

A Call for the Restoration of Monetary Order

Part III - The Real Money Amendment

(Revision)

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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

Introduction

This paper is the third in a trilogy that together constitutes a sustained argument for the restoration of monetary order in the United States and, through American leadership, in the broader world. The first paper, “A Call for the Restoration of Monetary Order (I): Monetary Grand Theft,” established the historical and moral case: that the practice of lending purchasing power into existence — *money ex nihilo* — was fraud before it was law, and that the Bank of England’s founding in 1694 institutionalized this fraud by parliamentary consent, making legal what had previously carried criminal penalty in every English court of law.¹

The second paper, “A Call for the Restoration of Monetary Order (II): Real Balances,” replaced Irving Fisher’s top-down, aggregate flow model of money ($MV = PQ$) with a bottom-up, individual stock model grounded in Jean Calvin’s distinction between money-in-exchange and money-in-use.^{2,7} In a flow model, money is treated as something that passes through an economy; the quantity held by any individual at any moment is of secondary importance. In a stock model, money is something that individual agents hold in real balances relative to their total real wealth, and it is this ratio that governs their decisions to borrow, lend, spend, and save. The distinction is not merely formal. Stocks are not flows. A flow model can be made consistent with nearly any monetary arrangement by adjusting its free parameters; a stock model reveals the structural constraints that a flow model conceals. The most important of these is that in a real economy — one in which money is drawn from the earth and cannot be multiplied by legislative act — the natural equilibrium condition is not price stability but incremental deflation: a gradual, predictable rise in the purchasing power of money as the economy’s real output grows faster than its real money supply.

This paper proposes the cure. It is not a harangue on the evils of central banking, nor a promotion of Bitcoin or any form of cryptocurrency, nor an endorsement of Central Bank

Digital Currency, nor an accommodation of Modern Monetary Theory. It is a constitutional amendment — the Real Money Amendment — that reverses a more than three-century historical trend with a minimum of institutional disruption and clear historical precedent in the monetary arrangements of the seventeenth-century Dutch Republic.

Those who profit from the existing system will object strenuously. Their objections deserve consideration, not deference. In February 1937, Irving Fisher wrote to President Franklin Roosevelt:²

“Established practices, when retrogressive, have to be disestablished.”

Fisher was correct in his diagnosis and in this general principle. Where he erred was in proposing fiat currency as the vessel for 100-percent reserve banking — replacing one form of *money ex nihilo* with another. The present proposal does not repeat that error. It returns the basis of money to the earth itself, where it has resided for several thousand years and from which it was only recently severed.

Section I: The Nature of the Disease

The disease has a precise name: *money ex nihilo* — the lending or spending of purchasing power into existence without a corresponding real good or service of equivalent value given in exchange. It takes two institutional forms. The first is statutory counterfeit: a privileged institution issues paper claims on specie reserves it does not fully hold, with the authority of the state behind those claims as legal tender. The second is fiat currency: the same privilege is exercised without even the nominal constraint of specie backing. Since the completion of what may be called the Roosevelt–Nixon Two-Step — the domestic gold confiscation of 1933 and the abandonment of the Bretton Woods gold-exchange standard in 1971 — the United States has operated under the more potent of the two forms: fiat currency issued by a central bank that retains the fractional reserve lending privileges of its statutory counterfeit origins. The reserve that backs what is lent into existence is itself printed into existence.

The mechanism of harm is not complicated, though it has been deliberately obscured in academic literature and popular financial commentary for more than a century. When new money is created — whether through central bank asset purchases, commercial bank lending, or direct government deficit spending — it enters the economy at the point of its creation. Governments and large financial institutions receive it first. Asset prices — land, real property, equities, and financial instruments — adjust upward before wages and the prices of ordinary goods and services follow. By the time the new money reaches the wage earner or the small saver in the form of nominal income, its purchasing power has already been partially consumed at every prior step in the chain. This is not an incidental side effect. It is the structural and predictable consequence of money creation that does not originate from an increase in real productive output.

