

GERTRUDE COOGAN'S BLUFF

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Greenback Populism as Conservative Economics

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INTRODUCTION

GERTRUDE COOGAN is not a household name. She never was. But, because of recent political and economic events, her ideas are getting a hearing in conservative circles. This report is my attempt, in the phrase of B-Westerns in the late 1930s, to head these ideas off at the pass.

“End the Fed.” With these words, Congressman Ron Paul has mobilized a small army of political activists who did not know what the Federal Reserve System was in 2005. This three-word slogan is the culmination of Austrian School economist Murray Rothbard’s work, which began in the 1950s. People who had never heard of central banking in 2005 now know that the Fed has been at the heart of the Federal government’s attempt to save the big banks. They do not approve. I certainly share their antipathy. All of this has increased the demand for Austrian School economics materials as never before. The Mises Institute has benefited greatly.

But the Mises Institute is not the only beneficiary. Unbeknownst to the vast majority of people who now call themselves conservatives another movement has benefited. It also has been critical of fractional reserve banking. It also has been critical of the Federal Reserve System. It also has published books against the Fed—books that extend back to the days before the Fed was created by Federal law in 1913. This movement is an extension of nineteenth-century Populism, which itself was an extension of an earlier movement devoted to the creation of a system of pure fiat money, a system run by the Federal government. This movement had its own political party in the 1880s: the Greenback Party, also known as the Greenback Labor Party. In 1890, this party merged with the newly formed People’s Party, known as the Populist Party, three years after the Populist Party came into existence. Congressman James Weaver, the Greenback Party’s leader, was the Populist Party’s first nominee for President in 1892. He carried four states. The most famous spokesman for Populist Party ideals was the far-left, anti-gold standard politician William Jennings Bryan, who received the Populists’ nomination in 1896, the year that he first received the Democrats’ nomination. The Populist Party ended after 1908, the year of Bryan’s third loss as a nominee.

The anti-Fed campaign has helped the sales of a book written by a lawyer, Ellen Brown: *The Web of Debt* (2006). It has gone into multiple

printings. Brown is forthrightly a Populist and Greenbacker. Hers is the fiat-money economics of neo-Populism. This is the culmination of at least half a century of sporadic attempts by Greenbackers to infiltrate almost every right-wing movement in this country.

I first began monitoring them in 1961. I began collecting Greenback books. I had a large enough collection in 1962 to enter a library collection contest at UCLA as an undergraduate.¹ I have written about them for 45 years. They have operated under the radar inside American conservatism. Ellen Brown's book is the first one to have gotten traction within the wider conservative movement. I have called these people false-flag infiltrators.²

Over the past six decades, a series of tiny publishing houses and self-published authors have produced books comparable to *Web of Debt*. These have been written by authors like Wycliffe B. Vennard, H. S. Kenan, Congressman McFadden, Whitney Slocum, Frederick Soddy, R. McNair Wilson, A. N. Field, Arthur Kitson. In the 1930s, the Greenbackers' most famous promoter was Father Charles Coughlin, who had initially been a supporter of the New Deal, but who turned on Roosevelt and built a national audience on the radio. His anti-bank, anti-Semitic broadcasts gained millions of listeners. His book, *Money! Questions and Answers*, was pure Greenbackism.³ The Greenbackers' most famous representative in Congress was Wright Patman, who from 1963 to 1975 was the Chairman of the House Banking Committee. A long-forgotten ally of Patman's in the early 1940s was Congressman Jerry Voorhis, who was defeated by Richard Nixon in 1946 in Nixon's first campaign. Voorhis was a political leftist.

Until the publication of *Web of Debt* in 2006, Gertrude Coogan was quoted as often as any of them, so I have selected her work as representative. I deal with Ellen Brown in a free department on my Website, www.GaryNorth.com. Brown's theory of money and her theory of Abraham Lincoln as the representative figure of Greenbackism are found in Coogan's two books. If Coogan was wrong, Brown is equally wrong.

The Greenback movement is tied to the old Populist hatred of the

¹I did not win. Someone had assembled a collection of the poetry of Robinson Jeffers, who had died a few months before.

²<http://LewRockwell.com/north/north715.html>.

³Charles E. Coughlin, *Money! Questions and Answers* (Royal Oak, Michigan: National Union for Social Justice, 1936).

“International Banking Conspiracy.” This frequently drifts into anti-semitism, since the “International Jewish Banking Conspiracy” is always just around the corner. Roman Catholics (Coogan, Coughlin, Father Denis Fahey) have been prominent in the movement, although Protestant fundamentalists are just as numerous, but they are seldom the “intellectual” leaders. In addition, Anglo-Israelites have been Greenback supporters. See C. F. Parker, *Moses the Economist* (London: Covenant Publishing Co., 1947) or J. Taylor Peddie, *The Economic Mechanism of Scripture* (London: Williams and Norgate, 1934). In case after case, the advocates of Greenbackism try to make their economic system the only true “Christian” one.

KEYNES AND GREENBACKISM

CONSERVATIVES should be aware of the fact that their organizations are constantly subject to subversion by anti-conservative forces. This is a fact of life. Sadly, many conservatives are not aware of the fact that it is as easy, perhaps easier, for the opposition to paralyze conservative action by means of fallacious ideas. Subversion need not always be personal; it can often be intellectual. The tendency of conservatives to personalize their enemies makes intellectual subversion even more likely. All that needs to be done is to import the alien ideas through ostensibly conservative individuals. Unless the ideas are recognized for what they are, and not just in terms of who is advocating them, the take-over will be complete, without a shot being fired or a subversive elected.

In our day, the economist who has become the symbol of Liberal ideology is John Maynard Keynes, and rightly so. The influence of Keynesian ideas is widespread, especially in the universities. This triumph was secure by the late 1950s.⁴ It is as true today as it was then, given the West’s reaction to the economic crisis of 2008: deficit spending and monetary inflation. Keynes’s system of economics is at odds with the idea of monetary stability. The ironic fact is that the very policies recommended

⁴In 1959, Robert Lekachman wrote: “John Maynard Keynes was the twentieth century’s most influential economist. In fact, it is necessary to go back to Alfred Marshall to find an economist equally effective with professional colleagues, and to David Ricardo for an illustration of equal impact upon public policy.” Robert Lekachman, *A History of Economic Ideas* (New York: Harper & Row, 1959), p. 331.

by Keynes—the same rationalizations for the increase of State controls on the economy—are dear to the hearts of many self-proclaimed anti-Keynesians. Not having read Keynes, and not having digested the ideas of any serious economist, unsuspecting conservatives are frequently misled into advocating crude, but nonetheless dangerous, Keynesian-type economic policies. If this should become widespread, then the conservative movement could be easily sidetracked. As I shall demonstrate, Gertrude Coogan’s recommendations on monetary policy are close to those made famous by Lord Keynes.

Greenback books are occasionally valuable for the historical information which they contain, although much of this information is not properly documented. Still, it cannot be denied that the authors have uncovered some interesting pieces of historical information, factual material seldom found in other contemporary literature, other than Austrian School criticisms of the Fed. The threat these books pose for the conservative movement is that many people will be misled into believing that the accuracy of the historical material must testify to the accuracy of the economic framework in which this material is presented. Courage in publishing controversial historical studies does not guarantee the soundness of economic outlook of these books. In short, just because these books at times seem conservative from the historical point of view, conservatives must not be deceived into believing that their economic recommendations are equally conservative. The old line is not true: “The enemy of my enemy is my friend.” The Populist Left has always hated the Federal Reserve System, not because its policies are inflationary, but because the 12 regional Federal Reserve banks are privately owned. Also, the Fed charges interest. Greenbackers believe that loans should be made by the Federal government in fiat money without interest charges. The Federal government should therefore control the flow of credit.

In my attempt to demonstrate the validity of my charge of “creeping Keynesianism” within the Greenback, neo-Populist movement, I selected Gertrude Coogan’s two books as primary documentation. She was the only one of these writers who apparently had any formal economic training, holding a master’s degree in commerce from Northwestern University. While formal training hardly guarantees an individual’s grasp of economics, nor lack of it necessarily consigns a person to the economists’ limbo, formal training is a sign that the individual is serious enough to

be listened to. So we shall listen to Miss Coogan at length. I hasten to point out, however, that Miss Coogan's work, both academically and professionally, has not been along theoretical lines primarily, but rather along statistical lines. This statistical orientation reflects itself in the two Coogan volumes under consideration, as I shall point out later.

LAWFUL MONEY EXPLAINED

THE FIRST book to be examined, appropriately enough, is her attempt at a theoretical explanation of the nature of money, *Lawful Money Explained*, first published in 1939. It was a supplement to her larger book, *Money Creators* (1935), which I analyze in the next section. The reader can judge from her statement of "first principles" just how accurate her practical recommendations are likely to be. If her theories should prove to be unsound, then the reader is advised to proceed very cautiously into her other book, *Money Creators*, carefully examining each of her proposals for monetary reform.

Her opening statement in *Lawful Money Explained* is correct historically: "Those who would destroy freedom know the surest and quickest method is first to pervert and then manipulate the money system" (Lecture No. 1; the book has no page numbering, so I can only list the number of the particular lecture).

