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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

March 18, 1975

The Honorable Philip A. Hart
United States Senate
Washington, D.C. 20510

Dear Senator Hart:

I am writing in response to your request for comment on the enclosed letter from Mr. J. Gordon Lott of Royal Oak, Michigan, who raises a question regarding the power of the Federal government to authorize the issuance of Federal Reserve notes. Mr. Lott believes that it is unlawful for Federal Reserve Banks to issue Federal Reserve notes that are not redeemable in gold or silver.

* The statutory authority for the creation and issuance of Federal Reserve notes is provided by Sec. 16 of the Federal Reserve Act (12 U.S.C. 411). This section provides that Federal Reserve notes "shall be obligations of the United States and shall be receivable by all national and member banks and Federal Reserve Banks and for all taxes, customs, and other public dues." Further, another statute (31 U.S.C. 392) provides that "[a]ll coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve banks and national banking associations), regardless of when coined or issued, shall be legal tender for all debts, public and private, public charges, taxes, duties, and dues." The Board's Legal Division is aware of no instance where these statutory provisions have been successfully challenged in a court of law.

We have been advised by the Federal Reserve Bank of Minneapolis that the decision Mr. Lott refers to was summarily overruled by the Supreme Court of Minnesota shortly after it was issued and is, therefore, ineffective. Accordingly, it appears that Federal Reserve notes continue to be issued pursuant to valid Federal statutory authority.

I hope this information proves helpful to you. Please let me know if I can be of further assistance.

Sincerely yours,

John S. Rippey
John S. Rippey
Assistant to the Board

Enclosure

(over)

* These Statutes(?) DO NOT HAVE THE POWER TO OVERRIDE THE "CHECKS & BALANCES" IN THE FEDERAL CONSTITUTION WHICH DEAL WITH THE BASIC STRUCTURE OF A SECURED, FIXED VALUE COMMODITY MONEY, BASED ON SILVER & GOLD WHOSE "VALUE", QUANTITY & QUALITY, IS FROZEN BY LAW AND CANNOT BE CHANGED! FOR AFTER BEING PUT INTO "PUBLIC OPERATION" ANY CHANGE OF THIS "VALUE", UP OR DOWN, WOULD VIOLATE THE PROHIBITION THAT THERE SHALL BE NO LAW ENACTED WHICH "IMPAIRS THE OBLIGATIONS OF CONTRACTS" AND IT IS CLEAR TO REASON THAT THE CHANGE OF THE "VALUE" OF THE "MONEY" WOULD MAKE ALL OF THE "CONTRACTS OBLIGATIONS" MEANINGLESS, UNCERTAIN, & ARBITRARY, BY THE ACTS OF A FEW LEGISLATORS. NOW THE OFFICERS OF THIS CENTRAL PRIVATE BANK MAKE THESE CHANGES OF "VALUE" AT WILL AND HOLD YOUR ECONOMIC DESTINY IN "THE HOLLOW OF THEIR HANDS" FOR THEY ACT IN TOTAL SECRECY!

"Involuntary Servitude" ?

U.S. Constitution; Art.1, Sec. 10; Impairment, Contract Obligations. 13th Amendment; Involuntary Servitude. Peonage.

Mich. State Constitution; Art. 1, Sec. 9; Involuntary Servitude. Peonage. Art.1, Sec. 10; Impairment, Contract Obligations.

U.S. Supreme Court; Peonage Defined. (case) Bailey v. Alabama; 219 U.S. 219; 31 S. Ct. 145; 55 L. Ed. 191. (1911)

U.S. Code; Title 42, Sec. 1994; PEONAGE ABOLISHED FOREVER. (reference; 13th Amendment)

U.S. Code; Title 18, Sec. 1581; PEONAGE; OBSTRUCTING ENFORCEMENT. IT IS A FELONY CRIME TO HOLD OR RETURN A PERSON TO A CONDITION OF PEONAGE. INVOLUNTARY SERVITUDE.

CHECKS & BALANCES : SEPARATION OF POWERS

When all of the States ARE ORDERED by Article 1, Section 10, Clause 1, of the Federal Constitution to "NOT MAKE any Thing but gold and silver Coin a Tender in Payment of Debts"; how then can a legislative act of the Federal Congress FORCE these States to adopt a different system or how can these States ignore the COMMAND of the Constitution and accept a DIFFERENT MONETARY SYSTEM? What we have today is CLEARLY UNLAWFUL and UNCONSTITUTIONAL!

WE ARE NOW A SOCIETY OF PEONS! IN A PERMANENT UNLIMITED DEBT STATUS TO "OUR MASTERS" WHO DESIGNED THIS SYSTEM, THE FEDERAL RESERVE BANK AND THE FEDERAL CONGRESS OF THE UNITED STATES. OUR REPRESENTATIVES?????

Black's Law Dictionary, 5th Edition, 1979, p. 1067: PRESUMPTION - "The better rule is that once evidence tending to rebut the presumption is introduced, the presumption loses all its force."