Ludwig von Mises, writing in *Theorie des Geldes und der Umlaufsmittel* (1912), identified the mechanism by which this creates systemic rather than merely individual harm.³ He asked how it could be that highly experienced executives — each an expert in his own industry — could make the same error at the same time, producing across-the-board economic

catastrophe. His answer was that they cannot, unless they are all confronted with the same important but erroneous market signal. That signal is the artificially suppressed price of credit. When money is lent into existence, the apparent cost of borrowing falls below its natural market rate, inducing investment projects that would not survive honest market conditions. Resources are redeployed, incomes rise nominally, and the boom phase of the credit cycle begins. When the real cost of project completion eventually exceeds the projected return — as it must — the boom transitions to bust. Projects are abandoned, resources are stranded, employment falls, and a destructive deflation sets in that is entirely distinct from the beneficial deflation of a real money system. Those with deep pockets acquire the assets of those who cannot survive the correction, and the concentration of wealth advances another step.

Roy Sebag⁴ provides a complementary analysis at a deeper level. The primary economy — the production of food, fuel, and the raw materials from which all secondary-economy goods and services are ultimately derived — has its own natural rhythms, constraints, and accountabilities imposed by nature itself. Money that is not anchored in the primary economy severs the signal linking secondary-economy activity to primary-economy realities. The result is a secondary economy that can, for a time, proceed as though primary-economy constraints do not apply — until they reassert themselves in the form of resource depletion, supply disruption, or inflationary collapse. Precious metals — especially gold and silver — are energy embodiments that preserve their value longest, are drawn directly from the primary economy, and are therefore the natural standard against which all other economic value is measured. When money is grounded in such an embodiment, the primary and secondary economies remain in signal contact. When money is issued by legislative decree, that contact is severed.

Marx was right that something was deeply wrong 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. He named the whole arrangement capitalism.

The people actually responsible for the damage — those holding the legal privilege to create money from nothing — adopted that name 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 on real money, without the privilege of creation from nothing, appear on neither side of this argument. The deception has been by design. The Real Money Amendment not only identifies it but corrects it.

The present paper names this arrangement — in its entirety, across all its historical variations from statutory counterfeit to pure fiat — the System of Ex-Nihilo Privilege. The name has three components. “System” reflects that the arrangement is not a fixed standard but a dynamic and adaptive mechanism that has continuously modified its instruments while preserving the underlying privilege intact: from the gold standard to the gold-exchange

standard, from Bretton Woods to pure fiat, the standards have changed; the privilege of creating money from nothing has not. “Ex nihilo” identifies the mechanism: purchasing power created without any corresponding real good or energy embodiment drawn from the primary economy. “Privilege” identifies the legal character: this right is not a market-discovered function 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 thing accurately. It is the System of Ex-Nihilo Privilege that the Real Money Amendment seeks to abolish.

The standard macroeconomic model — Fisher’s $MV = PQ$ — compounds the analytical problem by treating money as a flow rather than a stock. In a flow model, velocity is a free parameter that can be adjusted to make almost any quantity of money consistent with almost any level of output. This design conceals precisely the relationship that matters: the real balance of money held by individual agents relative to their illiquid wealth. The second paper of this trilogy replaces the Fisher flow model with a bottom-up stock model, demonstrating formally that in a real money economy the price of money and the market rate of interest are independently determined, and that the equilibrium condition of a growing productive economy is not price stability but incremental, beneficial deflation. The reader is directed to that paper for the formal treatment.

Section II: The Real Money Alternative

The history of monetary thought contains a clear example of an economy that achieved sophisticated commercial activity without statutory money creation. The Amsterdam Wisselbank, founded in 1609 — eighty-five years before the Bank of England — operated as a public deposit and giro bank. Merchants deposited silver coin of varying quality; the bank credited stable bank florins in ledger accounts valued by fine silver content; large commercial payments were made through book-entry transfer without moving physical metal. The Wisselbank held high reserves against its liabilities and did not lend money into existence. It provided a unified, trusted unit of account for the most commercially sophisticated economy of the seventeenth century without any statutory privilege to create money beyond what it held. The Dutch Republic financed its government through taxation and bond sales backed by specie — not through monetary creation.