What, then, is money? Her definition:

Owning money is legal evidence that the owner has given up something, goods (property) or services (work) and has not yet claimed an equivalent amount of the goods and services of others. . . . Money is a legal demand claim on all goods for sale (No. 3).
[In any direct quote where emphasis occurs, that emphasis is hers, not mine.]

Here is her first important error. She begins with a totally fallacious definition of money and money's legal prerogatives.

First, the owner of the money may not have given up anything at all. He may have found the money, or perhaps he inherited it; someone may once have worked for it, but the present owner need not concern himself with that fact, nor does any prospective seller.

Second, money is not a legal demand claim on all goods offered for sale. The possession of money, by itself, does not give its possessor either a moral or a legal claim to all goods available. For example, someone who is drunk has no legal claim on another drink in a public tavern, in spite of the fact that he holds money as a “demand claim.” The sellers have some discretion in the matter of sales, and any economic system that calls itself capitalist must see to it that the rights of the sellers be preserved. We must not begin with the idea of money as a legal “demand claim on all goods for sale.”

If Coogan’s definition of money is incorrect, then what is money? In this essay, the primary authority in the question of money is Ludwig von Mises, whose book, *The Theory of Money and Credit*, has been a standard free enterprise text since it was first published in 1912.⁵

In Mises’s view, money was *originally a commodity*, i.e., an economic good, which became widely used as a medium of exchange. Originally, any object that presently circulates as a medium of exchange had another use, usually artistic or ornamental or even religious. Occasionally, as in the case of salt, it may even have been a consumption good. The main point is that the particular good was once valued for some service other than its exchangeability. Mises said specifically that “no good can be employed for the function of a medium of exchange which at the very beginning of its use for this purpose did not have exchange value on account of other employments.”⁶

Certain goods had definite properties—durability, easy divisibility, portability, and especially *scarcity*—that other goods lack to the same degree. These goods became easier to exchange than other goods. The more that people realized how easy it was to exchange these goods, the more these goods became desired purely as exchange media rather than as ornaments. This type of exchange media is known as “commodity money.” Its chief mark of distinction is that it, unlike all other goods, is not valued for its ultimate use in consumption, but primarily as a means of exchange that many people trust and similarly value. These goods can also be used for ornament or industry, as they were originally, but then

⁵Ludwig von Mises, *The Theory of Money and Credit* (Foundation for Economic Education, [1912] 1971). Downloaded it for free here: <http://mises.org/books/tmc.pdf>

⁶Mises, *Human Action*, 3rd ed. (Chicago: Regnery, 1966), p. 410.

they are no longer money.⁷

Money is not a legal demand claim to all goods, nor a storehouse of labor, but merely a useful commodity that is usually, but not necessarily always, accepted by others in exchange for consumption goods or production goods. Money is merely *the most marketable good* available, due to the special physical properties it has, and also to the historically developed acceptance of it as a medium of exchange. It is really quite simple.

PAPER MONEY'S VALUE

Paper money derives its value from the fact that it originally represented certain quantities of the money commodities, normally gold and silver. A paper bill was originally a demand claim, not to all goods offered for sale, but only to specific weight and fineness of a specific money metal. Very simply, it was an IOU for *specie* (money metal). These paper claims operated in exactly the same way as did the metals they represented, for the owner of the paper knew that he could present the paper claim to the Treasury or to a bank or to a warehouse and receive the stated quantity of metal. If for some reason the metal should lose its popularity as a medium of exchange, then the paper IOU notes would also lose popularity, because the notes are representatives of the metal. This is the “mystery” of paper money. There is nothing mysterious about it. The paper bills are demand claims on past goods (goods being stored somewhere), and not, as Miss Coogan argued, to future goods (goods to be offered for sale by some seller). *The paper note initially is valued only because the metal it represents is valued.* The owner of the bill legally owns the warehoused metal. If someone else wants to own some metal, he may decide to trade something he owns for the bill. The arrangement is strictly voluntary.

How did Miss Coogan view gold and silver? She saw them as commodities which are the same as any other goods, but which bear the seal of the national government.

If the Common Authority swept away the regulations, gold would immediately sink to the rank of a commodity. No one would

⁷The value of gold or silver as a medium of exchange increases its respective value over what it would have been worth for ornamental or industrial purposes alone. Mises, *Money and Credit*, pp. 105–106, especially the citation from John Law, of which Mises approves, p. 106 n.

accept the gold but those who needed it for use as a commodity. No one would be obliged to accept gold in payment of debts and contracts. . . . Gold could then be used only to barter. Gold would no longer be money! (No. 3)

That is precisely the point! Gold is used for barter in the strict sense of the word. Gold is used in trade, in exchange. It is indirect exchange, however; a man trades in order to obtain gold, not because he can eat the gold, but because he can trade it for a consumption good at a later date. And in a free market no one is obliged to accept gold in payment, as Coogan implied. She argued that it is only because governments have declared gold to be *legal tender*—acceptable in every exchange by law—that people accept gold as money. But, for all practical purposes, gold’s legal tender status is the result of a law added after the fact of gold’s widespread acceptance in exchange. People already accepted gold and silver voluntarily. The danger came when the State began to mint the coins, and later began to debase them. Then the legal tender laws were passed. People were thereafter coerced by the State to accept debased currency at its old, pre-debasement, value. This was a form of price control: a denial of economic liberty.

Coogan then made this statement: “Because barter is so rude and inexact, any one can see its logical outcome. It is economic slavery” (No. 3). I can see no logic here at all. Only on the assumption that upon the withdrawal of the government stamp, gold would lose its character as a medium of exchange, could such chaos, such “slavery,” take place. But gold was used as an exchange item before the State stamped it (as in the gold rush days in California when bags of gold dust served as money). Why should gold suddenly revert to its old value as a mere ornamental or industrial good? There is, obviously, no answer. Gold is used as money because people voluntarily choose to use it, not because the State originally stamped it. To say that it is money because the State stamps it is a complete reversal of the truth. The State only certifies that the coins are truly the weight and fineness that they claim to be. This may aid certain coins, the stamped ones, in gaining public acceptance, but it is hardly the sole reason why the coins are accepted as money, as exchange goods.

Coogan’s erroneous assumption that gold and silver coins are used as money only because the State stamps them led her to her next false conclusion. She then argued that the reason why otherwise cheap paper

has value as money is because the State also stamps the paper. The bills are not “as good as gold” because they are legal IOU notes for gold; they are as good as gold because both gold and paper are said to be money by the State. Paper can be money because “it is the declaration by the Common Authority ‘*This is Money*’ that makes it money.” For this reason, she concluded, the State must monopolize the coinage, or even better, monopolize the *printing* of money. In short, the State has become God, creating money by fiat, endowing its citizens with all the wealth that money can buy, merely by stamping an otherwise worthless bill with some official State ink. With this mystical power, which she never bothered to explain, the State is able to create money. How the State has been endowed with this mysterious power she never said. Yet somehow it is there. Apparently *magic* is the basis of her economic explanations; it is certain that logical analysis plays little part.

A STATE MONOPOLY

She admitted that money manipulation is the chief cause of economic slavery, yet she would have turned the power of money manipulation and money creation over to the State, to be used only by the State, as a *legal monopoly*! She had exceedingly great confidence in the reliability of the State bureaucracy—a tenet of faith that is not generally recognized as part of a conservative credo.

Why a State monopoly? Because if gold mines could alter the supply of money, if “gold were declared to be money and any *private entity* who owned gold could, at will, order it imprinted with the Sovereign Seal and thus declared to be *money*,” then private persons could control the supply of money. “What legitimate right have a privileged few to alter the total volume of U.S. money either up or down?” This third lecture is a confused piece of logic.

In the first place, gold does not have to be declared to be money. It is already money by usage and private custom alone. Secondly, the “Sovereign Seal” is not needed to make it money. Third, gold miners do add money to the nation’s supply, for all the gold not going for industry and ornament will wind up in the money supply.⁸ Finally, there is nothing morally or economically wrong with gold miners being permitted to sell

⁸Gary North, “Gold’s Dust.” *The Freeman* (October 1969). <http://bit.ly/DustyGold>

a produced good on the open market if they so desire. The question of the State seal is superfluous for monetary theory. The seal only certifies that the coin really is of the weight and fineness that its bearer declares it to be.

Money is a highly marketable good because individuals find it useful in trade. The question of money, therefore, is intimately linked to the problem of economic value. So far, I have presented the origin of money in terms of people's subjective decisions to use specific commodities in exchange. What was Miss Coogan's view on the subject?

ECONOMIC VALUE

"Value," she wrote, "is not intrinsic to commodities and services" (No. 3). This is correct; there is no "value substance" residing in a material good.⁹ Yet we know that some things are valuable, so from whence does this value stem? Here Coogan offered a befuddled attempt to explain economic value, one of the most confused explanations in all of economic literature. It is completely meaningless: "There is no source of value any more than there is a source of distance." But if value is neither inherent in commodities nor derived from somewhere else, how can it exist? She did not even see the contradiction, let alone try to answer it. "Value can be measured only by comparison. Comparison cannot be between two or more objects, but *must* be *between two* or *more* Values." This is sheer gibberish. She apparently thought that by capitalizing the word she had somehow unlocked some mystical door to truth.

