

Ben Lorenzetti

COMM1071

Persuasive Speech Outline

A Dollar of the People, by the People, for the People

**Specific Goal:** To persuade the audience. The laws governing the Federal Reserve should change so that profits made from money supply operations are disbursed to bank account-holding citizens, and not paid as dividends to banks or remittance to the Federal government.

**Introduction:**

- I. Is anyone here greedy? I am, and it makes me jealous of the Federal Reserve as the unique entity that can legally print as much money as it pleases. (attention getter)
- II. Even if you are less greedy and jealous than me, you should still occasionally think about the US's central bank in a way similar to your boss; the boss gives pay raises while the Fed gives pay decreases, through inflation. (listener relevance)
- III. I am qualified to speak on this subject because this is speech class.

**Thesis Statement:**

Over the past 100 years, the Federal Reserve System has been good for the US as a whole, but today it also helps propagate economic inequality. To fix this, the law should reflect that citizens are the true stakeholders of the Federal Reserve—not commercial banks nor government. In other words, dividend payments from the Fed should be paid to the citizens, not to banks nor government.

**Body:**

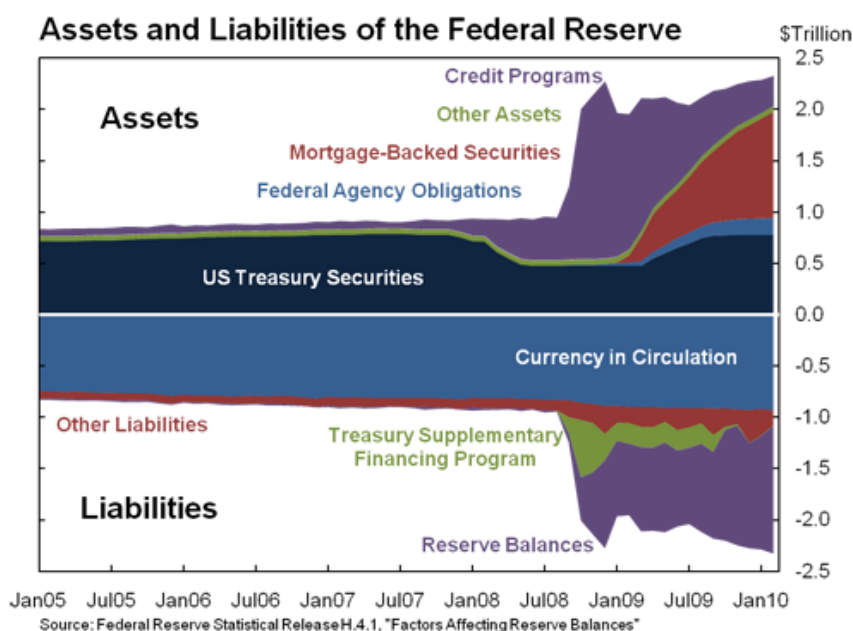
- I. **How the Federal Reserve System has worked for the US as a whole.**
  - a. If you look at a Dollar bill, at the top is its real name: a Federal Reserve note.
  - b. The Federal Reserve is the institution that issues US currency and it is responsible for ensuring the dollar's stability and that there are enough bills in circulation to facilitate every economic transaction in the economy. It also supervises, regulates, and does business with commercial banks. ("What is the purpose...", 2016)
  - c. Earlier in history, when a central bank minted new money it would give it directly to the government to spend. But if you look at Ancient Rome and Weimar Germany this arrangement led to the eventual collapse of Rome and later the outbreak of WWII. So not good.

### Inflation and Taxation

As early as the rule of Nero (54–68 A.D.) there is evidence that the demand for revenue led to debasement of the coinage. Revenue was needed to pay the increasing costs of defense and a growing bureaucracy. However, rather than raise taxes, Nero and subsequent emperors preferred to debase the currency by reducing the precious metal content of coins. This was, of course, a form of taxation; in this case, a tax on cash balances (Bailey 1956).