The conventional objection to a return to real money — that growing economies require a growing money supply at stable prices — misidentifies the problem. As demonstrated in the second paper of this trilogy, the natural consequence of productivity growth in a real money economy is not harmful deflation but beneficial deflation: a gradual, predictable increase in the purchasing power of money as the quantity of goods and services expands faster than the quantity of money available to purchase them. The historical problem that gave rise to fractional reserve banking was not a shortage of monetary value but a shortage of small-denomination instruments for everyday transactions. Silver and gold are physically difficult and disproportionately expensive to mint in very small units. As the number of small daily transactions grew with commerce and later with industrialization, the friction of large-denomination coin became acute. This is the “Big Problem of Small Change” identified

by Sargent and Velde (2002):⁵ a real and persistent technical constraint of commodity money systems.

The solution to this technical problem does not require statutory money creation. It requires smaller-denomination representations of existing money — paper or electronic claims matched one-to-one with a fixed physical quantity of the underlying metal. This is the key distinction between the proposed system and every form of fractional reserve banking that has preceded it: 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. As the economy grows and prices fall, the purchasing power of money rises. Smaller denominations come into use not because more money has been created, but because existing money has become more valuable per unit and requires smaller fractional paper or electronic representations for daily transactions. Today this is more easily achieved than at any prior point in history: electronic ledgers and precision materials fabrication make the representation of very small quantities of metal entirely practicable at negligible cost.

Bitcoin and similar cryptocurrencies share with the present proposal the goal of a fixed or slowly growing money supply outside government control. They fail, however, on the primary economy criterion: they are born and maintained in the energy-consuming secondary economy, not derived from the earth's primary productive capacity. Central Bank Digital Currencies fail on the opposite ground: they entrench rather than remove the state's privilege to create money, and extend it into a medium that permits granular surveillance and control of individual transactions. Neither cryptocurrency nor CBDC addresses the root of the disease.

Section III: The Real Money Amendment

The following amendment to the Constitution of the United States provides the legal foundation for the proposed cure. It is written as a constitutional provision: principled, concise, and immutable in its core prohibitions. The details of implementation are deliberately left to enabling legislation and the joint commission established in Paragraph 6.

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.

Analysis of the Amendment

Paragraph 1 establishes the anchor. Fixing the dollar to the current market value of the selected specie is a deliberate design decision of fundamental importance that requires careful explanation, because it will be misread by those accustomed to thinking in terms of the quantity of money rather than its value.⁶

The amendment does not require the government to hold a specific quantity of metal behind every existing dollar in circulation. Instead, it establishes that going forward the dollar is defined as a fixed physical quantity of the selected metal at its current market price. Every existing dollar retains its nominal value on the day of ratification. What changes is its

trajectory: because new money can only enter the economy at the rate at which new metal is mined — historically approximately one percent annually — and because real economic output grows at a faster rate, the purchasing power of every existing dollar must appreciate over time. The holder of dollars benefits from this appreciation automatically, in proportion to what they hold. No existing dollar holder is made worse off in nominal terms on the day of ratification.

The phrase “or the market value of same previously established by presidential decree in anticipation of eventual ratification” is not a hypothetical provision. It is a recognition of how monetary change has actually occurred throughout American history. Andrew Jackson dismantled the Second Bank of the United States not through constitutional amendment but through the unilateral withdrawal of federal deposits in 1833 and the Specie Circular of 1836, redirecting the monetary basis of government toward specie by executive order alone. Abraham Lincoln worked with Congress under declared emergency conditions to introduce the greenbacks of 1862 and 1863 — paper money not backed by specie, the constitutional validity of which survived only because emergency necessity expanded the permissible. Franklin Roosevelt issued Executive Order 6102 in April 1933 under the Trading with the Enemy Act of 1917, requiring the surrender of gold coin to Federal Reserve banks by presidential decree; Congress ratified and extended the action with the Gold Reserve Act of 1934. Richard Nixon closed the gold window on August 15, 1971, by executive announcement alone, without congressional authorization or statutory amendment.

