

The System of Ex-Nihilo Privilege

How It Came About, How It Works, and How to Eliminate It Gracefully

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*Diseases desperate grown
By desperate appliance are relieved,
Or not at all.*

— William Shakespeare, *Hamlet*, Act 4, Scene 3, ll. 9–11 (c. 1600–1601)
Spoken by King Claudius

I. The Robbery That No One Named

Your wealth has been taken from you. Not by a thief who broke into your home, or a tax collector who knocked on your front door, but by a system that began over three centuries ago and has been increasingly refined ever since. It is a system of theft that takes your wealth continuously, invisibly, and legally. This system takes from the wage earner before his paycheck arrives. It takes from the saver while he sleeps. It takes from the family that works honestly and wonders, year after year, why it cannot get ahead. And those who receive what is taken stand closest to the source of a privilege so extraordinary that its beneficiaries have spent enormous effort ensuring that you never learn how it works.

The privilege is the legal right to create money out of nothing. Some would call it the privilege of counterfeit, but the name counterfeit does not do it justice.

Not to earn money. Not to save it, inherit it, or win it. Rather, to lend, borrow, or spend into existence purchasing power that did not exist a moment before, backed by no real good, no labor, no resource drawn from the earth. This privilege has been held since 1694 by a small number of licensed institutions operating under parliamentary and later congressional charter. It was considered fraud before it became law. It carried criminal penalty in every English court before the English Parliament made it legal with the creation of the Bank of England. And, it has been the principal engine of wealth

concentration, financial instability, and political corruption in every nation that has adopted it since its inception.

What follows is the cure: the reversal of three centuries of monetary corruption. It is a cure that disrupts little and clarifies much.

II. How the System Works

The mechanism of harm is not complicated, though it has been deliberately obscured. When new money enters the economy — whether through a central bank's asset purchases, a commercial bank's loan, or the monetization of a government's deficit — it does not arrive everywhere at once. It is not like wartime propaganda spread across the countryside of a battered nation from a helicopter. It arrives first at the point of its creation. Governments receive it. Large financial institutions receive it. The well-connected receive it. With it these privileged few typically purchase assets: land, real property, equities, financial instruments. The prices of these assets rise before anything else moves.

By the time the new money works its way through the economy to the wage earner in the form of a modest pay raise — a slightly higher price for his services — the purchasing power that his raise represents has already been partially consumed at every prior step in the chain. The wage earner receives more dollars. He can buy less with them. The gap between what he earns and what he needs to purchase a home, educate his children, or retire in comfort grows a little wider every year. He works harder. He borrows more. He falls further behind. What is more, he is told this is the natural order of things. It is not.

Rather, it is the predictable, structural, and entirely intentional consequence of a system designed to transfer real wealth from those who produce it to those who hold the privilege of creating the money against which their effort is measured. This unnamed system does have a name. I call it the System of Ex-Nihilo Privilege.

The name is chosen with care. "System" reflects that this is not a fixed standard but a dynamic, mostly fluid, but sometimes disruptive, adaptive arrangement that has continuously modified its instruments and relationships while preserving the underlying privilege intact: from the gold standard to the gold-exchange standard, from Bretton Woods to the pure fiat of the post-Nixon era, the standards have changed; the privilege of creating money out of nothing has not. "*Ex nihilo*" (out of nothing) identifies the mechanism: purchasing power created without any corresponding real good drawn from the primary economy. "Privilege" identifies the legal character: this right is not a

naturally discovered fair market mechanism, but a statutory grant, withheld from ordinary citizens and firms and conferred exclusively on a small number of licensed institutions. Each component is necessary; together they name the “whole of it” accurately.

When new money is created and asset prices rise, those who already hold assets — land, stocks, financial instruments — are made wealthier without producing anything. When the credit cycle eventually turns, as it must, the boom collapses. Projects fail. Businesses close. Employment falls. Those with deep pockets buy the assets of those who cannot survive the correction at distressed prices. Wealth concentrates another step. Then the cycle begins again. This is not a bug in the system. It is the system.