The question immediately arises: How can we measure these Values (capitalized) if we cannot locate them? They are not *in* the goods physically. They are also not *from* some outside source, for "there is no source of value," she affirmed. We cannot measure the goods or compare the goods themselves. Then what is value, why is it, where is it, and how is it found in order to measure it? No answers from Miss Coogan, just this statement: "the only *unit of measure of value* is the whole sum of the circulating money. . . ." This is equivalent, using her own illustration, to the statement that the only measure of distance is the sum total of all yardsticks. The question of value is the most fundamental question in economic science,

⁹Gary North, "The Fallacy of 'Intrinsic Value'" *The Freeman* (June 1969).
<http://bit.ly/FallacyValue>

yet Coogan dismissed it with this meaningless verbosity. In doing so, she declared to the world that she had no economic theory. As far as she was concerned, economic theory is not a matter of importance. It has no Value.

Here is what Mises taught. Economic value stems from the fact that individuals have varying individual desires, and they are able to satisfy some of these needs through the employment of certain means. Mises' teacher, Böhm-Bawerk, wrote that the value of goods "is determined by that gain in a subject's well-being which is dependent on his power of disposal over these goods ... the difference between the degree of well-being attainable with and the degree attainable without the goods to be valued."¹⁰ Value is *subjectively determined* by acting, calculating, economizing man, according to his own personal desires and needs. Because value is subjective, "Acts of valuation are not susceptible of any kind of measurement."¹¹ We can only say that "subjective valuation, which is the pivot of all economic activity, only arranges commodities in order of their significance; it does not measure that significance."¹² The only things that are measurable are prices, which are the exchange ratios between commodities, and these exchange ratios are not founded upon any inherent value of the commodities themselves, but instead they "are based upon the value-scales of individuals dealing in the market."¹³

This means, first, that the State is not the creator of economic value. Second, it means that money cannot measure values, because all economic values are subjectively determined. Economic values are based on the desires of individuals who have individual talents and individual callings. All that we can say is that if an exchange takes place between two people, with the first person giving up commodity A to receive commodity B, and the other person giving up commodity B to obtain commodity A, the first person desires commodity B more than he desires commodity A, and the reverse is true of the second person. We cannot say how much one person values a good over another, but only that he values it enough to make the exchange. Thus, Coogan's statement that "it is the total number of coins (denominations) which measures value" (No. 5) is false. It is as impossible to measure subjective economic value as it is to measure subjective friendship.¹⁴ We can say that we like one person

¹⁰Eugen von Böhm-Bawerk, *The Positive Theory of Capital*, 4th ed. (South Holland, Illinois: Libertarian Press, [1921] 1959), p. 181.

¹¹Mises, *Money and Credit*, p. 39. ¹²*Ibid.* ¹³*Ibid.*, p. 40. ¹⁴*Ibid.*, p. 41.

more than we like another, but the difference in that preference cannot be quantitatively determined. Another example: I value Mises's economic analysis far more than I value Coogan's—way, way more. But I cannot measure the difference.

Coogan, quite obviously, did not see things this way: “In a country whose Constitution guarantees freedom of enterprise, if the money system is allowed to function properly, coinage prices are due to the numerical relation between all things offered for sale and the total money” (No. 3). For this reason, she concluded, “The total volume (numbers of money) should always be proportional to all wealth on sale” (No. 3). This is an important statement, and I will discuss it in detail later. Mises recognized this line of reasoning for what it is, the basic fallacy of all socialism: holism.

The error in this argument is to be found in its regarding the utility of money from the point of view of the community instead of from the individual. . . . If we start with valuations from the point of view of society as a whole, we tacitly assume the existence of a socialized economic organization in which there is no exchange and in which the only valuations are those of the responsible official body. . . . But in such a society there would be no room at all for money. Under such conditions, a common medium of exchange would have no utility and consequently no value either. It is therefore illegitimate to adopt the point of view of the community as a whole when dealing with the value of money. All consideration of the value of money must obviously presuppose a state of society in which exchange takes place and must take as its starting point individuals acting as independent economic agents within such a society, that is to say, individuals engaged in valuing things.¹⁵

Coogan said that she was a capitalist, yet her discussion of money tacitly assumed, as Mises said, “the existence of a socialized economic organization.” Her outlook was holistic, collectivistic, and not in terms of the individual citizen. She did not admit that economic value arises from the valuations of individual men and women. She insisted that economic value is some mystical, undefinable thing that is measurable only by the total money supply. Thus did she progress, step by step, to the basic outlook of all socialist economics: *the State is to have a monopoly*

¹⁵ *Ibid.*, pp. 122–23.

on the control of that measuring device. She made the final concession to the socialist monetary theory, and introduced a recommendation which, if established, would introduce the possibility of the most vicious kind of statist economic tyranny.

Viewing society from this communal perspective, she discovered an interesting “fact.” This is the relation between the social quantity of money and the total demand for goods: “More money increases the effective demand, and less money decreases the effective demand for goods” (No. 4). This is a very brief, terse summary of this more technical statement:

There will be a determinate amount of increase in the quantity of effective demand which, after taking everything into account, will correspond to, and be in equilibrium with, the increase in the quantity of money.

This more elaborate phrasing is found on page 299 of the American edition of Lord Keynes’s *The General Theory of Employment, Interest, and Money*, published by Harcourt, Brace & World, 1936. The idea behind his statement, and the idea behind Coogan’s, is the same: let the government inflate the currency in order to keep demand increasing and to keep production stimulated. Henry Hazlitt refuted this idea quite nicely in his book, *The Failure of the “New Economics.”*¹⁶ The interested reader can avail himself of Hazlitt’s scholarship, relieving me of the necessity of going over his rather lengthy rebuttal. His basic criticism is that the new fiat money misdirects investment and production from the most publicly beneficial pursuits. Counterfeit money produces “counterfeit industries,” and these can be profitably sustained only through the continuation of monetary inflation.

We now come to Coogan’s conception of “Lawful Money”:

Lawful money is created at the *order* and *direction* of the Congress of the U.S.A., and PAID into use; not a private corporation’s promise-to-pay money. *It is money* created and paid out by the only authority in the United States that actually can create money (No. 7).

Money supposedly did not come into use through the voluntary trading of free men with each other, but only at the beck and call of the new

¹⁶Henry Hazlitt, *The Failure of the “New Economics”* (Princeton: Van Nostrand, 1959), ch. 21: “Prices and Money.” This book is free to download: <http://bit.ly/FailureNewEcon>

God, the creative State. The State now has the power of wealth creation, once reserved only to an almighty God. Previously, a free citizen had been permitted to store his goods, whether metals, bricks, furniture, or any other goods, and to receive a receipt for these goods. He had to pay storage costs, of course, but it was his right to do so if he chose to. Now, however, the State is to forbid him to store money metals or to receive receipts for the stored goods. He can no longer voluntarily transfer that receipt to someone else in exchange for something that he desires more than the ownership of the metals. *He must lose one of the basic freedoms of men, the right to own, store, and exchange property.* The “miracle” of lawful money, so-called, is the denial of the right of private property. Naturally, it is advocated in the name of freedom, as are most totalitarian schemes.

This, unfortunately for the free society, is only the beginning. Congress, she wrote, has a goal to accomplish with this state created money: *the goal of full employment.* “Congress has the power and mandate to create, and provide at all times a volume of money sufficient to maintain full employment, production and trade” (No. 9). Those familiar with the Keynesian system will recognize this goal, as well as the means to this goal, as being one of his most famous economic doctrines. In fact, he ended *The General Theory* in a plea for the idea of full employment directed by state monetary and fiscal controls. It is an idea that Hazlitt disposed of very easily.¹⁷ The whole idea is utterly absurd. As Prof. G. C. Wiegand writes, “No group of economists can at present predict sufficiently closely the level of economic activities to keep the economy on the extremely narrow path between inflation and unemployment, and there are no precision tools to correct deviations from the expected norm.”¹⁸ Hazlitt demonstrated that full employment must come through the free market’s arrangements of prices—prices that are to be lowered by would-be sellers until the previously unsaleable goods are purchased. The same applies to

¹⁷*Ibid.*, chap. 26: “‘Full Employment’ as the Goal.” It may come as a shock that the United States Government is legally required to maintain conditions of full employment, according to the Employment Act of 1946. This was exactly what another Greenback promoter, Congressman Jerry Voorhis, had proposed publicly in 1944: *Beyond Victory* (New York: Farrar & Rinehart, 1944), pp. 106 ff. (Voorhis, it should be pointed out, was a left-wing political figure, a member of the League for Industrial Democracy and Americans for Democratic Action. See Rose Martin, *Fabian Freeway* [Boston: Western Islands, 1966], pp. 493, 524. He was defeated by Richard Nixon in 1946.)

¹⁸Wiegand, “Economics in a Changing World.” in *Toward Liberty*, II, pp. 400–401.

wages. They must be voluntarily lowered until all people are employed who desire employment at a market-determined wage. Coogan never even mentioned this function of the price system, ignoring it as a possible solution to the unemployment problem.¹⁹ Once again, Coogan fell into line with the trend of the “New Economics” of John Maynard Keynes and his disciples.