The pattern is consistent: when monetary reform has been necessary, the executive has moved first and the legislative has followed — or not, as in 1971. A president who determines that the integrity of the dollar constitutes a national emergency — and 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 is complete. The amendment, upon ratification, validates that decree constitutionally and renders it irrevocable by any future executive. The decree creates the fact; the amendment creates the permanent right.

The constitutional amendment process itself provides a parallel path that does not depend on congressional consent in the first instance. Article V of the Constitution permits two-thirds of the state legislatures to call a constitutional convention for the purpose of proposing amendments, bypassing Congress entirely. 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.

Paragraph 2 establishes the 100-percent reserve requirement for all new representations of the selected specie. No new money in paper, electronic, or any other form may circulate unless backed one-to-one by a corresponding quantity of the selected metal held by its issuer. This ends fractional reserve banking going forward. It does not void existing bank loans or deposit liabilities, which were contracted under the prior system and continue to be serviced from the existing money supply. It means, however, that no new loans may be made from money that does not exist as real, held deposits. Banking is transformed from a money-

creating function into genuine intermediation: banks may lend only what their depositors have entrusted to them. This is precisely what Jean Calvin understood when he distinguished between the right-of-ownership and the right-of-use of money, and what dishonest guildsman-bankers of the seventeenth century — and their institutionalized successors since 1694 — have systematically violated.⁷

Paragraph 3 names the prohibition without ambiguity: no addition to the money supply may be printed, lent, borrowed, or spent into existence. This covers all forms of *money ex nihilo* without exception — central bank asset purchases, commercial bank loan creation, government deficit monetization, and any future variant that legislative ingenuity might devise. The prohibition on the import of overseas counterfeit is equally essential: a domestic sound money system exposed to unlimited importation of foreign fiat currency would be eroded from without as surely as by domestic creation.

Paragraph 4 establishes the Real Money League. League membership requires only two commitments: pegging one's national currency to the selected specie at its current market value, and prohibiting domestic *money ex nihilo*. No world conference is required. No existing international institution need be reformed or dissolved. Nations join voluntarily when they perceive that the benefits — free trade in specie with member nations, the stabilizing discipline of a real money standard, access to the dollar's network as an appreciating reserve asset — outweigh the political costs of surrendering the domestic privilege of money creation. Given the dollar's current role as the world's primary reserve currency, the pull will be substantial: nations whose currencies are currently pegged to the dollar have the most immediate incentive to join. Exit is voluntary but may be requested by any member able to demonstrate that a fellow member is not adhering to league rules — providing enforcement without requiring a supranational authority.

Paragraph 5 provides the constitutional foundation for the transition levy. By inscribing the levy in the amendment itself rather than leaving it to enabling legislation alone, this provision does two things simultaneously. It creates a binding constitutional obligation on Congress to act — not a recommendation that future legislators may ignore — and it signals unmistakably whose interests the amendment serves. Those who have been systematically cheated by the System of Ex-Nihilo Privilege are named as the intended beneficiaries of the remedy not as an afterthought in policy debate, but in the basic law of the republic. The one-time, non-repeatable character of the levy is its constitutional load-bearing element: it distinguishes the provision from a general wealth tax — which would constitute a permanent and general claim by the state on private property — and binds it irrevocably to this specific historical wrong and no other. The phrase “shall not be renewed, extended, or repeated under any circumstance” closes every legislative door. Enabling legislation will establish the threshold and the mechanism of distribution; the constitutional provision ensures that neither the levy nor the relief can be redirected, delayed, or repeated for purposes other than those named here.