III. The False Debate

In the mid-19th century when Karl Marx’s *Das Kapital* first appeared, it was already clear that something was deeply wrong with the system, and that ordinary people were suffering because of it. What he did not understand was the true source of the problem. Voluntary exchange, private property, the relationship between the owners of property and those employed in their factories and fields — Marx blamed them all for damage that was perpetrated by the few. The so-called industrial revolution was still in its infancy, and its growing pains fell on everyone — everyone except those who held the privilege of issuing money from nothing. Marx named the whole arrangement capitalism and a following of envy and hate was created.

The people actually responsible for the damage — those holding the legal privilege to create money from nothing — adopted the name capitalism with satisfaction and thereby deflected the true nature of the argument. For more than a century these charlatans have insisted: if you oppose capitalism, you must be a communist; if you oppose communism, you must support capitalism. Voluntary free markets operating with real money, without the privilege of creation from nothing, appear on neither side of this argument. What is more, Karl Marx denounced Christianity — the religion of the West — and all religious belief in general. As a consequence Christianity became a veil for the corruption, for the capitalists believed in God. The two phases of world war that pronounced the British empire’s last hurrah placed the faith in serious disarray. Many asked what God could create such havoc and suffering among its followers and still be worthy of a following? The veil behind which the perpetrators of corruption had hidden for already two centuries suddenly fell, and new Gods, a new veil, had to be found. This is where we are today.

The deception has been by design.

I am not asking that you choose between capitalism and communism, or Christianity and some other God. You are simply asked to recognize that the choice itself is a trap. What the System of Ex-Nihilo Privilege fears most is not its left-wing critics, whom it has managed for over a century, but the honest recognition that free markets and honest money — voluntary exchange without the privilege of money creation out of nothing — are neither capitalism, nor communism. They are simply what free human beings do when no one has been given the legal power to create the unit of exchange out of nothing.

IV. What Real Money Looks Like

Real money is money that no legislature can multiply. It is drawn from the earth: gold or silver, extracted at cost, available in limited and slowly growing supply. Its value is not declared by a government; it is discovered by the market. When the economy produces more goods and services than the money supply grows, the purchasing power of every dollar rises. The worker who saves a dollar this year can buy more with it next year — not because of any government program, but because the money in his pocket faithfully represents a share of a growing productive economy.

This gentle, predictable rise in purchasing power — beneficial deflation, at roughly two percent per year — is the natural equilibrium of a real money, growing economy. It is precisely the opposite of what the System of Ex-Nihilo Privilege has delivered: a century of inflation in America that has destroyed more than ninety-five percent of the dollar's purchasing power since the Federal Reserve System was established in 1913. Mind you, central banks are not the root of the evil; they are merely an instrument of its cancerous spread.

The objection is always raised: but a growing economy needs a growing money supply. This confuses two different things. An economy needs a growing supply of goods and services. It does not need a growing supply of the units used to measure their exchange. When the money supply is stable and the economy grows, prices fall. Each unit of money becomes more valuable. No new money need be created. No additional privilege need be exercised. The economy grows; its money simply becomes worth more.

The deeper objection is about the mechanics of daily exchange. Gold and silver are physically difficult to mint in very small units. As commerce grows and daily transactions multiply, large-denomination coin becomes inconvenient. The answer is not to abandon honest money but to represent it faithfully: paper or electronic claims matched one-to-one with a fixed physical quantity of the underlying metal, held in full by the issuer. Under this system, *the note is not a claim against a fraction of a reserve; it is a title to a specific*

weight of metal whose value the market, not the state, determines. This distinction is everything. It is the line between honest banking and statutory counterfeit. Today, electronic ledgers make the precise representation of even very small quantities of metal entirely practicable at negligible cost. The technical obstacle that gave rise to fractional reserve banking in the seventeenth century no longer exists.

V. Bringing an End to the Theft

The solution is a simple, but rigorous amendment to the US Constitution. I have named it the Real Money Amendment (reproduced in full in the Appendix). It does eight things. Taken together, they reverse the monetary corruption of three centuries and restore the American middle class, the economic foundation on which the American republic was originally built.