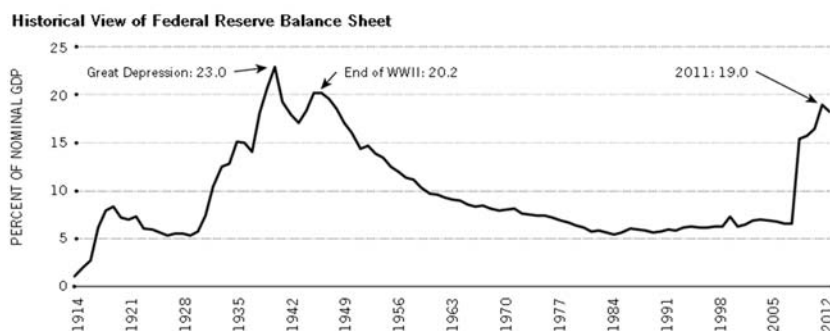
(Bartlett, 294)

- d. So today we have “fractional reserve banking” where the central bank can print money but can only distribute it as “loans” to banks or the government. The Federal Reserve keeps a balance sheet listing “assets” and “liabilities”. Assets are thing like bond certificates from the treasury and liabilities include all currency loaned out in circulation.



("Factors Affecting...", 2016)

- e. Transition: The system has served us well in the past, for example during WWII it allowed the government to borrow heavily to fund the war. But what about today?



(Lowell & Waller, 2014)



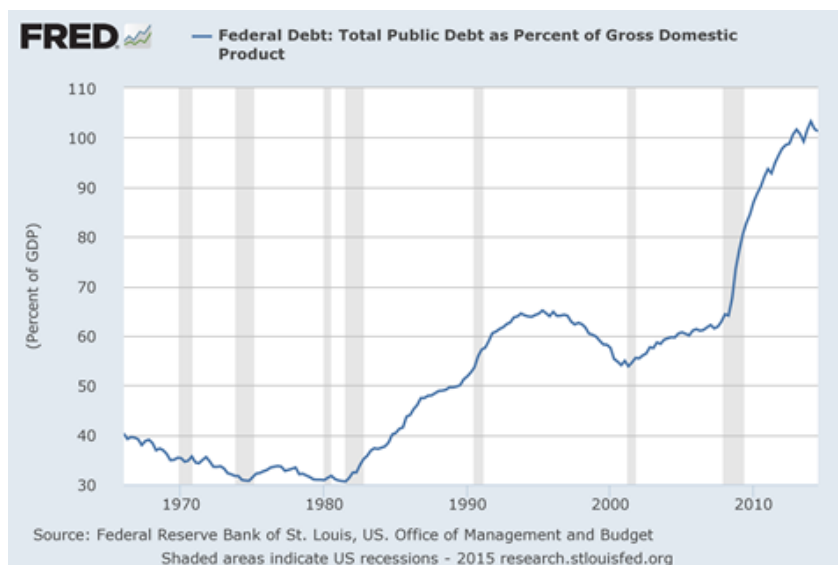
**II. However in the modern globalization economy, the Federal Reserve is part of a cycle that is driving income inequality.**

- a. In 1972, President Nixon and soon-to-be Secretary of State Henry Kissinger normalized relations with China and opened bilateral trade and in 1993 NAFTA was signed. There were many more trade treaties during this time. One result was a large trade deficit, i.e. a large amount of dollars are now in a foreign country where they can't be used.



("United States Balance of Trade...", 2016)

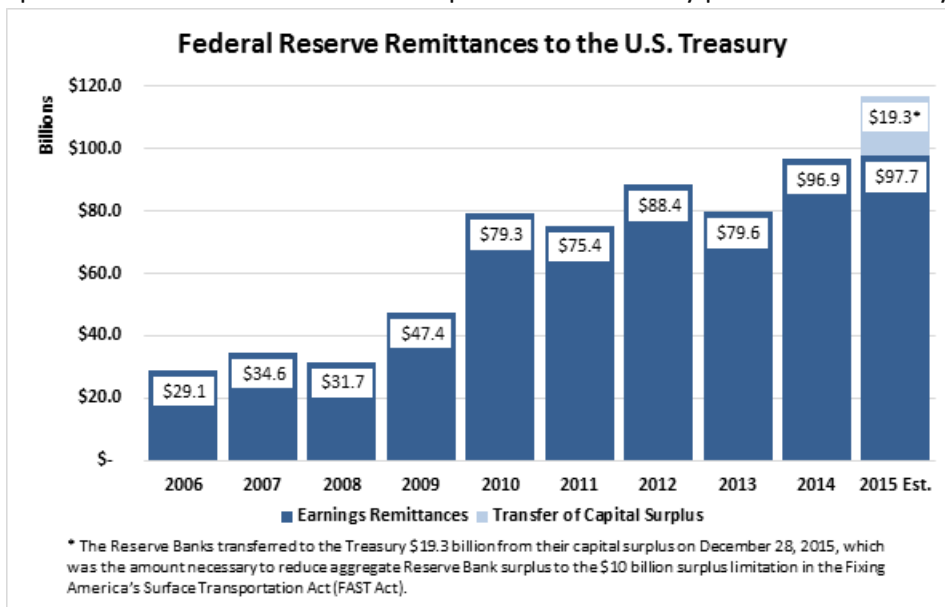
- b. To use that money, foreign governments buy US Government bonds and in general make loans to entities in the US. And politicians rarely turn down money.



