Issue 34

Message: 1
Date: Thu, 12 Jul 2018 02:59:26 -0400
From: "Sue" <peters.s@startmail.com>
To: natlcomvotes@green.gpus.org
Subject: [usgp-nc] [Fwd: Discussion Has Begun on GP-US Proposal: ID
918 ??????? - 2018 Platform Amendment - Fair Taxation]
Message-ID: <113b299b630d51618d58c9fde7180665.startmail@startmail.com>
Content-Type: text/plain; charset="utf-8"; format="flowed"

Mr. Firestone,

Again, I say that you do not know how bookkeeping works.

For my career, I designed business data processing systems for Wall Street firms. Most of my experience involved the accounting of the institutions. My last 15 years was spent in the corporate checking accounts of a Wall Street bank.

MOVING MONEY BETWEEN ACCOUNTS: When money is moved from one account to another, two transactions are created, at the same time. The first takes money out of the sending account (known as debiting the account); the other puts money into the receiving account (known as crediting the account). This is basic bookkeeping operations. Both transactions are required to be created at the same time and processed together.

At the beginning of banking, it was done by hand. Today it is done by computers.

Let’s look at the accounts at the New York Fed.

PAYING MY TAXES: When I pay my taxes, IRS deposits my check into the Treasury account. As a result, my bank’s reserves are marked down; the Treasury reserves are marked up. The reserves are moved. This is done by creating two transactions. The first removes the reserves from the bank’s account. The second adds the reserves to the Treasury’s account.

This is basic bookkeeping operations. It is called moving money between accounts.

You insist on using the terms ‘destroying’ the bank reserves, and ‘creating’ the Treasury

reserves. I believe you want to use the word ‘creating’ because you want to believe the NY Fed Bank can create reserves for the Treasury account. BY LAW, the NY Fed Bank is not allowed to create reserves for the Treasury account.

The bankers wrote the 1913 Federal Reserve Law. They designed this system to keep our government in debt and to enrich their banks and the corporations that have grown up around them. ‘Greening the Dollar’ in the current platform removes this system and gives back to Congress the power to issue debt-free money. Our colonial legislatures created colonial script; Lincoln's Congress created Greenbacks; and we can create debt-free U.S. Money.

Please study the website GreensForMonetaryReform.org. Come to my panel at Salt Lake City on Greening the Dollar and funding the Green New Deal. Our federal government will no longer have to borrow and the debt can be paid off.

Sue Peters
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Member, NYS GP State Committee
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Issue 36

Message: 2
Date: Thu, 12 Jul 2018 18:28:44 -0400 (EDT)
From: Joe Firestone <eisai@comcast.net>
To: National Committee Votes and GP-US Work
<natlcomvotes@green.gpus.org>
Subject: Re: [usgp-nc] [Fwd: Discussion Has Begun on GP-US Proposal:
ID 918 ??????? - 2018 Platform Amendment - Fair Taxation]
Message-ID: <696989061.691211.1531434524718@connect.xfinity.com>
Content-Type: text/plain; charset=UTF-8

Adviser Peters,

Thank you for your reply.

I don't believe you and I disagree on the basics of the bookkeeping, but we certainly disagree on the terminology that ought to be used and its meaning. You said:

"You insist on using the terms ‘destroying’ bank reserves, and ‘creating’ Treasury reserves. I believe you want to use the word ‘creating’ because you want to believe the NY Fed Bank can create reserves for the Treasury account. BY LAW, the NY Fed Bank is NOT ALLOWED to create reserves for the Treasury
account.

The Treasury must get reserves either from taxes or borrowing."

I do insist on using the terms "destroying" and "creating" because that's what marking down and marking up balances in bank accounts does to reserves in accounts. And I also believe that you are wrong that the Treasury must get reserves in its spending account only from either from taxing or borrowing. Here's why:

While I agree that BY LAW the NY Fed bank is not allowed to create reserves for the Treasury spending as an act of extending credit to the Treasury, I also know that there are other ways for Treasury to get reserves other than by depositing tax payments and securities sales proceeds in its account. Here is a list of ways.

(1) The Treasury can sell government assets to the Fed or the public or options on those assets and deposit the proceeds in its account. There are many different asset classes that may be sold including a variety of material and cultural assets of the Federal government.

(2) The Treasury can mint coins and deposit those coins into its accounts getting reserves in return. The proposal to mint 1 oz. platinum coins worth $1 Trillion or more dollars that came into public view in 2011 as a possible solution to debt ceiling crisis was based on this idea and the authority provided to Treasury by a 1996 coin law.

(3) The US Supreme Court can order the Fed to place reserves in the Treasury spending account to resolve a debt ceiling crisis after an appeal to the 14th amendment Section Four by the President.

In addition, to the above, which can be done under current law there is also an easy way for Congress change the law to produce reserves necessary for Treasury to easily spend its appropriations and repay all the principal and interest on Federal debt instruments within any time period. Here is some quasi-legislative language a progressive/Green Congress can add to its appropriations, CR, and other funding bills to make this happen:

"Upon passage of this appropriations bill, the Federal Reserve is directed to fill the Treasury?s spending account at the New York Federal Reserve with the addition to its Reserve Balance necessary to spend this appropriation. In addition, the Federal Reserve is directed to fill the Treasury spending account with the additions to the Treasury Reserve balances necessary to repay all outstanding debt instruments including principal and interest as they fall due for the fiscal year of this appropriation."

Concluding, I do think that the Treasury can get the Fed to add reserves to it spending account under current law, and I do want people to believe that. I've also written a kindle book about that and its implications for progressive/Green policy agendas. <http://amzn.to/Z7kG5q>

In addition, I think that the easy change to current Congressional appropriations practices mentioned above can also transcend taxing and borrowing and allow us to remove the constraints upon fiscal policy we've been living with; and yes, I've been emphasizing "taxes don't fund spending" because the narrative that phrase evokes is one that emphasizes Congress's role in facilitating spending and the Fed's role in actually enabling the Treasury to implement it.

I also think there are many mechanisms Treasury can use under current law to "trigger" the Fed to create reserves in the Treasury account, and that the authority the Fed is using to create the HPM reserves Treasury needs to later spend into the economy is the authority it received from the Congress to create Federal money, rather than the authority that other banks have to create bank credits which they derive from being part of the Fed system itself and always having access to the HPM reserves they are required to have by law to continue making loans and creating new bank deposits "out of thin air."

Thanks again for your reply.

Best Regards,

Joe Firestone, Ph.D.
Adviser, GPUS National Platform Committee