It permanently fixes the value of the dollar to gold or silver — one metal, chosen by the people, at its current market value. From that moment, the dollar becomes a defined weight of metal, not a number on a government's ledger. Its value is no longer subject to political discretion. It requires that every new paper or electronic dollar be backed one-to-one by the actual metal. No new money may circulate unless a corresponding quantity of metal is held by its issuer. This ends fractional reserve banking going forward, without voiding existing contracts or calling existing loans. It names and prohibits, without ambiguity, every form of money created out of nothing: no new money may be printed, lent, borrowed, or spent into existence that is not the selected metal. The prohibition reaches overseas: foreign counterfeit may not enter and circulate within our borders.

It establishes the basis for the creation of a Real Money League — an international association of nations that commit to the same standard and trade their specie freely with one another. Membership is voluntary; enforcement is by mutual agreement. No world conference is required; no existing institution need be reformed. Nations join when they calculate that the discipline of honest money outweighs the domestic convenience of monetary manipulation. Given the dollar's current status as the world's primary reserve currency, the pull will be substantial.

The transition will not be without pain, but the amendment provides for a one-time, non-repeatable constitutional levy on accumulated financial wealth to fund transitional relief for those who would surely otherwise be harmed by the adjustment. Those who have benefited most from three centuries of systematic wealth transfer contribute to easing the transition for those who have borne its costs. This is not redistribution. It is partial

restitution, bounded by the specific historical wrong it addresses and forbidden from repetition by the amendment itself.

The amendment further establishes a permanent joint State and federal commission to implement and oversee the new monetary regime, removing monetary governance from the exclusive control of a federal government that has spent more than a century abusing its power. It dissolves the Federal Reserve Board — the locus of the statutory privilege — while preserving the regional banking infrastructure that performs genuine clearing and payments functions. What is more, it requires that Congress act in good haste, foreclosing the weapon of deliberate delay that has blunted every prior reform effort.

VI. The President Can Act First

The common objection to constitutional amendment is that it cannot be achieved: that the concentrated financial interests who benefit from the existing system will block it in Congress, as they have blocked every serious monetary reform for more than a century. This objection deserves a direct answer, because the answer changes the political calculus entirely.

American monetary history is a history of executive action followed by legislative ratification — or more simply executive action, full stop. Andrew Jackson dismantled the Second Bank of the United States not through constitutional amendment but through the unilateral withdrawal of federal deposits and the Specie Circular of 1836. Abraham Lincoln issued paper money under emergency authority during the Civil War. Franklin Roosevelt ordered the surrender of privately held gold by executive decree in 1933, before Congress acted. Richard Nixon closed the gold window in 1971 by executive announcement alone, without congressional authorization of any kind.

The pattern is consistent: when monetary change has been necessary, the executive has often moved first. A president who determines that the integrity of the dollar constitutes a national emergency — surely the fiscal and monetary conditions of the present moment provide ample legal basis for such a determination under the International Emergency Economic Powers Act and the National Emergencies Act — may fix the dollar to specie by decree before ratification of the amendment has been achieved. The amendment, upon ratification, validates that decree constitutionally and renders it permanent.

In addition, there is a parallel path that bypasses Congress entirely. Article V of the Constitution permits two-thirds of the state legislatures to call a constitutional convention for the purpose of proposing amendments. A president who declares a monetary

emergency, fixes the dollar by decree, and simultaneously invites the state legislatures to convene under Article V creates a position from which congressional obstruction has no comfortable escape. Those who fund that obstruction must choose between a managed transition on known terms and an unmanaged collapse on unknown ones. That choice, made plain, is no choice at all.

VII. The Honest Reckoning

This proposal does not pretend that the transition is painless. It is not. Three centuries of accumulated monetary distortion cannot be corrected without adjustment. The question is not whether the adjustment will come — it will come, because no system of compounding monetary corruption is permanent. The Great Reset proposed by the World Economic Forum is not idle chatter. We, the American people have a choice. We can allow ourselves to be coddled into still another monetary reform that perpetuates the current system of ex nihilo privilege, or we can put an end to the system once and for all. We are at an important junction in world history, but it is not a matter of who wins out, the capitalists or the communists; it is a matter of whether we finally put the theft to an end, heal our nation, and make it once again the beacon on the hill that many still believe was a stroke of divine providence.

