



Trillion Dollar Maybe

By: Luca Gattoni-Celli - January 12th, 2013

Mainstream commentators are pondering whether the Treasury Department should use a loophole in its minting power to create a platinum coin with a \$1 trillion dollar face value (though it could as easily be \$15 or \$50 trillion) as an end run around the coming battle over the debt ceiling.

As explained to Ezra Klein by former Mint director and Treasury chief of staff Philip Diehl, who cowrote the law and oversaw the minting of the first coins under it, the Treasury would create a platinum coin conforming to the law with a value of \$1 trillion dollars, deposit it with the Federal Reserve in exchange for \$1 trillion dollars, and use that money to service its obligations.

After the debt ceiling is raised, it would issue debt to cover what it had paid for with the coin, return the money to the Fed in exchange for the coin itself, destroy the coin, and carry on with business. According to Mr. Diehl, none of this would affect the money supply, addressing concerns about inflation, and the entire procedure could be executed in a controlled, self-contained manner with no discernable effects.

Asked on Wednesday whether the Obama Administration had “a position on this trillion-dollar coin business,” White House press secretary Jay Carney’s definitive response was: “There is no alternative to Congress raising the debt ceiling; it’s its responsibility.” He did not directly address the question. He did not endorse the plan, and he did not rule it out.

When asked for clarification, in the form of “a yes or no question,” his immediate response was less satisfying than an evasion — it was a cop-out: “I would refer you to Treasury for the specifics of this question.” Then he kept dancing and dodging. The rest of this exchange (and the first one) is worth viewing for yourself, but suffice to say that no clarification was garnered. And the Treasury Department has declined to comment.

Doublespeak is the rule for White House press briefings and politics in general. Maybe Carney genuinely lacked a prepared answer — though the story was already getting a lot of buzz in the press. There has not been a briefing since; the next one may put the issue to rest. That said, various policy experts have expressed profound skepticism. Cato Institute scholar Dan Mitchell summarized the scheme with three words: “Possibly legal gimmick.”

“I think [the coin is], at this stage, very unlikely,” Mitchell told *TAS* in an interview. However, he had a clear message about the precedent it would set: “Once they do it and get away with it, they are very likely to do it again and again and again.”

That’s the problem: No discernable practical or procedural obstacle would prevent the Treasury Department from creating the coin whenever it wishes. The Federal Reserve System was established as theoretically private, independent, non-political entity because governments with direct control over a monopolistic fiat monetary system such as ours have a long history of abuse. The status quo is not ideal, but the trillion dollar platinum coin could lead to something much worse. Perhaps this is why Congressman Greg Walden (R-Ore.) is pushing to ban it — just in case.