Consider the implications, politically, of this economic reasoning: “Lawful money should be a *non-interest* bearing *non-repayable* debt owed by the nation as a whole to those individuals who hold any money. As long as a nation is a going concern, that debt relationship should be maintained” (No. 9). The hostility of fiat money’s advocates toward central banking is not that it adds to the money supply, but that it allows individuals to get rich by loaning the government fiat money. In fact, Greenbackers hate this means of monetary inflation precisely because it is not inflationary enough! As Voorhis wrote: “*So long as the money supply of America is tied to our debt, the fear of debt will always operate to prevent effective action being taken against unemployment.*”²⁰

Coogan said that the person who owns currency is owed a debt by the nation at large. This does not mean that he has a claim on some money metals by the State’s Treasury as legal backing for the piece of paper. It means rather that he is owed all those goods that are for sale and which he can pay for. I suppose that the idea of perpetual debt means that someone always owns the bills, and therefore everyone always owes someone any goods he offers for sale. Whatever it means, this much is clear, “the nation as a whole,” owes the bearer of a State Treasury note all the goods that the note will buy. Thus, if a private owner should decide to sell a good, but refuse to sell it to the bearer of a bill, the potential buyer should be able to demand and receive that article as a debt owed to him. It is a legal debt relationship. If the seller should refuse to make the sale, it would be the legal right of the “offended” buyer to demand federal marshals or troops to enforce his claim, for these are the representatives of “the nation as a whole.” The nation must protect the buyer’s rights against the evil seller who is refusing to pay off a legal debt. The seller is at the mercy of the buyer once he offers the good for sale. This is the

¹⁹North, “Downward Price Flexibility and Economic Growth,” *The Freeman* (May 1971). <http://bit.ly/DownwardPrices>

²⁰Voorhis, *Beyond Victory*, p. 111. (Italics in original)

meaning of all legal tender laws. Coogan advanced this concept of money in the name of “freedom” and “legality.” She had not given much thought to the implications of her economic pronouncements.

In her theoretical discussion of money, Coogan failed to heed the clear warning which Mises gave to all economists in 1912.

Economic discussion about money must be based solely on economic considerations and may take legal considerations into account only in so far as they are significant from the economic point of view also. Such discussion consequently must proceed from a concept of money based, not on legal definitions and discriminations, but on the economic nature of things.²¹

Coogan’s “lawful money” idea has led her into advocating a money controlled and managed by law, that is, by the *lawmakers* of the State bureaucracy. Thus, she argued:

Rightfully, only the seal or stamp of authority and not any substance constitutes Money. The fiat meaning “*so be it!*—This is Money” on any substance, and on the *power to determine* the total volume in existence and the foreign exchange *ratios* is the *Sovereign Power* (No. 12).

There was once a time when the words “sovereign power” were only capitalized when referring to the Deity; now it refers to the new God of the State, the bureaucracy of the State’s money creators.

Mises outlined the limitations of State powers in the matter of money, and it is one of the clearest statements that one might desire.

... all that the law can do is to regulate the issue of the coins and that it is beyond the power of the State to insure in addition that they shall actually become money, that is, that they shall actually be employed as a common medium of exchange. ... It can also take various steps with the object of encouraging the actual employment of these qualified commodities as the common media of exchange. But these commodities can never become money just because the State commands it; money can be created only by the usage of those who take part in commercial transactions.²²

This does not mean that Mises advocated State controls on the issuing of money and metals, but only that this is as far as a State can go in terms

²¹Mises, *Money and Credit*, p. 54. ²²*Ibid.*, pp. 60–61.

of creating money. It is for individuals, as acting, exchanging persons, to “create” money, and even this “creation” is not by fiat—not by voice acclamation as God created the world, but merely by personal preference and use. This is a far cry from the fiat creation of money as propounded by Coogan.

What, then, can be said for the book, *Lawful Money Explained*? First, it is statist in outlook, collectivistic in its view of the functioning of money, and certainly not a representative of anything resembling a free market approach to the money question. Second, the book is Keynesian in many of its monetary recommendations. It is a crude, simplistic form of Keynesianism, but still as dangerous as the more “orthodox” Keynesianism. Third, because the author provided no clear theory of value, the book cannot be called an economic treatise at all.

At best, Miss Coogan was a chronicler, a gatherer of data—in short, a statistician. With no theory of value, she could propose no theory of price. Without a theory of price, it is impossible to understand supply and demand, and it is equally impossible to explain money and its functions.

The book has no consistent economic theory of any kind holding it together. It is a hodgepodge of fallacious reasoning, inaccurate definitions, and socialistic panaceas. Except for her explanation of the fractional reserve banking system and the fraud involved in it, Coogan offered nothing of any value whatsoever. Her book is non-economics, useless at best, and highly dangerous at worst. Nothing could be further from the truth than to regard this book as a statement of a conservative case for honest money.

MONEY CREATORS

THE SECOND book to be considered here is her study, *Money Creators*, published in 1935. It is more historical in approach, and for that reason it is considerably longer than *Lawful Money Explained*. It contains no statement of “first principles,” and is therefore even less of an economic investigation than is the other, if such a thing could be imagined. The lack of any systematic statement of her economic principles does not exempt the book from any of the fallacies reviewed earlier; it only makes them less apparent. It also helps to hide her lack of economic reasoning. The book has little to say about economics or economists; it

is based ostensibly upon juridical law rather than on economic law. She scorned economic law. The book's starting point is the Constitution of the United States.

CONSTITUTIONAL MONEY

The Constitution was written by a committee in 1787, in an age of little that could be called modern economic science. In fact, if we are to take Coogan seriously, economics was no science at all in those days. Economists, she wrote, were all mere tools of the international banking establishment, and Adam Smith was in the same camp as was Adam Weishaupt, the founder of the revolutionary secret society, the Illuminati.²³ Nevertheless, Coogan accepted as the absolute standard of economic truth, Article I, Section 8 of the Constitution, in spite of the fact that if the men who wrote it had read any economists at all, they had read Adam Smith. This standard of reference, which Coogan and all American Greenback writers regard as absolute, is that Congress shall have the power "To coin Money and regulate the Value thereof, and foreign Coin, and fix the Standard of Weights and Measures." That is what the Constitution says, unquestionably. Unfortunately, the Greenbackers who cite it haven't the slightest idea what it means.²⁴

Paul Bakewell, a conservative lawyer whose works on money are quite good, did understand what it means, since he understood monetary theory and American legal history. Because this "lawful money" argument is at the center of the Greenbackers' economic analyses, Bakewell's research is extremely important, for it destroys the inaccurate legal scholarship that undergirds Greenbackism. He pointed out that, in 1850, before the Supreme Court was such a willing tool of party politics, it unanimously declared the meaning of the words of Article I, Section 8.

They appertain rather to the execution of an important trust invested by the Constitution and to the obligation to fulfill that trust on the part of the government, namely, the trust and duty of creating and maintaining a uniform and pure metallic standard of value throughout the United States. The power of coining money and of regulating its value was delegated to Congress by

²³ *Ibid.*, p. 8. ²⁴ Gertrude Coogan, *Money Creators* (Hawthorne, Calif.: Omni, [1935] 1963), pp. 205–7.

the Constitution for this very purpose as assigned by the framers of that instrument, of creating and preserving the uniformity and purity of such a standard of value. . . .

Whatever the functions Congress are, by the Constitution, authorized to perform, they are, when the people's good requires it, bound to perform; and on this principle, having emitted a circulating medium, a standard of value indispensable for the purpose of the community, and for the action of the government itself, they are accordingly authorized and bound in duty to prevent its debasement and expulsion . . . (9 Howard, p. 568).

As Bakewell pointed out, even Alexander Hamilton, a political centralist who designed America's first national central bank, knew better than to tamper with the metal content of the monetary unit. Jefferson, on this point if on no other, agreed with him.

After citing statements by Supreme Court Justices Washington, Clifford, and Story that confirm this point, Bakewell concluded: "Thus the earlier opinions of the Supreme Court and of the Founding Fathers clearly indicated that our government has no power to debase the standard of value." His warning, offered to New Dealers, Keynesians, Chicago School monetarists, and Greenbackers, was straightforward: "If Congress has power to debase the standard of value, there is no limit to that power."²⁵ Written in 1962, there is little that has happened in the United States' monetary affairs since that time to indicate that his warning was not in order. It is unfortunate that Greenback advocates have been unwilling to see this warning as applying to their own policies of monetary expansion and currency debasement.

Miss Coogan understood neither legal history nor economic theory. She informed us that capitalism is the economic and political system that permits private citizens to own and control their own private property. Yet the most important property of all in an urban, industrialized society, from an economic standpoint, is money. Nevertheless, Coogan did not regard money as a form of private property that may legitimately be controlled by a free market. She implicitly denied what she proclaimed to be the glory of capitalism: the right to hold property. Naturally, she saw no contradiction here, and therefore she failed to comment upon it.

²⁵Paul Bakewell, *13 Curious Errors About Money* (Caldwell, Idaho: Caxton, 1962), p. 51.

She called for “equitable” price levels²⁶ and “decent” prices.²⁷ She did not mention the idea of balancing supply and demand through the price system.²⁸ She recommended the creation of a board of National Monetary Trustees. It would set all prices at the “desired price level.”²⁹ Yet she called herself a capitalist. But then again, so did Keynes.