Paragraph 6 addresses a structural defect in the existing monetary arrangement: the federal government is simultaneously the primary beneficiary of the System of Ex-Nihilo Privilege and the entity charged with its oversight. A joint state-and-federal commission, with genuine enforcement authority, removes this conflict by giving state governments — which have no

equivalent incentive to perpetuate monetary corruption — an equal voice in the regime’s governance. The history of repeated federal abdication on monetary discipline makes this structural check indispensable.

Paragraph 7 dissolves the Federal Reserve Board. It does not dissolve the Federal Reserve System’s twelve regional banks, which perform genuine clearing, payments, examination, and reporting functions independent of the Board’s money-creation authority. The Board is the locus of the statutory privilege: it is the Board’s decisions that determine when and how much *money ex nihilo* enters the system. Dissolving the Board while preserving the regional infrastructure minimizes disruption to the existing payments system while eliminating the source of the disease. That we not throw out the baby with the very dirty bathwater.

Paragraph 8 requires congressional implementation in good haste. This provision matters because the history of monetary reform is replete with principles ratified and then quietly undermined by delayed or defective enabling legislation. Good haste is not merely a courtesy; it is a constitutional obligation.

Section IV: The Transition

The transition period — roughly the first two to three years following ratification or presidential decree — is where the proposal faces its most serious practical objections and where honest analysis is most essential. Three questions demand direct answers: what happens to bond markets, what happens to government spending, and who bears the cost.

Bond Markets: The Reckoning

The United States currently finances annual deficits of approximately \$1.8 to \$2.0 trillion through the issuance of Treasury bonds, a meaningful portion of which are absorbed by the Federal Reserve through open market operations — money created from nothing to purchase debt created from nothing. Upon ratification of the Real Money Amendment, this circular arrangement ends. The government must sell its bonds exclusively into the existing pool of dollars. No new dollars may be created to purchase them. The Federal Reserve Board is dissolved.

The bond market reprices immediately. In a monetary regime producing approximately 2 percent annual dollar appreciation — the estimated differential between real economic growth of approximately 3 percent and new specie production of approximately 1 percent annually⁸ — a nominal bond yield of 4 percent represents a real yield of approximately 6 percent. Holders of dollars who simply retain their savings gain 2 percent annually in real purchasing power without lending to anyone. For the Treasury market to clear, nominal yields must rise substantially to compensate investors for lending in an appreciating currency. At market-clearing rates, the interest burden on the existing federal debt approaches levels that cannot be serviced from tax revenues without substantial expenditure reduction.

It must be stated plainly: this crisis already exists. The Real Money Amendment does not create it. It reveals it. The existing system conceals a structural insolvency that is real and growing by permitting the government to borrow at rates artificially suppressed by

continuous money creation. The amendment removes the concealment. The patient does not develop cancer upon diagnosis; the diagnosis simply ends the pretense that the patient is well.

In an appreciating dollar environment, the real cost of servicing fixed nominal debt rises over time even at unchanged nominal rates. This creates an asymmetric disciplinary incentive: the government that moves quickly to close its structural deficit faces a manageable transition; the government that delays faces compounding real debt service costs. This is precisely the mechanism of fiscal discipline that the system needs and has lacked for more than fifty years.

Government Spending: Honest Constraint

Under the new regime, every dollar the government spends must be a dollar previously collected in taxes or borrowed from willing holders of existing dollars. There is no third option. For the first time since the practical abandonment of fiscal constraint in the postwar era, the federal government faces a genuine budget constraint of the kind that households, firms, and state governments have always faced.

The immediate requirement is a fiscal adjustment of substantial magnitude, and it should be acknowledged as such. The pain is not the creation of the amendment; it is the accumulated consequence of more than fifty years of borrowing against a future that has now arrived. Two structural features of the new regime make the medium-term trajectory strongly positive. First, in a deflationary environment of approximately 2 percent annually, the real purchasing power of tax revenues increases without any rate change: the government collects more in real terms each year as prices fall and the dollar appreciates. Second, as the structural deficit is eliminated and debt begins to decline, interest payments fall, releasing fiscal resources for genuine public purposes. The long-term fiscal position of the United States improves continuously once the transition is complete.

