



Minting Trillion-Dollar Platinum Coins Won't Help Fight the Economic Downturn

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Over the weekend, Rep. Rashida Tlaib (D-MI) introduced legislation to create a sweeping social safety net aimed at tackling the economic fallout from the COVID-19 pandemic. Tlaib's bill would give every single person in America a \$2,000 preloaded debit card that would refill with \$1,000 every month until one year after the end of the crisis. Though well-meaning, her legislation is legally dubious and would drive the economy toward hyperinflation.

While many modern monetary theorists argue the Federal Reserve should simply print more money to solve our problems, Tlaib's bill is more nuanced in the sense that the debit cards would be financed by having the U.S. Mint create two \$1 trillion platinum coins which the Treasury would deposit in its account with the Federal Reserve.

This relies on an obscure authority of the Treasury found under the 1996 Coinage Act that grants the Treasury Secretary permission "to mint and issue platinum bullion coins and proof coins."

While proponents of a trillion-dollar coin believe this statute gives the go-ahead Tlaib is looking for, George Selgin of the Cato Institute notes that "it's doubtful that a Treasury Secretary could legally compel the Fed to accept a trillion-dollar platinum coin, let alone compel it to 'credit the Treasury's account for the coin's full face value.'" Beyond that, a Treasury official said in 2013 that "neither the Treasury Department nor the Federal Reserve believes that the law can or should be used to facilitate the production of platinum coins for the purpose of avoiding an increase in the debt limit."

The concept of a trillion-dollar coin goes back to 1992, when populist presidential candidate Bo Gritz suggested that the national debt could be paid off if the Treasury minted a coin equal in value to the national debt and sent it to the Federal Reserve. Previously relegated to fringe blogs, the idea became mainstream in 2013 in the midst of the fiscal cliff and debt-ceiling debacle after

Rep. Jerry Nadler (D-NY) introduced a trillion-dollar platinum coin bill and then in 2013, when notorious Keynesian economist Paul Krugman endorsed the plan.

Tlaib's bill suffers from the same economic illiteracies that plagued the idea in 2013. As explained by Jaret Seiberg of the Washington Research Group at the time, "the \$1 trillion coin would expand the money supply by a considerable amount, which could spark serious inflation," and that "this economic chaos could worsen the economic downturn, which would further weaken credit conditions and impose higher losses on banks."

While the economy has already been seriously damaged by the COVID-19 pandemic and from the government's overzealous response to it, we should not make matters worse by pursuing legislation that would cause Zimbabwe-style hyperinflation. In *What You Should Know About Inflation*, the great Henry Hazlitt writes, "inflation, always and everywhere, is primarily caused by an increase in the supply of money and credit," and that "the social losses and evils it brings about are certain to cancel and exceed any initial gains."

In addition to the legal and economic pitfalls of Tlaib's bill, the current draft of her Automatic BOOST to Communities Act should attract criticism for other reasons. According to the draft legislation, these debit cards would be extended to every single person currently residing in America, including illegal immigrants and temporary visitors. Surely this alone would prompt disapproval from immigration hawks on the right. However, the legislation should also catch flak from the left, given that it has no provision in place to prevent millionaires or billionaires from also receiving the government-sponsored debit card. Heck, even the current stimulus check proposal making its way through Congress has income-based restrictions.

Back when Jerry Nadler floated the trillion-dollar coin proposal in 2013, Rep. Greg Walden (R-OR) said: "[T]he notion that we could mint a trillion-dollar coin ... it's so absurd and laughable, except people were being serious." The idea that a trillion-dollar coin can fix our current problems remains just as absurd and laughable as it was then.