

STODDARD FOR CONGRESS

— Utah's 3rd Congressional District —

MONEY & BANKING: AN INDICTMENT

THE CASE FOR THE PROSECUTION

A Citizen's Indictment of Fractional-Reserve Banking, the Fiat Dollar, and the
Destructive Hidden Inflation Tax

A Policy Position Paper

***"[The Congress shall have Power] ... To coin Money, regulate the Value thereof ...
and fix the Standard of Weights and Measures."***

— U.S. Const. art. I, § 8, cl. 5

If You Did It, They'd Call It Fraud!

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Sound-Money Plank:

***Congress MUST End the Legal Privilege of Fractional-Reserve Banking
— Restore Honest Banking and Sound Money, and Secure the
American People's Right to Choose Them***

"HONEST MONEY NOW!"

"I am a Certified Public Accountant with additional training in economics. Here is a fact most Americans have never been told: the money you deposit in your bank is not in your bank. It has been lent out, many times over, to people you will never meet — and the bank keeps only a few cents of every dollar you believe is sitting there waiting for you. That practice has a name, fractional-reserve banking, and for most of history it was prosecuted as fraud. Today it is the law — written by the banks themselves across five centuries of quiet capture, and propped up by a central bank and a printing press every time the bet goes bad. I am running to make banking honest again, so that your deposit means what you think it means."

— Michael R. Stoddard, C.P.A., C.F.P.

I. The Problem

Ask anyone in Utah's Third District what has changed in the last five years, and somewhere near the top of the list will be this: the money does not go as far as it used to. Groceries, rent, gas, health insurance, a first home and a college education — all of it costs more, while the paycheck stays roughly the same and in real purchasing power terms it has not significantly increased for over 50 years! People feel they are running harder just to stand still. They are right. But the cost of living is the symptom. To find the disease, you have to look underneath it — at how the money itself is made.

Most people picture a bank as a vault: the dollars they deposit sit there until they come back for them. They do not. Under fractional-reserve banking, a bank keeps only a small fraction of its deposits on hand and lends the rest out at interest — conjuring new deposits in the very act of lending. The money supply is not created

by the government's printing press alone; it is created, dollar upon dollar, by ordinary banks lending money that no one ever saved. This is the engine beneath the rising prices: more and more claims to dollars chasing the same real goods. And it is, at its root, a promise the system cannot keep — because if depositors ever asked for their money all at once, it would not be there.

Debasement is as old as money itself, and it has worn many faces. Roman emperors melted down the silver denarius and reminted it with ever more base metal until the silver all but vanished; medieval princes clipped and shaved the coins that passed through their treasuries. And the law did not treat tampering with the coinage as a minor offense — it treated it as among the gravest crimes a society could name. In England the Crown's own coiners were put personally on trial: the Trial of the Pyx, held since the thirteenth century, hauled the Master of the Mint before a jury to answer for the purity of every coin, and a Master found wanting could be imprisoned, as one was in 1318. Clipping and counterfeiting by private hands were treated as treason and punished by death. America wrote the same severity into its very first monetary law — under Section 19 of its first Coinage Act of 1792, any Mint officer who debased the coin or embezzled the metal “shall be deemed guilty of felony, and shall suffer death.”

Fractional-reserve banking is that same ancient impulse in more sophisticated dress. It was born in the merchant banks of Renaissance Italy and refined by the goldsmiths who came after, and from the first it was understood to be fraud — Roman law already required that money left for safekeeping be kept, and prosecuted the banker who lent it out. The modern inversion is complete. A nation that once put men to death for shaving metal from a coin now shaves the value from every dollar as a matter of policy. What changed across the centuries was not the ethics of the practice but its legal protection, won not by argument but by the patient capture of the very institutions meant to restrain it.

In America the modern frauds arrived as a staircase, each step removing a limit the one before it had left standing. First, fractional-reserve banking was woven into the law itself, so that lending money no one saved became not a crime but a charter. Then, in the Coinage Act of 1873 — remembered ever after as the “Crime of '73” — silver was quietly demonetized, narrowing the people's hard money to gold alone; the bill passed with almost no public notice, and a Bank of California president was

later shown to have bribed Treasury officials to secure it. Then, in 1913, a central bank was created to stand behind the fractional-reserve system as lender of last resort — ready to manufacture new money on demand, so that the run the system invites need never come. Then gold itself was demonetized: confiscated from citizens by executive order in 1933, and cut loose from the dollar for the rest of the world in 1971. And at the last, the dollar was left tied to nothing at all — pure fiat, creatable without limit by decree. Five steps; each removed a constraint, and each enlarged the bankster privilege.

