

When Central Bankers create a checking account for a government, it is not necessary for the account holder to deposit money into the account. After all, the Fed is never audited. It can set up a checking account any way it wants.

A government checking account could make it possible for the U.S. Treasurer to write checks, overdrawing the account as much as "public policy" allows.

Our Federal Reserve, however, is more clever than that. When our government needs money, the Fed *lends* the money to the government. Then it *charges interest* on that loan.

## What is money?

For centuries money has been: 1) a medium of exchange; 2) a unit of account; and 3) a store of value. Modern definitions of money have strayed from this standard, but money still must be desirable, have numbers on it, and be a way for us to get what we want.

Today's money *seems* to fail the value test. It is not backed by gold or silver. Instead, money today is "backed" by what it will buy.

Our method of money creation gives Central Bankers a theft tool. The money they create has no value, but they still charge interest when they lend it to our government. The money costs the bankers nothing. Yet, to pay the interest charge, governments must *borrow the interest payment into existence*. Every dollar created increases our national debt by a dol-

lar. That dollar requires more dollars to be created to pay more interest. Then you and I pay the bill through the income tax. This becomes a tornado, with debt sweeping upward leaving bankruptcies and other social destruction in its path.

With the unearned interest, Central Bankers buy valuable things. This wealth becomes theirs in direct proportion to the current interest rate.

## Interest creates inflation

Under the Gold standard, bankers earned interest when they lent to governments. Today, Central Bankers are paid a fee for lending us what is already ours.

Every dollar created is borrowed into circulation with the interest burden attached to it. That interest can never be repaid, so more currency must continually be pumped into the economy to keep the scam going. Economists call the result "inflation," and they are correct as far as they go.

This process mandates an increase in the number of units of currency. The careless observer sees only the increase in the money supply as the cause of inflation. Most economists insist that price increases are the result of "too much money chasing too few goods." What they fail to see is that the increase in currency happens as banks lend the government what already belongs to the government. If there were no build-up of compound interest, there would be no need to inflate the currency, no necessity for price increases and no spiraling national debt.

## GNP - the "gold substitute"

A dollar is worth what it will buy. Any realist must accept that fact.

To be consistent we must look at what a dollar buys to learn what it is worth. We use dollars to buy the products and services we need. What we buy is called the Gross National Product or, more narrowly, the Gross Domestic Product.

The Economics and Statistics Administration of the United States Department of Commerce calculates the GNP and the GDP. The GNP includes wages, rental income, corporate profits, net interest, national income, business transfer payments, indirect business tax and non-tax liabilities less subsidies, and charges against net national product.

Certain charges are subtracted from this total figure, and a statistical discrepancy is allowed. Personal consumption expenses are then added to gross private domestic investment and net exports of goods and services, along with government purchases of goods and services. The two columns of figures are balanced, and the result is the GNP.

The formula should be changed. The money government spends on its own needs should not be a part of the formula.

With this change, the GDP would show from month to month an accurate total of how people meet each others' needs.

## Let them write checks

Each bookkeeping period we could tally the growth in that revised GDP figure. Government would pay its expenses by writing checks up to that amount. If government spent more money into circulation than the amount of growth in the GDP, businesses would know they should raise their prices. If government spent less than the growth in the GDP, however, businesses could cut prices.

How can the government write checks continually and never make deposits? The bank overdraft does not matter. Government and the Federal Reserve "own" the power of money creation. The Federal Reserve is never audited! As long as money is created out of thin air, government should use that money creating power instead of collecting taxes.

True, a gold and/or silver standard would be a more righteous system if God controlled it. However, it was that system in the past that led to our present age of banking thievery. Bankers can put the gold in the vault. That works, but nobody in history has been honest enough to count the gold accurately. They cheat.

Let us force money creators to suffer their own clever system. Without income taxes to pay back their inflation tax thievery, Central Bankers would have to earn money by honest work, like the rest of us.

Maybe then the bankers would agree to change money creation and bring in an age of honest Constitutional money. Whether Utopia arrives or not, though, income tax is not necessary in today's monetary system.

Let government support itself by writing checks up to the amount of growth in the economy. The result would be economic balance, prosperity and individual liberty.

## What can be done?

Criminal or not, the scam called Central Banking is well established politically. It will never be changed. Taxpayers who want their dollars to be worth the legal definition of money must work within the system to reach their goals.

*We should accept money creation policy for what it is: a tax.* It is a tax on the money supply. We should support government by tolerating interest-inflation tax. But that is the only tax we should pay. Interest-inflation tax is tax enough!

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\* Federal Reserve Banks are privately owned. Federal Reserve Governors work for the government controlled Federal Reserve System.