The Transition Levy: Constitutional Foundation and Practical Rationale

Paragraph 5 of the amendment removes the transition levy from the domain of policy recommendation and gives it the force of fundamental law. This placement is deliberate and load-bearing. A levy left only to enabling legislation can be delayed, diluted, or redirected by the same congressional coalition that benefits from the system being abolished. Inscribed in the amendment itself, the obligation to fund transitional relief is a constitutional commitment — as binding as the prohibition on *money ex nihilo* that precedes it. The amendment thus names, in the same breath, both the remedy and whose interests that remedy must protect.

The transition period imposes acute hardship on those least equipped to bear it: the approximately 30 percent of Americans who are in debt and dependent on government transfers for daily necessities. These individuals did not design the monetary system from which they have failed to benefit. Their poverty and indebtedness are, in substantial measure, the accumulated consequence of systematic wealth transfer from wage earners and small savers to those closest to the source of money creation. They bear the least responsibility for the disease and the most immediate pain of its cure.

The levy's constitutional standing — established by Paragraph 5 of the amendment itself — does not determine its rate, threshold, or distribution mechanism; those are properly left to enabling legislation, as the amendment specifies. What the constitution does determine is that a levy shall occur, that its proceeds shall be dedicated exclusively to transitional relief, and that it shall not be renewed, extended, or repeated under any circumstance. A one-time levy explicitly bounded by the specific historical wrong it addresses is of a categorically different nature from a general wealth tax. It transfers a portion of the advantage gained from three centuries of the System of Ex-Nihilo Privilege back to those who bore its costs.⁹ This is not redistribution in the ideological sense. It is the partial restitution of what was taken through a system whose primary beneficiaries are those on whom the levy falls.

The non-repeatable character of the levy is not a political concession; it is its moral and constitutional cornerstone. A repeatable wealth tax is a general and perpetual claim by the state on private property that ultimately undermines the investment incentives the new monetary regime is designed to restore. A one-time levy, explicitly tied to the termination of the corrupt system from which its payers benefited most, is of a categorically different nature. It is bounded by the specific historical wrong it addresses. Those who surrender a portion of their inflated advantage receive in exchange a monetary system in which their remaining wealth appreciates steadily and honestly, the political instability that attends extreme wealth concentration is reduced, and the private sector can again grow on the basis of real productive output rather than proximity to monetary creation.

The Federal Reserve's own balance sheet — approximately \$7 to \$8 trillion in Treasury securities and agency mortgage-backed securities acquired through decades of asset purchases funded by money created from nothing¹⁰ — represents a particularly clear-cut case for the transition fund. These assets were purchased with money created from nothing. Upon dissolution of the Federal Reserve Board, their disposition is entirely a matter of legislative design. Transferring these assets to a transition relief fund, to be liquidated into existing dollars over a defined period, requires no new money creation and involves no injustice to any party who earned their position in an honest market. The twelve regional Federal Reserve banks, retained under the new commission's supervision, can serve as the institutional infrastructure for this liquidation.

Section V: The Consideration Problem

There is a dimension of the current banking system's corruption that reaches into the foundations of contract law and that the Real Money Amendment resolves directly, though it has received insufficient attention in the monetary reform literature.¹¹

In common law contract theory, the principle of consideration holds that no binding obligation can arise from a promise without something of genuine value given in exchange by each party. I promise to pay you one hundred dollars; you promise to deliver one hundred dollars' worth of goods or services. Each party gives consideration. The contract is enforceable because both sides have real stakes.

When a commercial bank extends a mortgage loan, it credits the borrower's account with

newly created dollars. It has given something of apparent value. But what has it actually surrendered? Under fractional reserve banking, the credit costs the bank nothing beyond a bookkeeping entry and whatever regulatory capital must be held in reserve. The bank has not surrendered purchasing power it previously possessed; it has created new purchasing power from nothing. In the strict sense of the principle of consideration, the bank has provided no consideration.