Coogan rightfully referred to private counterfeiting as “theft.”³⁰ She did not call the State’s printing press money counterfeit, yet the private bills are counterfeits. Naturally not; in her view the very ink of the State’s presses turns cheap paper into valuable money. Private counterfeits do not have this “mystical something” that turns paper into money. That special something is possessed only by the Sovereign Authority. Somehow (she could not explain why), the State’s bills are money, but the private bills are not, in spite of the fact that both look alike and both circulate just as easily. The private bills only act as money, but they are not really lawful money. This is not economics; it is mysticism.

Counterfeiting is theft for one reason, and only one reason. Paper bills are issued that look exactly like bills that are backed by 100% of their face value in money metals, but these bills do not have such a backing. In other words, if all the individuals went to claim their money metals at the same time, some people could not collect. The storage warehouse, whether a Treasury building or a private bank, would have been emptied because some people possessed counterfeit claims to the gold and silver, and collected the goods illegally from the rightful owners. This is why counterfeiting is theft. It is a claim on goods which do not exist. A bill that is counterfeit, by definition, is a bill that tells the bearer that he is the owner of a certain amount of a money metal, a unit of metal which does not really exist. It does not matter who has issued it—a State Treasury, a bank, or Junior with his homemade printing press—if there are no

²⁶Coogan, p. 98. ²⁷*Ibid.*, p. 2.

²⁸The same failure of understanding marred the economic thinking of the colonial Puritans of New England. They tried, unsuccessfully, to legislate “fair wages” and “reasonable prices.” By 1676 this policy had failed so many times that it was no longer attempted. Only with the coming of the American Revolution did the political authorities re-institute price controls, and the immediate result was the devastating shortage of goods at Valley Forge: Percy L. Greaves, “From Price Control to Valley Forge 1777–1778,” *The Freeman* (February 1972). On the development of Puritan economic thought, see North, *Puritan Economic Experiments* (Tyler, Texas: Institute for Christian Economics, 1988).

²⁹Coogan, p. 338. ³⁰*Ibid.*, p. 14.

reserves behind the claim, then the bill is counterfeit.³¹

Coogan saw the truth of this analysis when it is applied to the banking world. If banks, through the fractional reserve method, issue bank notes or credit demands above the actual quantity of gold and silver held in storage, they are practicing theft. But, in her view, even private *backed* notes must not be permitted to circulate as currency. In fact, the original public error was to permit private bank notes to circulate as money, *even when backed by 100% reserves!*³² The State's notes, however, are to be *unbacked* notes, and these are to be the only lawful money to circulate in society.³³ In other words, honest, 100% reserve notes, which are a form of private property, are made illegal, and the State counterfeit notes are to be the standard of price measurement, the only legal money. This is anti-economics with a vengeance.

Money, meaning lawful (i.e., State counterfeit) money, is not built on confidence, she hastened to add. In fact, only the illegal money of today is built, as she put it, "3% on gold and 97% on 'confidence,' 'courage,' and other purely psychological and irrelevant factors."³⁴ She continued: "We are dishonestly told that a money system depends upon 'Confidence.' This is the case under the existing scheme; but it is perversion brought down on us from centuries of deceptive practice."³⁵ Money supposedly must be built neither on public confidence nor on gold and silver. Gold and silver are not even to be used as coins; they are to be reserved for international payments alone, not for domestic purposes. "They are not necessary as bases for the issuance of domestic money..."³⁶ Money is based solely upon the imprimatur of the State. Lawful money must be "divorced from all metals."³⁷ There is to be no private coinage whatsoever: "No private individual should ever be allowed the privilege of creating and recalling money at will."³⁸ The right to own property in the form of money metals or IOU notes for these metals is hereby revoked. And this is put forward as if it were consistent with the principles of the Founding Fathers of our nation! It is not just a travesty of economics; it is a total rejection of political history.

³¹Murray Rothbard wrote: "Counterfeiting is evidently but another name for inflation — both create new 'money' that is not standard gold or silver, and both function similarly. And now we see why governments are inherently inflationary: because inflation is a powerful and subtle means for government acquisition of the public's resources, a painless and all the more dangerous form of taxation." Rothbard, *What Has Government Done to Our Money?* (Colorado Springs: Pine Tree Press, 1964), pp. 27–28.

³²Coogan, p. 16. ³³*Ibid.*, p. 296. ³⁴*Ibid.*, p. 295.

³⁵*Ibid.*, p. 109. ³⁶*Ibid.*, p. 253. ³⁷*Ibid.*, p. 242. ³⁸*Ibid.*, p. 239.

STATE MONOPOLY MONEY

The State must have a total monopoly of all money creation.

What, then, is to prevent mass inflation? The government is not legally limited in its printing of money by the necessity of 100% specie backing. There should be no such reserves.³⁹ The State is not limited, in Coogan's view, by the confidence that people will have in the money, for lawful money (statist money) is not like regular money; it is not based on confidence.⁴⁰ She based her whole system on the premise that only State-printed money is true money, a clearly preposterous historical fact, and also a theory refuted by Mises, Hayek, Hazlitt, and other free market economists. Her faith was based completely on the hypothetical honesty of State bureaucrats, not on the truth of economic logic or the sanction of private contracts. Her hope was in the State, not private property.

Here is the most fantastic statement I have ever read in any piece of literature that professes to be conservative in orientation. It is almost impossible to take it seriously, yet it is presented as a statement of fact.

Another fear fostered by the money creators (in their efforts to strangle money) is the fear very commonly held that once the government starts to issue money there will be no end to it. But let us reflect upon this libel of the people's own chosen representatives. . . . Statesmen would fill our Congressional Halls if the money system were honest.⁴¹

All power to the absolutely reliable elected representatives of the People! They are above all suspicion. Only private bankers are to blame for government corruption, for sin in high places. They alone bear the responsibility for the evils of our age! Am I exaggerating? Make the money lawful, she argued, by turning its control over to the State, and "Corruption and 'legal' rackets would practically disappear. *They exist because we have a dishonest money system.*"⁴² Furthermore, we would have no more depressions, and "Poverty could be eliminated from the United States. . . ."⁴³ And to top it all off: "Were the money system honest, bribery could be practically eliminated."⁴⁴

³⁹ *Ibid.*, p. 242. ⁴⁰ *Ibid.*, pp. 263–64.

⁴¹ *Ibid.*, p. 268.

⁴² *Ibid.*, p. 256.

⁴³ *Ibid.*, p. 256.

⁴⁴ *Ibid.*, p. 264.

This is not economics; it is paranoia. It is also messianic. If conservatives have ever thought that Karl Marx was stark raving mad in his visionary promises for the communist society, they should re-examine the literature of this ostensibly conservative movement. All evil, for Coogan, is literally incarnated in the international bankers, just as Marx viewed bourgeois industrialists. These men cause depressions, all by themselves.⁴⁵ Undoubtedly they can trigger depressions, but to charge them with the whole crime is absurd. Inflation of any kind, whether bank credit inflation or State Treasury note inflation, is the cause of depressions. Anyone doubting this need only read the first chapter of Murray Rothbard's book, *America's Great Depression*, to see the truth of the statement.⁴⁶ Governments can cause depressions just as easily as can the bankers, but this Coogan would not admit. Depressions are personal in her view; they have nothing to do with economic theory. This personalization of evil into a selected group is a denial of the basic Christian doctrine of the sinfulness of human beings as a species.⁴⁷ Yet she went so far as to say that bribery could not take place if only statist money were in operation.⁴⁸ The whole idea is hardly worth serious refutation.

What is her idea of inflation? Her definition serves as the keystone for all the policies she presents: "Inflating is the act of increasing the money (demand claims) of a nation faster than the volume of consumer goods available for distribution can be increased."⁴⁹ This is in accord with her statement in Lecture No. 7 of *Lawful Money Explained*: "Arbitrary creation of new money as loans *without* there having been a *previous proportional increase* in the total quantity of goods and services for sale alters the purchasing power of all already existing money." That is why she concluded earlier that "The total volume (numbers of money) should always be *proportional* to all existing wealth on sale" (No. 3). This definition is totally inaccurate, as I have explained. Money is the most marketable commodity.

⁴⁵ *Ibid.*, p. 23–30.

⁴⁶ Murray N. Rothbard, *America's Great Depression* (Princeton, New Jersey: Van Nostrand, 1963). This is available as a free download: <http://mises.org/Rothbard/agd.pdf>.

⁴⁷ See R. J. Rushdoony, *The Nature of the American System* (Vallecito, California: Ross House, [1965] 2001), ch. 8: The Conspiracy View of History."

⁴⁸ Coogan, p. 264.

⁴⁹ *Ibid.*, p. 119.