The United States currently runs annual deficits of nearly two trillion dollars, a meaningful portion of which are financed by money created from nothing. Upon ratification of the Real Money Amendment, this circular arrangement ends. The government must sell its bonds into the existing pool of dollars. Interest rates rise to market levels. The cost of servicing the existing debt, stated honestly, approaches levels that cannot be met without substantial reductions in government spending. This is not a crisis the amendment creates. It is a crisis the amendment reveals — one that already exists, concealed by continuous monetary inflation. The patient does not develop cancer upon diagnosis.

The amendment's transition levy addresses the potential human cost of the adjustment. Roughly thirty percent of Americans carry net debt. Nearly half depend on government transfers for daily necessities. These are the people who did not design the monetary system, did not benefit from it, and who will bear the most immediate pain of its correction. The levy — constitutionally mandated, one-time, and non-repeatable — ensures that the cost of the transition is borne in meaningful part by those who accumulated the most from a system that transferred wealth to them continuously and legally for generations.

Beyond the transition, the trajectory is strongly positive. In an economy where money slowly and predictably gains purchasing power, wages buy more each year without any nominal increase. Savings accumulate real value without being eroded by inflation. The worker who puts aside ten dollars in real money participates in the same upward revaluation of the monetary unit as the financier who holds ten million. The advantage of proximity to money creation — which has been the primary engine of wealth concentration for three centuries — disappears. The economy grows on the basis of real productive output, not on the basis of those who stand closest to the printing press.

VIII. The Deeper Corruption: The Absence of True Consideration

There is one further dimension of the present system that deserves plain statement, because it reaches into the foundations of ordinary law. In any honest contract, both parties must give something of genuine value. I promise to pay you one hundred dollars; you promise to deliver one hundred dollars' worth of goods or services. Both sides have real stakes. The contract is enforceable because both sides gave something real.

When a bank extends a mortgage under the present system, it credits the borrower's account with newly created dollars. It has given something of apparent value. But what has it actually surrendered? Nothing it previously held. It has created the dollars from nothing, at the cost of a bookkeeping entry. In the strict sense of contract law, the bank has provided no genuine consideration. Yet when the borrower defaults, the bank pursues a court judgment and claims the real property — a house, a farm, a business — that the borrower pledged. The court awards real wealth in satisfaction of a claim that originated in thin air.

Under the Real Money Amendment, a bank can only lend what it actually holds. When it lends five hundred thousand dollars, it has genuinely surrendered the use of five hundred thousand dollars of real deposits entrusted to it. It has given honest consideration. Its claim upon default is fair. Banking is restored to what it was always supposed to be: the intermediation of existing savings, not the creation of new purchasing power at private profit and public risk.

IX. Everyone's Hands Are Dirty

Those who initiated the System of Ex-Nihilo Privilege were not confused about what they were doing. They were motivated by the oldest of human impulses: the desire to get something for nothing and a more rapid road to riches. What they understood with great clarity was that this desire could be dressed in the clothing of public necessity. The

shortage of coin was real. The costs of defending a nation, building its roads and bridges, attending to its poor and its sick — these were real. And a system that could conjure the money to meet them, seemingly without cost to anyone, was a system that many could be persuaded to accept. The cost, of course, was paid — by every holder of money whose purchasing power was quietly consumed with every transaction. But that cost was invisible, and the benefits could be lauded.

The evil genius of the system is that it then extended its essential logic downward through every layer of society, until today there is almost no one who has not, in some form, participated in it. The investment banker who packages mortgage-backed securities, the homeowner who borrows more than he can honestly afford, the elected official who votes for spending that no tax base can ever support, the student who borrows fifty thousand dollars against a degree whose market value was improperly assessed, the family that carries a balance on a credit card at twenty to thirty percent interest to make ends meet; each system participant is at a different distance from the source, and many are with vastly different degrees of awareness and choice. It is a system in which purchasing power is drawn on the future from the savings of others without their consent.

This is not an accident of human weakness. It is the system's most deliberate achievement. A population that is universally implicated is a population that hesitates to demand reform, because reform feels like an implicit admission of guilt.

The Real Money Amendment does not ask anyone to confess, and it mitigates much of the inevitable pain. The amendment asks everyone to recognize that the system has made honest participation nearly impossible, and that a clean alternative has never been a real choice — well, at least, not until now.