- c. Most Dollars in circulation are backed by Treasury bonds, so it is important to the Federal Reserve that the US government never defaults-and indeed the existence of the Federal Reserve essentially guarantees it won't. But to allay fears and give an illusion of sustainability, the Fed has to pursue a policy of inflation so that tax revenues always grow faster than Federal Debt interest.
- d. Inflation hurts the average citizen. 2% inflation reduces the value of their paycheck ~2% per year and also reduces their savings. Inflation does not hurt the wealthy as much because a larger ratio of their wealth is in riskier investments, not savings.

### III. The solution: Remittance payments from Fed to treasury and dividends from Fed to member banks should be redirected to the citizens.

- a. When securities bought by Fed are due, the central bank gets the printed money back plus some interest. These interest profits are currently paid to the treasury.



(“Press Release”, 2016)

- b. The USA has a population of 318.9 million, according to the US Census Bureau.
- c. So the Federal Reserve could have compensated each citizen for the effect of currency operations by \$304.17 in 2015!

$$\frac{\$97.7 * 10^9}{318.9 * 10^6} = \$304.17$$

- d. This is good policy because it allows the working class to participate in the gains of capitalism and still has the same stimulative effects of returning the profited reserve notes from the central bank back into the economy.

#### Conclusion:

- I. The Federal Reserve is a clever system that is very good for the US as a whole, but it also tends to cause economic inequality. This should be fixed by clarifying that citizens are the true shareholders in the central bank: i.e. Federal Reserve profits should be remitted to the citizens, not the government nor banks.
- II. Go write your congressman. Via snail mail.

## Citations

Bartlett, Bruce. How Excessive Government Killed Ancient Rome. *Cato Journal*, Vol. 14, No. 2 (Fall 1994).

"Factors Affecting Reserve Balances." *Statistical Release H.4.1*. Federal Reserve Bank of San Francisco, 2016. Web. 20 Nov. 2016. <http://www.frbsf.org/education/publications/doctor-econ/2010/march/banks-excess-reserves-monetary-policy/>

"Federal debt basics – How large is the federal debt?" Government Accountability Office. 2012.

"Press Release." *Federalreserve.gov*. Board of Governors of the Federal Reserve System, 11 Jan. 2016. Web. 20 Nov. 2016. <https://www.federalreserve.gov/newsevents/press/other/20160111a.htm>

Ricketts, Lowell R. and Waller, Christopher J. "The Rise and (Eventual) Fall in the Fed's Balance Sheet." *The Regional Economist*. Federal Reserve Bank of St. Louis, Jan. 2014. Web. 20 Nov. 2016. <https://www.stlouisfed.org/publications/regional-economist/january-2014/the-rise-and-eventual-fall-in-the-feds-balance-sheet>

"United States Balance of Trade 1950-2016." Trading Economics, 2016. Web. 20 Nov. 2016. <http://www.tradingeconomics.com/united-states/balance-of-trade>

"What is the purpose of the Federal Reserve System?" *Federalreserve.gov*. Board of Governors of the Federal Reserve System, 03 Nov. 2016. Web. 20 Nov. 2016. [https://www.federalreserve.gov/faqs/about\\_12594.htm](https://www.federalreserve.gov/faqs/about_12594.htm)