I have already pointed out her holistic approach to understanding prices and money. What I said there applies here, too. The best workable definition of inflation would be an easily grasped concept: “Inflation occurs when there is an addition to the quantity of the circulating media.” Gold, silver, paper bills, demand deposits in banks that are not covered by specie—in short, anything that is added that is not offset by loss, destruction, wear, or hoarding somewhere else in the economy. This being the case, there must always be some inflation or deflation going on in an economy.⁵⁰ But additions to the supplies of gold and silver occur slowly. Mining is expensive, and gold and silver are both used as ornaments and in industrial use. There are some fluctuations in supply, but these fluctuations are never so drastic as State-created money fluctuations.⁵¹ Coogan was concerned with “[w]ide and sudden gyrations in the purchasing power of money,”⁵² yet these vast changes cannot come as a result of a metal currency. It takes too long to discover the metals, mine them, and produce finished products. That is precisely the reason why gold and silver have been the basis of currency and exchange for millennia. Without private money based on private contracts and the enforcement of laws against fraud, we shall continue to experience just those vast fluctuations in the value of the currency that Coogan abhorred.⁵³

Coogan wanted a State currency completely divorced from the precious metals.⁵⁴ The money supply should be completely subject to the manipulation of the State Monetary Trustees. The whole idea is socialistic to the core. Mises wrote this.

The excellence of the gold standard is to be seen in the fact that it renders the determination of the monetary unit’s purchasing power independent of the policies of governments and political parties. Furthermore, it prevents rulers from eluding the financial and budgetary prerogatives of the representative assemblies. Parliamentary control of finances works only if the government is not in a position to provide for unauthorized expenditures by increasing the circulating amount of fiat money.⁵⁵

Coogan wanted to remove this restriction on the executive head of the government, and at the same time give the power of monetary matters, once held by free men, over to the national government. Remember, too,

⁵⁰Mises, *Money and Credit*, p. 240. ⁵¹*Ibid.*, p. 238.

⁵²Coogan, p. 8. ⁵³North, “Gold’s Dust,” *op. cit.* ⁵⁴Coogan, p. 242.

⁵⁵Mises, *Money and Credit*, p. 416.

that all these recommendations were made in 1935, in the middle of Roosevelt's first term of office. It was not Calvin Coolidge who was occupying the White House; "the revolution was," in Garet Garrett's telling phrase in 1938. In 1935, Coogan said that the restrictions on money creation that gold provides are not necessary, and that such controls by metal and contracts is only the work of the mythmakers: the international bankers, who think, or at least argue, that such controls are needed.

HYPERINFLATION

If the State is so trustworthy, how are we to understand the inflations of the French and American Revolutions? Here Coogan as historian rushed to show us that we cannot use these concrete historical cases as arguments against State-controlled fiat money. In the case of the worthless Continental, she tried vainly to skirt the issue.

On November 15, 1777, the Articles of Confederation were agreed to. The first Congress met on March 2, 1781. From then until the Constitution of the United States was ratified in 1789, that document formed the basis of the government. The Articles of Confederation did not give the Continental Congress the power of taxation. The Continental Congress did not issue legal tender because it could not under the Articles of Confederation ... the lesson learned is little applicable to modern conditions...⁵⁶

Coogan implied that there was no official money issued by the Congress. The money was not supported by law or popular consent.⁵⁷ It was issued in the period before the Articles were ratified in 1781. This, however, is no answer, for the national government did issue paper money. Between June of 1775 and November of 1779, some \$190,000,000 worth of national currency was printed—unbacked bills that eventually fell to no value. There was no restraint applied here by the State hierarchy on the presses. Furthermore, she had to admit that "Thirteen independent legislatures granted or withheld the means according to their own convenience," referring to the reimbursement of the national Treasury. Yet it was these legally elected state governments that issued \$246,000,000 worth of unbacked notes during this same period. That was legal money, but Coogan

⁵⁶Coogan, pp. 185–86. ⁵⁷*Ibid.*, p. 187.

refused even to mention this fact.⁵⁸ All she could do was to blame the counterfeiters for the fall in value of the so-called “lawful money.”⁵⁹

What of France? Again, she deliberately misled the reader.

The assignats, the unbacked paper bills, were unquestionably properly stamped State money. “The fact that they were destroyed as money by the gigantic counterfeiting operations of the money creators later, does not detract from their validity.”⁶⁰ Counterfeiters again, and money creators (i.e., international bankers) at that. Coogan would have us believe that the collapse in their market value was due solely to privately printed counterfeits. The facts indicate otherwise. She failed to point out that between 1790 and 1796, the legal government of France issued a total of 45 billions of francs worth of unbacked (and, by my definition, counterfeit) assignats, to be followed by an additional two and one half billions in paper mandats. All of it was “legal tender,” and the State coerced the populace into accepting them at their face value, that is, their specie value.⁶¹ The resulting price inflation was unparalleled in that day, worse even than John Law’s vast fiasco 60 years earlier. Coogan ignored these facts. Issues like these are more easily sidestepped than answered. Such hyperinflation, in a day when “billions” were elsewhere unheard of, is too damaging to her case that all duly elected governments are monetarily trustworthy, even if the representatives are radical revolutionaries and even Illuminists, as they were in France.

True, counterfeiting—private counterfeiting—did go on. Counterfeiting of French notes went on in a scale almost as vast, perhaps more vast, than did the counterfeiting by the French government itself. One facet of this mass counterfeiting Coogan never chose to bring up. *How much easier is it to print a counterfeit bill than it is to mint a counterfeit coin?* Wisely, she did not mention this obvious issue. She still continued to call for unbacked Treasury notes, damning all supporters of gold as “gold bugs”

⁵⁸Harold Underwood Faulkner, *American Economic History*, 5th ed. (New York: Harper & Bros., 1943), p. 144. On the staggering increase in prices during the American Revolution, see the wholesale price estimates. *Historical Statistics of the United States, Colonial Times to 1957* (Washington: Government Printing Office, 1961), p. 772, Series Z336. Prices in 1780 were an incredible 130 times higher than they were in 1775. Private counterfeiters did not cause all of that increase, and neither did military operations as such. The price of goods in relation to gold did not increase by 130-to-one.

⁵⁹Coogan, p. 186. ⁶⁰Coogan, p. 320.

⁶¹Andrew Dickson White, *Fiat Money Inflation in France* (Caldwell, Idaho: Caxton,

or tools of the international bankers. Her own counterfeiting argument destroys her case for “lawful” money, but she went on, undaunted.

Consider this curious twist of logic. Point No. 1: “Did Mr. Baruch explain that throughout the entire history of money, the only time inflation, as he describes it, took place, was when the internationalists wanted to destroy not only the value of the currency but also the government of a country? Never has any government itself conducted such an inflation.”⁶² The incarnation of evil, the internationalists, alone practice mass inflation, in order to destroy a nation’s government. Point No. 2: “These [French] assignats, as they were called, were the money which financed the wars fought with other nations by the revolutionaries.”⁶³ Point No. 3, found in the very next paragraph, I have already quoted, that the gigantic counterfeiting operations (which are only conducted by the internationalists—Point No. 1) that had their source in London were the sole cause of the collapse of the value of the assignats. Conclusion: the French revolutionaries must have been the *enemies* of the internationalists! This, of course, Coogan dared not say, since it is a conclusion that is utterly absurd.

A STABLE PRICE LEVEL

We now come to the only “positive” economic recommendation that Coogan offered. Her reasonable one, that no fractional reserves should be permitted, had the destructive clause added on that no private notes, even when backed by 100% gold coin reserves, should be issued. She told us that the dollar must remain stable in its purchasing power. This is an impossible ideal, economically speaking. Mises demonstrated quite adequately that only in legal theory, never in economic theory, can money remain absolutely static in its value.⁶⁴ In a free market, prices change slowly, but they do change.⁶⁵ Only with continual State intervention can the “stable money” advocates even hope to approach their ideal. But their ideal cannot be attained.

... we are by no means in a position to determine with precision whether variations have occurred in the exchange-value of money from any cause whatever, and if so to what extent, quite apart from

[1914] 1958), pp. 65–69.

⁶²Coogan, p. 93. ⁶³*Ibid.*, p. 320. ⁶⁴Mises, *Money and Credit*, p. 196.

⁶⁵*Ibid.*, p. 112. Cf. North, “Downward Price Flexibility,” *op. cit.*

the question of whether such changes have been effected from the monetary side.⁶⁶

Mises went even further:

Once the principle is so much as admitted that the State may and should influence the value of money, even if it were only to guarantee the stability of its value, the danger of mistakes and excesses immediately arises again.⁶⁷

Mises's warning went unheard and unheeded by Coogan. He said that, because economists cannot know all the data concerning price changes, they are unable to effect an absolutely stable price level by tampering with its supply. As a statistician, she trusted in the omniscience of statisticians, and she discounted such advice from a mere economist. She called for the creation of a board of *federal Monetary Trustees* who will maintain "scientific records of prices—price indices which would reliably indicate at what levels the aggregate of raw commodities and aggregate finished goods are changing hands at any particular time."⁶⁸ She then asserted that "The fluctuations [in prices] thereafter should be minor, because the flow of money would always be scientifically related to the actual quantity of physical consumer goods available for distribution."⁶⁹ This would establish a stable purchasing power for the dollar. "Statistical science" could preserve the stability if only we would turn all money control over to these reliable Monetary Trustees.