The result is the number every American can feel: a dollar from 1913 buys a few cents' worth of goods today, the federal debt has passed \$39 trillion, and the interest on that debt alone now exceeds \$1 trillion a year — more than the nation spends on its own defense.

John Adams saw it coming at the founding. "All the perplexities, confusion, and distress in America," he wrote to Jefferson in 1787, "arise ... from downright ignorance of the nature of coin, credit, and circulation." The one subject most Americans are never taught is the one being used against them.

What follows is an indictment of that machine of the elites — first and foremost of the fractional-reserve banking at its core — seven counts, the defense answered, and a plan to end it.

II. The Bank Does Not Hold Your Money

The defenders of the system will answer that all of this is simply how banking works — that lending out deposits is the very service a bank provides, and that the depositor consents to it. This is the central confusion, and it must be corrected plainly. There is a difference, known to every legal tradition that ever protected property, between handing something over for safekeeping and lending it. The two cannot be the same transaction at the same time.

When you leave your furniture at a warehouse for storage, it is still yours; the warehouse may not rent it out and gamble that you will not come back for it before the renter does. That is a bailment — custody, not ownership. A loan is the opposite: you knowingly part with your money, accept the risk, and expect it back later, with interest. Honest banking can do both — but it may not pretend one is the other.

Fractional-reserve banking takes money handed over for safekeeping, payable on demand, and treats it as though it had been knowingly loaned for investment. The depositor is told his money is there and at risk to no one; in fact it has been lent many times over and is at risk to everyone.

Three defenses are usually offered, and all three fail. First, the consent is not informed: almost no depositor understands that his money has been lent, that the bank holds only a fraction, or that a simultaneous demand by every depositor would reveal the bank to be insolvent. The system depends on that ignorance — if everyone understood it, the runs would never stop. Second, the consent is not free: there is no ordinary bank that operates as a true safekeeping warehouse, because the law assumes and requires the fractional-reserve model. You cannot simply choose the honest alternative, because it has been regulated out of existence. Third, and deepest: a statute that authorizes the practice does not make it honest. It makes it legal. Those are not the same thing — and the distance between them is the whole subject of this paper.

Because the promise cannot be kept, the model is permanently fragile, and that fragility is why it needed a rescuer. The bank runs of the nineteenth and early twentieth centuries were not failures of an otherwise sound system; they were the system telling the truth. The response was not to end the practice but to insure it — to install a central bank as lender of last resort, and a public guarantee behind the deposits, so that the losses of a private gamble could be quietly shifted onto the currency and the taxpayer. That is the bargain at the heart of modern banking: the gains stay private, the losses are made everyone's. The fraud was not abolished. It was nationalized.

III. The Indictment — Seven Counts

Here is the charge sheet. Strip away the technical language and the machine stands accused of seven things. Each would be a crime if you or I did it. Together they are not a flaw in honest banking — they are the substitute for it.

1. It Lends Money That Isn't There.

The foundational charge, from which the rest follow. A bank takes a dollar deposited for safekeeping and lends it out; the borrower's bank lends most of that dollar again,

and again, until a single saved dollar stands behind many dollars of claims — every one of them supposedly payable on demand. Money is created from nothing, not by counterfeiters in a basement but by chartered banks at a desk. Done by a private citizen, this is fraud and embezzlement. Done by a licensed bank, it is called checking.

2. It Lies About Prices.

All that manufactured credit has to go somewhere, and where it goes first is the price of borrowing. Flooding the system with money no one saved pushes interest rates below their honest level — the level that real savings would set. Businesses, reading the false signal, build what cannot be sustained; the boom turns to bust; and the bust is simply reality collecting on the debt the lie ran up. Nearly every boom-and-bust cycle of the last century traces back to this engine.

3. It Robs the Productive to Reward the Connected.

New money does not reach everyone at once. It reaches the banks, the borrowers, and the asset-holders first, at yesterday's prices — and the wage-earner and the saver last, after prices have already climbed. The people who make, grow, build, and save are paid in a currency losing value; the people standing closest to the money spigot are enriched by their proximity to it. The system rewards nearness to the source over usefulness to your neighbor, automatically, every single year.