Yet when the borrower defaults, the bank brings its claim before a court, presents a contract, and pursues real property — a house, a farm, an enterprise — of equivalent nominal value to the sum lent. The court, following established procedure, awards the bank real wealth in satisfaction of a claim that originated in a bookkeeping entry. The bank has taken real wealth in exchange for something that cost it nothing to produce. This structural asymmetry cannot be corrected by regulation because it is embedded in the nature of fractional reserve lending itself. Every regulatory reform that preserves the privilege of money creation preserves the asymmetry.

The Real Money Amendment closes this gap directly. Under 100-percent reserve banking, a bank can only lend what it actually holds. When it lends \$500,000, it has genuinely surrendered the use of \$500,000 of real deposits entrusted to it by its depositors. It has given consideration in the strict legal sense. Its claim upon default is honest. The relationship between lender and borrower is restored to the basis on which Calvin understood it, and on which every other commercial contract in a free market is supposed to rest.

An instructive institutional parallel may be drawn with vaccine manufacturer liability immunity, established in the United States since 1986.¹² In both cases — banking and vaccine manufacture — a legislative grant of immunity from ordinary legal consequence has permitted an industry to externalize its risks onto the public while retaining the private gains. In both cases, the regulatory bodies designed to protect the public have been progressively captured by the industries they regulate. The Real Money Amendment ends this institutional capture in the monetary domain as cleanly and as permanently as a constitutional provision can achieve.

Conclusion

In February 1937, Irving Fisher told President Roosevelt that established practices, when retrogressive, have to be disestablished. He was right in his diagnosis and right in his general prescription: fractional reserve banking must be disestablished, not reformed. Regulatory reform of fractional reserve banking is a contradiction in terms. The privilege it proposes to reform is precisely the privilege that gives banking its extraordinary profitability and the state its extraordinary fiscal latitude. Neither will surrender it voluntarily to a regulatory adjustment.

Where Fisher erred was in proposing fiat currency as the vessel for 100-percent reserve banking. His proposal would have replaced one instrument of money creation with another, giving the government an unconstrained printing privilege in place of the banking industry's fractional reserve privilege. One poison for another. The present proposal makes no such

substitution. It returns the basis of money to the earth, where the rate of addition to the money supply is governed not by the decisions of a small number of privileged institutions but by the combined forces of geology, technology, and the capital investments of those who extract the metal from the ground.

Pierre-Joseph Proudhon, the nineteenth-century political theorist, demonstrated that the right to private property is not a natural right in the philosophical sense, and that the concentration of land in few hands is among the chief sources of human inequality.¹³ He nevertheless conceded what property's defenders have always known: that a small piece of gold, formed into coin or bullion, is a piece of real wealth that everyone can own and from which everyone benefits when its value rises with the productive output of the economy as a whole. In a monetary system grounded in gold or silver, the appreciation of the money's purchasing power with the growth of the economy is shared by every holder of the currency in proportion to what they hold. The worker who saves ten dollars in real money participates in the same upward revaluation of the monetary unit as the financier who holds ten million.

This is what the Founders of the American republic understood when they grounded the new nation's monetary system in specie, and what three centuries of monetary corruption have systematically undone.¹⁴ The Real Money Amendment restores that foundation — not as nostalgia for a simpler past, but as the precondition for a future in which the productive efforts of ordinary citizens are not continuously taxed by the privilege of those who create the money against which those efforts are compensated.

The path to restoration is exactly as simple, and exactly as difficult, as removing a privilege that has been embedded in law for more than three hundred years. The argument for that removal has never been stronger. The fiscal and monetary conditions that make it urgent have never been more acute. What stands between the present disorder and the proposed remedy is not a technical obstacle but a political one: the concentrated interest of those who benefit from the existing arrangement, and the diffuse ignorance of those who do not yet understand that they bear its cost.

Understanding is the first step.