The *index number* is a necessary coordinate of *any* attempt to stabilize the value of the dollar, whether in a system like Coogan's where all money is State controlled, or where there is part free coinage and part State-controlled money. Mises demonstrated that the assumption of all index number systems must be that there is a static unit of measurement of purchasing power available to the statistician.⁷⁰ If there is no static unit of measurement, then obviously measurement is impossible. One cannot measure distance if the units of measurement also vary in length. But, in human society, such a static standard does not exist. Human relations are always changing: supplies of goods, demand for goods, the supply of currency, all vary from moment to moment. Only with the assumption of the ant hill society can men even hope to discover this nonexistent static

⁶⁶ *Ibid.*, p. 237. ⁶⁷ *Ibid.*, p. 237. ⁶⁸ Coogan, pp. 250–51. ⁶⁹ *Ibid.*, p. 251.

⁷⁰ Mises, *Money and Credit*, pp. 187 ff.

measuring rod of purchasing power. This is why each economist devises a different index number system of measuring such changes of money value. There is no unity among statisticians as to what the standard is to be. Which is the “normal” year by which to measure prices? Which goods are to be selected to evaluate the importance of the change in purchasing power? The whole idea of universally valid index numbers is fallacious; once again it presupposes an outlook of collectivism. As Rothbard put it: “Goods are not bought in their totality against money, but only by individuals in individual transactions, and therefore there can be no scientific method of combining them.”⁷¹ Unless we assume that men’s desires and needs are constant, we cannot discover a standard, static measure of the “equitable” year of comparison. “All these stabilization plans,” he continued, “of course, involve in one way or another an attack on the gold or other commodity standard, since the value of gold fluctuates as a result of continual changes in the supply of and the demand for gold.”⁷²

One of the most enlightening statements concerning the possibility of index numbers comes from Melchior Palyi.

Statisticians compile data which add up to the much-revered figure called the national income. Planners plan by that figure, supposedly, setting targets for its growth. . . . Now, the national income is a somewhat less than reliable “aggregate.” The data . . . about the components entering into such aggregates as national income, volume of production, savings and investments, etc., are pure “guesstimates,” subject to arbitrary manipulation. The methods to substitute what amounts to “very wild guesses” in the place of factual knowledge are known to the statisticians as “interpolating between benchmarks, extrapolating from benchmarks, blowing up sample data, using imposed weights, inserting trends, applying booster factors. . . .”⁷³

Once again, Coogan drifted into the old Keynesian fallacy of “aggregate economics.” Hazlitt dealt at length with the problem, and his arguments serve to refute Coogan as well as they refute Keynes.⁷⁴ Her

⁷¹Murray N. Rothbard, *Man, Economy, and State* (Princeton, New Jersey: Van Nostrand, 1962), p. 740.

⁷²*Ibid.*, p. 741.

⁷³Melchior Palyi, *An Inflation Primer* (Chicago: Regnery, 1961), p. 84. Download it for free here: <http://bit.ly/Palyi>

⁷⁴Hazlitt, *Failure of the “New Economics.”* ch. 27.

hope in the “scientific” Monetary Trustees was a futile one. If a system such as this one were imposed upon the American people, it would spell the end of freedom. These bureaucrats would dictate what the standards of the arbitrary index numbers were, and their word would be law. Who could challenge the validity of such “scientific” operations? Who would be permitted to voice such objections? Even the duly elected representatives in the legislature would be powerless against this economic dictatorship, in spite of the fact that the powers of the Monetary Trusteeship are supposedly delegated by the “trustworthy” elected officials whom Coogan revered so much. As Hayek explained, “In these instances delegation means that some authority is given power to make with the force of law what to all intents and purposes are arbitrary decisions.”⁷⁵ The “experts” are the true formulators of the law; their delegated authority has become the final authority.⁷⁶ The Monetary Trustees would become the economic tyrants of the nation. We would be sold into economic slavery at the cost of a promised, but impossible, “stable dollar.”

Coogan said that she was opposed to any State-enforced redistribution of wealth,⁷⁷ yet she championed an inflationary State currency that would necessarily redistribute a nation’s wealth. Not looking at society from the perspective of the individual, she missed the implications of State inflation in this respect. Her error is colossal.

If the general price level remains constant because of additional paper money being injected into the economy, then by definition there is monetary inflation going on. In a highly productive free market economy, Mises pointed out that there is “a general tendency of money prices and money wages to drop.”⁷⁸ As more goods are produced, and because the supply of money metals remains relatively constant, prices and wages tend to fall in terms of money metals. Real wages, meaning the quantity of goods that a given wage will buy, will be rising because of the increased production. Therefore, Coogan’s “stable price” scheme is definitely inflationary, for prices ought to be declining.⁷⁹ In the United States, for example, between 1867 and 1897, the wholesale price index fell (with 1929 as the base year) from about 168 to 68, or 100 points, or some 60%. Simultaneously, the country’s population almost doubled, from 37 million

⁷⁵F. A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), p. 66.

⁷⁶*Ibid.*, p. 65. ⁷⁷Coogan, p. 293. ⁷⁸Mises, *Money and Credit*, p. 417.

⁷⁹North, “Downward Price Flexibility,” *op. cit.*

to 72 million, and real output went up by 400%. This means that real per capita income doubled. The money stock tripled, from \$1.3 billion to \$4.5 billion, but the velocity of money (turnovers per unit of time) was cut in half, indicating that the effective impact of the monetary inflation was reduced considerably.⁸⁰ What does this mean? It means that per capita output can rise drastically in the face of falling prices. More important, it means that if prices can fall by 60% in the face of a tripling of the money stock, then if the general price level remains stable, we can be fairly certain that the State is pursuing a policy of extensive monetary inflation.

Conservative economists of the 1920s, as well as liberals, were lured into making outrageously inaccurate statements about the blessings of “stable prices” and the “fact” that there would never again be a depression. Irving Fisher, perhaps the most prestigious economist of the day, made one of these ridiculous statements in September of 1929.⁸¹ Fisher, like Coogan, was a supporter of “stable prices,” and it was he who, more than any other economist, deserves the title of “father of the index number,” that magical tool which supposedly enables the State’s planners to stabilize the economy while preserving human freedom. Rothbard’s warning in this regard should forever silence the “conservative” Greenback advocates.

One of the reasons that most economists of the 1920’s did not recognize the existence of an inflationary problem was the widespread adoption of a stable price level as the goal and criterion for monetary policy. The extent to which the Federal Reserve authorities were guided by a desire to keep the price level stable has been a matter of considerable controversy. Far less controversial is the fact that more and more economists came to consider a stable price level as the major goal of monetary policy. The fact that general prices were more or less stable during the 1920’s told most economists that there was no inflationary threat, and therefore the events of the great depression caught them completely unaware.

Actually, bank credit expansion creates its mischievous effects by distorting price relations and by raising and altering prices

⁸⁰The money and income data come from Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton, New Jersey: Princeton University Press, 1953), charts 3, 8 (pp. 30, 94–95). The population figures are in *Historical Statistics*, p. 7, Series A 1–3.

⁸¹*New York Herald Tribune* (Sept. 5, 1929), cited in *Oh Yeah?* (New York: Viking, 1931), p. 37.

compared to what they would have been without the expansion. Statistically, therefore, we can only identify the increase in money supply, a simple fact. We cannot prove inflation by pointing to price increases. We can only approximate explanations of complex price movements by engaging in a comprehensive economic history of an era, a task which is beyond the scope of this study. Suffice it to say here that the stability of wholesale prices in the 1920's was the result of monetary inflation offset by increased productivity, which lowered costs of production and increased the supply of goods. But this "offset" was only statistical; it did not culminate the boom-bust cycle, it only obscured it. The economists who emphasized the importance of a stable price level were thus especially deceived, for they should have concentrated on what was happening to the supply of money. Consequently, the economists who raised an alarm over inflation in the 1920's were largely the qualitativists. They were written off as hopelessly old-fashioned by the "newer" economists who realized the overriding importance of the quantitative in monetary affairs. The trouble did not lie with particular credit on particular markets (such as stock or real estate); the boom in the stock and real estate markets reflected Mises' trade cycle: a disproportionate boom in the prices of titles to capital goods, caused by the increase in money supply attendant upon bank credit expansion.⁸²

MONETARY INFLATION

Coogan never explained how monetary inflation enters the economy. She said that the government pays the inflated currency into use (No. 7), but she let it go at that. What really happens in the Greenback economy is this. Unbacked, counterfeit bills are printed by the Treasury. The State takes these bills and purchases goods and services for the government. Those selling to the State now have quantities of new, counterfeit bills at their disposal. These favored individuals and firms can now go into the market and buy up goods which before they had not been able to afford. In doing so they deplete supplies and/or raise the prices of the goods they are buying. Competitors, unfavored by the government bureaucrats, have no counterfeit bills at their disposal. They had planned their purchases according to the pre-inflation prices. Now those prices have been raised,

⁸²Rothbard, *America's Great Depression*, pp. 153-54.

or else they have not been permitted to fall, by the phony Treasury notes, and the honest competition cannot make the purchases they had planned on. They restrict their purchases, cut back on sales, and perhaps must lower the wages of their employees. They may even be forced out of business. Why? Because the government has imposed an invisible tax on these unfavored companies. Counterfeit bills have raised prices above the non-inflation levels, and people who do not have access to the counterfeit government bills can no longer buy. Thus, pensioners and those with fixed incomes are robbed by the State through the policy of inflation. Government has not created wealth by the inflation; it has merely redistributed wealth from those with fixed incomes to those who are closest (chronologically) to the State's counterfeit money. A few get rich, while the majority of the public is hurt by the rising prices.