4. It Debases What You've Earned.

You earned your savings with your own labor. Every new dollar created — whether by a bank's lending or the central bank's rescue of it — dilutes the value of every dollar already in your pocket, transferring a slice of what you earned to whoever spent the new money first. It is the most dishonest tax ever devised: voted on by no one, appearing on no return, carrying no rate you can look up, and falling hardest on the poor and the old, who hold their wealth in cash while the wealthy hold theirs in the assets that inflation lifts.

5. It Keeps the Gains and Hands You the Losses.

In good times, the profits of lending money that isn't there belong to the bank. In bad times — when the promise comes due and cannot be met — the losses are passed to the public: through bailouts, through emergency money creation, through a currency quietly debased to paper over the hole. This is the bargain that five centuries of capture purchased — a private business with a public backstop, free to gamble because someone else is pledged to cover the bet. Heads they win; tails you pay.

6. It Forbids You the Alternative.

If the system were honest, it would have nothing to fear from competition. Yet you cannot bank at a true full-reserve warehouse, because the law has regulated it out of existence; you cannot easily contract in any money but the fiat dollar; and using gold, silver, or sound private money as money is penalized by the tax code as if it were a speculative trade. You are not permitted to simply opt out. Honest money and honest banks never have to be forced on anyone. Only the other kind does.

7. It Cannot Be Reformed — Only Replaced.

These are not the excesses of a sound system. They are what the system is for. A bank that lends money no one saved cannot be made honest by lending a little less; a currency backed by nothing cannot be made sound by debasing it more slowly. A two-percent inflation target is a slower theft than ten percent, but it is theft on a schedule. You do not regulate a fraud into honesty by making it gradual. You end it.

IV. The Proposal

I will introduce and support legislation to make banking honest again and the dollar sound. The goal is not to manage the machine more cleverly. It is to dismantle the privilege at its core and let honest alternatives compete. Four parts:

A. End the Fractional-Reserve Privilege — Restore Honest Banking

The law should once again recognize the distinction every other area of life already takes for granted: between money handed over for safekeeping and money knowingly lent at risk. Demand deposits — the money you expect to be there the

moment you ask for it — should be held, not lent, and the institution holding them should actually hold them. Money you wish to lend at interest, you would commit knowingly, for a term, accepting the risk that lending always carries. I will support clearing the legal path for full-reserve, transparent banking — banks that hold what they say they hold — and ending the privilege that lets a bank treat your safekeeping as its own capital. Let the honest model and the fractional-reserve model compete on equal terms, in full daylight, and let depositors choose with their eyes open.

B. Stop Socializing the Losses

A practice that cannot survive without a public rescue should not be promised one. The standing guarantee that the taxpayer and the currency will absorb the losses of fractional-reserve banking is the subsidy that makes the whole pyramid permanent and the gambling rational. I will support winding that backstop down — not by leaving ordinary depositors exposed, but by making their deposits genuinely safe through full reserves rather than through the false safety of a bailout that debases everyone's money to rescue a few balance sheets. Make safekeeping real, and you no longer have to insure it.

C. Secure the Right to Choose Sound Money

No honest currency needs a law forcing people to use it. I will work to repeal the penalties that punish Americans for using sound money: eliminate federal capital-gains taxation on gold and silver used as money, so that choosing a currency which holds its value is not treated as a taxable speculation; protect the right to make and honor contracts in the currency the parties choose; and clear the legal obstacles to honest, transparent private and state-issued alternatives. Let the dollar compete. If it is sound, it will win. If it cannot survive competition, that tells you everything you need to know.

D. End the Hidden Financing of the Debt

The deepest engine of the inflation tax is the quiet partnership between a Treasury that wants to spend without taxing and a central bank that can manufacture the money to let it. I will support hard statutory limits on the monetization of federal debt — the practice of paying the government's bills with newly created money — and full, honest disclosure whenever it occurs. A government forced to raise every

dollar it spends openly, through taxes its representatives must defend, would spend very differently. That discipline is the entire point.

A closing word on the through-line. Every plank I run on returns to one principle: a government accountable to the people who pay for it. *“Open the Books”* demands an honest accounting of what the government spends. This paper demands honest money to spend. They are the same fight, waged at the two ends of one ledger — and neither is finished without the other.