Notes

¹Roddy A. Stegemann. 2024. "A Call for the Restoration of Monetary Order (I): Monetary Grand Theft." Presented at the 99th Annual WEAI Conference, Seattle, Washington. Available at: https://cambitas.spiritof2021.online/documents/monetary_grand_theft.pdf

²Irving Fisher. 1937. "100% Reserves — An Old System Adapted to Modern Needs." Prepublication manuscript submitted with letter to Franklin D. Roosevelt, February 10, 1937.

³Ludwig von Mises. 1912. *Theorie des Geldes und der Umlaufsmittel*. 2nd Edition (1924). Leipzig: Verlag von Duncker und Humboldt. Translated as *The Theory of Money and Credit*. Note: the author rejects the standard translation of *Umlaufsmittel* as "credit," as statutory counterfeit can be spent as well as lent into existence, and credit need not take the form of statutory counterfeit.

⁴Roy Sebag. 2022. *The Natural Order of Money*. United Kingdom: Goldmoney Publishing; Canada: Chelsea Green Publishing, 2023.

⁵Thomas J. Sargent and François R. Velde. 2002. *The Big Problem of Small Change*. Princeton University Press.

⁶The gold-versus-silver question is deferred to a subsequent paper. The present amendment accommodates either metal. Bimetallism — the simultaneous use of both at a fixed legal ratio — is explicitly excluded by the phrase “not both” in Paragraph 1.

⁷Jean Calvin. 1559/1560. *Institution de la religion chrétienne*. Final Latin and French editions. Calvin’s distinction between money-in-exchange and money-in-use is developed formally in Paper II of this trilogy.

⁸World Gold Council supply data (2022): average annual gold production approximately 2,300–2,500 metric tons against an estimated above-ground stock of 205,238 metric tons, yielding approximately 1.17% annual growth. Silver: approximately 18,000–20,000 metric tons annually against 1,740,000 metric tons estimated stock, yielding approximately 1.09% annual growth.

⁹The one-time, non-repeatable character of the transition levy is essential to its moral and legal legitimacy. It is bounded by the specific historical wrong it addresses and does not establish a general state power of wealth confiscation. Enabling legislation should define the threshold, rate, and duration of the levy with constitutional precision.

¹⁰Federal Reserve balance sheet assets as of late 2024 were approximately \$7.0–\$7.5 trillion, consisting primarily of US Treasury securities and agency mortgage-backed securities acquired through successive rounds of quantitative easing beginning in 2008.

¹¹The principle of consideration in common law contract theory holds that a contract is binding only when each party gives something of genuine value. The formal treatment of the credit constraint under real money is developed in Paper II of this trilogy and in Jesús Huerta de Soto, *Money, Bank Credit, and Economic Cycles*, 3rd Edition. Chapter 1 — The Legal Nature of the Monetary Irregular-Deposit Contract. 2012.

¹²Pub. L. 99–660, National Childhood Vaccine Injury Act of 1986, Section 300aa-22(b)(1): “No vaccine manufacturer shall be liable in a civil action for damages arising from a vaccine-related injury or death associated with the administration of a vaccine after October 1, 1988, if the injury or death resulted from side effects that were unavoidable.”

¹³Pierre-Joseph Proudhon. 1840. *Qu’est-ce que la propriété? Ou, Recherche sur le principe du Droit et du Gouvernement*. Paris.

¹⁴Thomas Jefferson et al. 1776. *Declaration of Independence*. National Archives. <https://www.archives.gov/founding-docs/declaration-transcript>

Notes 2 and 7 (referenced together at p. 1):

2. Roddy A. Stegemann. 2025. “A Call for the Restoration of Monetary Order (II): Real Balances.” Submitted for publication. Available at: https://cambitas.spiritof2021.online/documents/real_balances.pdf

7. Jean Calvin. 1559/1560. *Institution de la religion chrétienne*. Final Latin and French editions. Calvin's distinction between money-in-exchange and money-in-use is developed formally in Paper II of this trilogy.

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