S. 1105: **Dollar Coins or Paper Dollars?**

Coins or paper?
What a caper!
One's quite proper.
One's a whopper.

Drastic
is what's inelastic.
Plastic
more than gold's fantastic.

Paper powers
golden showers[1]--
Wall Street flowers!
Debt devours
what is ours--
Main Street glowers.

Digits
swept by software widgets,
with-its
wipeout money midgets.

What is copper
to a shopper,
what a penny?
One too many!
But a buck round
square is and sound.

One's quite proper.
One's a whopper.
Coin or paper?
What a caper!

See How The One Dollar Coin Can Cure The Economy and Lincoln's Buried Bank Note Veto Applies Today

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1 "Golden showers" references "money rain," as used in the Meeting of the Federal Open Market Committee, January 30-31, 2001 -- in the context of preventing that money falling into the hands of government. Until the 1930s, the Fed did not buy government bonds. (A History of the Federal Reserve, Vol. I, Meltzer (2003), page 741; emphasis added):

"One of the [1913] Federal Reserve Act's major innovations *removed* government securities as collateral behind Federal Reserve notes. The intent was to make note issues more "elastic,' capable of expanding and contracting with commerce, agriculture, and trade"The Glass-Steagall Act of 1932 reversed the original innovation by permitting the Federal Reserve to use government securities in place of eligible paper as backing for its note issue. Originally a temporary measure, after several renewals [it] became permanent."

By 2001, the FOMC rated treasuries so far above everything else, that it dreaded having to *think* what else to buy. Here's its premise:

"Under a wide variety of assumptions about the growth of the economy and the political process, Treasury debt will be repaid over coming years. Even if the entire on-budget surplus is used in tax cuts and new spending, debt will be close to extinguished in 10 years under a fairly conservative assumption of 3-1/2 percent trend economic growth."

All regretted the coming debt-free government. Since the Fed returns its profits to the government, Mr. Broaddus' recommendation was that the Fed start buying securities with super low returns. They would pay so much less than treasuries, that the government would again sell treasuries to the Fed simply to get higher Fed profits returned! (Even though these returned profits would be no more than its own interest payments.) Mr. Poole suggested the Fed might beg to borrow the vast assets into which Social Security debt would be converted.

"Mr. Goodfriend: President Broaddus's point is that no one in the government needs to acquire private assets to implement monetary policy.

"Mr. Greenspan : Nobody disagrees with you on that.

"Mr. Goodfriend: Okay. Then if our goal's to minimize private assets acquired by the government, we could make that understood"in which case they would do with the money what Governor Meyer is saying --

"Mr. Greenspan: Meaning, lower their surpluses and refund taxes.

"Mr. Meyer: Think of it as a "money rain" every day!"

Vice-Chairman McDonough recoiled at "the invidious notion of Social Security or any other part of the U.S. Government holding assets. There would be the temptation--and humans would surely succumb to temptation as they have since the fall of Adam--for political meddling in the private sector. I think we should avoid that in any way that we possibly can. " Looking ahead to the decade when Social Security would at long last have more outlays than revenues, Mr. Poole wistfully reminded everyone that "Once the Social Security system is selling off assets, our problem will become a bit easier."

The above quotes are from the FOMC minutes, at 13, 17-18, 25.