Coogan looked at the economy from the point of view of collectivism, never seeing the way monetary inflation acts at the individual level. She seemed to think that all people will have simultaneous access to the State's "funny money," but this is not the case. Those receiving it first will be benefited, since they will be able to buy first at yesterday's non-inflated prices. Those furthest away (chronologically) from the Treasury will pay for the gains of the early beneficiaries by being forced to restrict their consumption of goods and services due to the downward inflexibility of many prices. There has been a forced, arbitrary, somewhat random redistribution of wealth. So, when Coogan said that she was opposed to the forced redistribution of wealth, and at the same time proposed a "stable price level" that would require monetary inflation to keep it stable in the aggregate, she was contradicting herself. One cannot argue simultaneously against redistribution and for monetary inflation. The latter produces the former.⁸³

When she called for monetary expansion, she realized that the government is trying to avoid raising visible taxes, for she wrote that "Increases in currency would be made partly to defray the expenses of the Government and in lieu of taxation."⁸⁴ In lieu of visible, budgeted, congressionally controlled taxation, yes, but not in lieu of taxation as such. Someone has to pay. When she said that "the purchasing power created at the original source benefits all," she was deceiving the reader.⁸⁵ It benefits only those

⁸³ Coogan, p. 293. ⁸⁴ *Ibid.*, p. 251.

⁸⁵ *Ibid.*, p. 262.

who receive the counterfeit fiat money first; it hurts those who do not have immediate access to the newly created money.

SOMETHING FOR NOTHING

State officials know that few people understand that monetary expansion is really a form of indirect taxation, and so they can increase State expenditures without having to declare unpopular new tax confiscations. This is why Austrian School economist Hans Sennholz wrote in *American Opinion* (Sept. 1964) that “[m]any of the foes of the Federal Reserve System are rabid collectivists.” They support statist monetary inflation as if it were a golden goose. It offers the State something for nothing. Somebody has to pay, but since the taxes are hidden, few people scream. If someone does, then Keynes can come forward and pacify the liberals, while Coogan steps out to silence the conservatives. It is a nice arrangement for the statist. A more unjust tax could hardly be devised, of course. It is not predictable; people cannot plan very easily for it, and they do not know which prices will be raised. But the idea of something for nothing is too tempting to the State. If a little monetary inflation is good, why not more? The State can buy more and more goods (and votes) if it just keeps printing money faster than prices are rising, until the monetary system is destroyed. By permitting the State to print money that has no gold or silver backing, voters commit economic suicide, and Coogan stands in the galleries and shouts her encouragement. In fact, the whole Greenback movement is there, proclaiming that gold is old fashioned, a tool of the international bankers. Those who listen to their dreams will reap the whirlwind.

Coogan actually applauded the idea of something for nothing. In fact, she said it must always be this way: “This is what has been done and what has to be done in order to have money, a man-made instrumentality.”⁸⁶ Fiat money has to exist; “all money is fiat money.”⁸⁷ But this is just not true. Money is not originally created by fiat, but by the voluntary use of certain goods by people involved in commerce. Mining costs, in the long run, are no higher or lower than in any other business, and the profits are no greater. But States can print bills cheaply, bills that are never used for ornament and industrial use, as money metals sometimes can be.

⁸⁶ *Ibid.*, p. 300. ⁸⁷ *Ibid.*, p. 283.

Coogan's proposals would destroy the best safeguard we have against the ever-hungry State: the use of money metals in commerce.⁸⁸

A GOLD COIN STANDARD

A good answer to Coogan's whole statist system was provided by Elgin Groseclose in 1934, the year before *Money Creators* was published. Coogan attacked the right of free coinage of metals and the right of men to issue 100% backed receipts for these metals. Groseclose wrote:

The principle of free coinage has proved its practical worth as a deterrent to debasement and depreciation. Where coinage is on private account there is no profit to the state in tampering with the standard, and there is no opportunity for such practice by the individual. . . .

In the twentieth century, sovereignties began to reassert their monopoly of money, and under the pretext of assuring full employment through the manipulation of the interest rate, have used their power for the spread of statism, the socialization of activity, the annihilation of private property, and the extinction of individual liberty.⁸⁹

There is one more argument that Coogan offered against the use of gold coins as a reliable basis of our economic transactions. It is, in reality, the best argument for gold that she presents.

The fact that this country requires somewhere between sixty to seventy-five billion dollars of money in order that the people may effect the exchanges incident to a civilized existence, is proof sufficient that gold is hopelessly inadequate to serve the needs of the people of the world for money.⁹⁰

Coogan's book is a long attack against the inflated money distributed through the fractional reserve banking system. Yet, when it came time to attack gold, she took as her standard of quantity needed for exchange the

⁸⁸North, "Gold's Dust"

⁸⁹Elgin Groseclose, *Money and Man: A Survey of Monetary Experience* (Norman, Oklahoma: University of Oklahoma Press, 1934), pp. 167, 171. Download it for free here: <http://mises.org/books/money.pdf>.

⁹⁰Coogan, p. 296.

quantity of money in circulation in 1935, a quantity puffed up with the very bankers' money which she so despised! She saw no contradiction.

If the State were to enforce 100% reserves on the banks, and if the State were not permitted to issue unbacked, legal tender paper currency, the phony State and bankers' currency would be forced out of existence. Apparently Coogan's hatred of gold was even greater than her hatred of bankers' money. Gold is the real issue here; she is really an enemy of gold, and therefore she is the State's best friend, rather than primarily an enemy of fractional reserves. She called for something for nothing, the oldest monetary slogan of Satan: "And the devil said unto him, If thou be the Son of God, command this stone that it be made bread" (Luke 4:3).

Isaiah the prophet recognized currency debasement for what it was. Unbacked paper money is merely an advanced and more subtle form of currency debasement, and far more dangerous, so what he told his people would be true sevenfold today: "How is the faithful city become an harlot! it was full of judgment; righteousness lodged in it; but now murderers. Thy silver is become dross, thy wine mixed with water: Thy princes are rebellious, and companions of thieves" (Isa. 1:21-23).

Currency debasement is a sign of moral decay. It is accompanied by corrupt governments and sinful leaders. But at least the average citizen can tell when the silver coins are being debased; with paper money such detection is difficult apart from economic signs in the price level. The good money, legally backed by a specified quantity of either gold or silver, looks just like the unbacked money. Yet Coogan would have no backing in metal for any of the paper. In short, she wanted a currency, in Isaiah's words, of pure dross: no silver at all!

CONCLUSION

COOGAN WROTE in the middle of the Great Depression. Her recommendations for economic well-being reflected most of the major errors of her day. She called for State-financed pensions. She wanted currency debasement to obtain full employment, an idea out of the Keynesian tool kit. The monetary quackery of the 1930s gets a hearing in Coogan's books, and by referring the reader to Soddy, she even brought in a bit of Technocracy, for Soddy admitted that he saw a great deal of

truth in the Technocrat system.⁹¹ She wanted “equitable” prices set by Monetary Trustees, managed currency, and virtual financial monopoly by the State Treasury. Gold, which would resist the encroachments of the State, was her bitter enemy. She wanted to curtail bank money by stamping out the right of free coinage and the right to write IOUs. Instead of the monetary inflation caused by fractional reserve banking, she wanted to substitute monetary inflation produced by the State bureaucracy. But monetary debasement in any form is robbery, an enforced redistribution of wealth. She wanted to stop one kind of inflation only to inaugurate another. Her answer was no answer at all, at least not for the free market.

Economic theory reveals the pages of economic nonsense contained in her writings. She knew this to be true, and she had a hatred for all economists. In her bibliographies, there is not one trained economist represented. She thought that all economists have merely aped Adam Smith’s system. She had no knowledge of the revolution in economics wrought by Menger, Böhm-Bawerk, and Mises, a revolution that threw out Adam Smith’s mistakes and retained his accurate contributions. Yet she classified all economists as paid hirelings of the money trust. “Economist,” she wrote, “is the learned term still applied to those who write unintelligible discussions of money, prices, public finance, and so-called political science.”⁹² So defined, Coogan was actually the world’s leading economist, for no more garbled, unintelligible, dangerous statist, pleading in the name of statistical science, could be imagined.

Gertrude Coogan was a Greenbacker. She favored Federal control over the monetary system. She hated the idea of the gold standard. She hated economic analysis. She hated bankers.

She personalized her enemies. In her view, anyone who deals with economic ideas is a tool of the money trust. *Ideas were her real enemy, even more than gold.* Her books are a mass of feeling, rather than accurate and careful economic analysis. Ideas were superficial for her; hatreds were the basis of her writings, not anything resembling free market analysis.

Ellen Brown’s *Web of Debt* extends the main errors in Coogan’s books, and then adds more. But that is another issue, which I take up on my site in my department on Ellen Brown: www.GaryNorth.com.

⁹¹Frederick Soddy, *Wealth, Virtual Wealth and Debt*, 2nd ed. (Hawthorne, California: Omni, [1933] 1961), pp. 13–14.

⁹²Coogan, p. 205.