X. The Call

The call is now. Not because the amendment is new — its logic is as old as honest money — but because the conditions that make it both necessary and achievable have never been more acute or more visible. The fiscal crisis that the amendment exposes is not one that it would create, for the crisis already exists, concealed by the same mechanism that the amendment seeks to abolish.

The presidential authority that can fix the dollar by decree ahead of ratification has crucial historical precedent. The State and Commonwealth legislatures and assemblies that can convene under Article V without congressional consent are available to any

executive willing to call on them. The obstacles are, technically speaking, trivial. To overcome them, however, requires political will.

What stands between real money and the present dysfunction is exactly what Section IX describes: a population made complicit in a system it did not design, hesitant to demand the end of an arrangement in which it has nearly unanimously participated. That hesitation is precisely that on which those who profit most from the system currently rely. It is time that we wash our hands.

The Real Money Amendment requires the recognition that clean hands have been made impossible by design. The amendment does not require unanimous consent — least of all the consent of those whose extraordinary privilege the amendment abolishes. It does require, however, the understanding and the political will of enough citizens, in enough states, led by an executive willing to act, to make the managed restoration of our real economy more attractive to those in power than the current fumbling and predatory intent that is currently envisioned.

The amendment is in the Appendix. Read it. Understand it. Share and demand it.

Appendix: The Real Money Amendment

The following is the text of the proposed constitutional amendment in full.

THE REAL MONEY AMENDMENT

Paragraph 1. Upon ratification of this amendment the value of the dollar shall be permanently fixed at the current market value of either gold or silver (not both), or the market value of same previously established by presidential decree in anticipation of eventual ratification.

Paragraph 2. Following ratification any addition to the US money supply shall be solely in the form of the selected specie. No new representation of this specie shall be allowed to circulate as money without a one-to-one reserve specie equivalent held by its issuer. The US dollar shall remain the sole legal tender of these United States.

Paragraph 3. The issue of counterfeit money (statutory or non-statutory) shall be strictly prohibited in the United States, the District of Columbia, and all US territories. No new addition to the money supply shall be printed, lent, borrowed, or spent into existence that is not the selected specie. Counterfeit issued overseas shall be strictly prohibited from entry and use within our borders.

Paragraph 4. These United States shall initiate a Real Money League that prohibits the export of the selected specie that is not in the form of industrial use to non-members. Membership in this League will be strictly voluntary and permission to enter must be agreed by the United States government and the governments of all other league members. The selected specie shall be traded freely among the League's member states.

Paragraph 5. In acknowledgment of the immediate though temporary fiscal constraint that implementation of this amendment entails, and in recognition of the systematic transfer of real wealth from the productive citizens of these United States to those who have benefitted from the longstanding and abusive system of ex-nihilo privilege that this amendment abolishes, a one-time, non-repeatable levy shall be assessed on accumulated financial wealth above a threshold to be established by enabling legislation. The proceeds of this levy shall be dedicated exclusively to transitional relief for those most adversely affected by the direct and indirect immediate costs of this remedy. This levy shall not be renewed, extended, or repeated under any circumstance.

Paragraph 6. A permanent, joint State and federal commission shall be established to implement and oversee the monetary regime outlined in this amendment. The current US Secretary of Treasury shall oversee the commission's activities, and with the Commission shall advise Congress on what is needed to implement, enforce, and maintain the proposed monetary regime.

Paragraph 7. The Federal Reserve Board shall be dissolved upon ratification of this amendment. The Federal Reserve Act and all related congressional acts shall be amended to comply with this amendment.

Paragraph 8. Congress shall attend to the implementation of this amendment in good haste upon ratification.

This amendment is discussed in detail in the companion academic paper, “A Call for the Restoration of Monetary Order (III): The Real Money Amendment,” presented at the 100th Annual WEAI Convention, San Francisco, June 2025 and later revised. Readers seeking the full economic and legal analysis, including a paragraph-by-paragraph treatment of the amendment’s provisions, treatment of the transition period, the consideration problem in contract law, and the complete bibliographical apparatus, are directed to the revision at

https://cambitas.spiritof2021.online/documents/real_money_amendment.pdf