V. The Defense Answered

No indictment is worth reading unless it faces the strongest case the other side can make. Here are the defense's best arguments — answered in turn.

“Without the Fed, the economy would collapse into chaos.”

The economy no more needs a committee to set the price of money than it needs one to set the price of bread. For most of its history America grew — explosively — without a permanent central bank. The booms and busts the Fed was created in 1913 to prevent have not stopped; they have grown larger. An institution judged by its own stated purpose, stable money, has presided over a dollar that lost nearly all of its value. Chaos is not the alternative to the current system. It is the current system, arriving on a delay.

“Credit would dry up and growth would stall.”

This is the strongest objection, and it deserves a straight answer. Real, durable growth is funded by real savings — money set aside from actual production, not money typed into existence. A system that punishes saving through inflation undermines the very thing that funds growth, then points to the credit it manufactures as proof of its own necessity. Nations and eras with sounder money and stricter banking have produced robust credit and strong capital formation. Prosperity does not require dishonest money. It requires money honest enough that saving it is not a mistake.

“A little inflation is good for the economy.”

Good for whom? “A little inflation” is a polite name for a small, steady transfer from everyone who holds dollars to whoever issues them. Two percent a year sounds harmless — until you notice it cuts the value of your savings roughly in half over a working lifetime, quietly, automatically, with no vote and no appeal. A thief who takes a little each year is still a thief. The honesty of a measure is not improved by making the dishonesty gradual.

“This is a fringe position.”

It is the position of the men who wrote the Constitution — which gives Congress the power to coin money and fix its value alongside the standard of weights and

measures, and forbids the states to make anything but gold and silver legal tender — because the founders had just watched paper money destroy the savings of a generation. It is the position of every American who has watched a paycheck lose ground to prices and sensed, correctly, that something was being taken. The fringe position is the one we actually live under: that an unelected board should hold the power to quietly tax every dollar in the country, forever, and answer to no one. Naming that is not extremism. It is arithmetic — and naming it is what campaigns are for.

“Even if you’re right, Congress will never do it.”

Begin with what Congress could do tomorrow without abolishing anything: let honest, full-reserve banks compete on equal terms, and stop taxing Americans for using sound money. Both are modest. Both are popular. Both are resisted only inside the institutions they would expose. Every large reform in American history began as the thing that would “never happen” — right up until enough people refused to keep pretending the status quo was normal. The honest-money movement asks only that we stop pretending.

VI. The Verdict — Honest Weights and Measures

Seven counts have been laid out; the defense has been heard. What remains is the verdict — and it is not complicated.

Strip this proposal to its principle and it is the oldest rule of commerce there is: honest weights and honest measures. Every civilization that ever lasted punished the merchant who kept two sets of weights — a heavy one for buying and a light one for selling — because a people who cannot trust the measure cannot trust anything built upon it. The dollar is the measure of every contract, every wage, every debt, and every life’s savings in America. A government that reserves to itself the power to shave that measure a little each year, in secret, has kept two sets of weights and called it policy. The Constitution placed money and the standard of weights and measures in the very same sentence. It understood they were the same trust.

This is why the demand belongs to no party. The inflation tax falls on the union worker and the small-business owner alike. It punishes the careful and rewards the leveraged regardless of how either votes. Whatever you want government to do —

more, less, or differently — you want it done in money that means tomorrow what it means today, raised through taxes your representatives must defend rather than through a hidden levy no one ever signs. Honest money is not a position on the political spectrum. It is the measuring stick the whole spectrum argues over.

So this is not a radical proposal. It is the most conservative one imaginable — older than the republic, older than the common law: do not lie about the weight. It holds the federal government to the standard every honest merchant in America already meets, and that the Constitution itself laid down when it gave Congress the duty to coin money and fix its value — not to debase it at leisure.

I am a Certified Public Accountant. I have spent my professional life insisting that the numbers tell the truth — that a statement of accounts mean what it says, and that value entrusted to a fiduciary be returned, not quietly spent. I am asking for one thing on behalf of every person in this district who has watched their money buy less and been told it was the weather: honest banks that hold what they say they hold, a dollar that keeps its value, and the freedom to choose them if the government will not provide them.

The government would prosecute any citizen who did to its money what it does to yours. Its own first coinage law would have hanged him for it.

Examined honestly, the system stands indicted.

The Verdict Is Guilty.

Honest Money Now!

Sound-Money Mike

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