

Good morning. I am Kevin Freeman, an interested American and I am representing myself. I am in support of companion bills HB2729 and SB513.

This Committee meets at a historic moment with a unique opportunity to take meaningful action to protect Kansas, individual Kansans, and indeed the United States of America.

My background is as an Economist, investment manager, and student of history. I have been considered a leading expert on the issue of Economic Warfare, having served as a contracted consultant to the United States Department of Defense, the State of Utah Fiscal Risk Commission, and a provider of testimony to the United States Congress. I have written four best-selling books on Economic Warfare and economic risks and briefed nearly every major three-letter agency including past leadership at DIA, CIA, and senior levels of the FBI as well as various War Colleges.

The times in which we live are unprecedented for Americans. While our nation is considered by many to be the dominant military and economic power of the planet, there are a few realities that must be addressed. I call them “Five Undeniable Truths.” And the impact of these truths calls for a swift state-level response in line with the bill before you. The good news is that this legislature can, with a simple act allowing Kansans a choice in money, have a genuine impact that will protect citizens, improve life for many, and enhance your state.

The Five Undeniable Truths are:

1. Our US Federal debt path is unsustainable.
2. Other nations are targeting our currency.
3. Inflation and the *Cantillon Effect* create a wealth gap that hurts the poor and will lead to destabilization.
4. Governments intend to weaponize currency (CBDC).
5. Money is changing in major ways.

In regard to truth #1, our reported Federal debt is approaching \$35 trillion, up more than \$2 trillion in the past year and growing at an exponential rate. Interest alone on such a debt will exceed \$1 trillion this year and with the current Fed Funds rate will approach \$2 trillion per year in short order. This is up from around \$300 billion just three years ago. Both interest rates and the debt have increased.

This is simple math. And it has recently been acknowledged by the Chairman of the Federal Reserve, Jerome Powell, the Congressional Budget Office, the US Treasury, the Office of Management and Budget, and every leading economist of the world. Every respected observer has publicly stated that the debt path is unsustainable. And, according to the Congressional Budget Office, the current debt path will add \$100 trillion from just Social Security and Medicare to the debt from the year 2020 to the year 2050. If I live to the age of my father, I will be alive to see that incredible debt which will dwarf our economy and put America in the position of a Venezuela, Argentina, Zimbabwe, or 1920s Germany.

It is important to note that the Congressional Budget Office also shows that our total expected tax revenues for the year total \$4.65 trillion and the mandatory spending, including interest will reach \$4.64 trillion. This suggests that even if the Congress eliminated every Federal agency and fired every employee, it would be impossible to balance the budget as things stand today.

The most cited outcome of such a bleak debt outlook is a combination of currency failure and/or massive inflation. This leads to the second undeniable truth and that is that other nations are targeting our currency. The dollar has been the primary reserve currency of the world since the conclusion of the second world war. This means that nations typically use dollars when conducting trade with one another. That status is now under threat. Saudi Arabia, for example will now sell oil for Chinese yuan. Beyond that, however, Russia, China, and a growing list of nations known as BRICS have purposed to remove the dollar as primary reserve currency. By some estimates, this BRICS alliance accounts for 36% of the world's Gross Domestic Product. And the BRICS alliance is growing rapidly with 36 nations seeking to join.

What would this mean? If the dollar were not reserve currency, fewer nations would be willing to purchase our growing debt. In 2008, China held approximately 10% of our outstanding Federal debt. Today that level is closer to 2%. Our dollar has been used as an economic weapon over the past decades and that weapon is rapidly losing power. Elon Musk recently tweeted, "If you weaponize currency enough times, other countries will stop using it."

The third undeniable truth is that Inflation and the *Cantillon Effect* create a wealth gap that hurts the poor and will lead to destabilization. Wealthy people can escape inflation through creative investing. The poor and middle class cannot. It is a fact that our dollar has lost nearly 90% of its purchasing power since President Nixon ended the gold standard in 1971. From then, until now, the wealth gap has widened dramatically. The solution is not to raise taxes and empower the government. Instead, the government should provide a sound money alternative that maintains purchasing power. An 18<sup>th</sup> century French economist named Richard Cantillon essentially noted that those closest to the creation of money benefitted disproportionately. This explains why Wall Street and Washington prosper as the Fed pumps massive money into the system while the rest of America including Kansans suffer from inflation. This will be destabilizing at some point. In fact, the Cantillon effect and inflation were major causes of the French Revolution.

The fourth undeniable truth is that Governments intend to weaponize currency (CBDC). We see this with the Digital yuan in China but also in more than 100 nations of the world including the United States. The Federal Reserve calls this programmable money, and this legislative body has no doubt demonstrated concern. Imagine if the use of money could be dependent on receiving a favorable social credit score. Or perhaps behavior could be modified by limiting certain purchases or enhancing others by nanny-state bureaucrats. There is no doubt that this is the intention of some policymakers with draconian ambitions.

Finally, truth number five is that Money is changing in major ways. This should be obvious as we have seen the advent of PayPal, Venmo, Apple Pay, and tap to pay replacing the use of cash. In fact, there are many places that will no longer accept dollar bills. And innovation is increasing. Unfortunately, the further we get from sound money, the more dangerous things can become.

One hundred and twenty-two years ago, the infamous financier JP Morgan testified in Congress that “Money is gold. Everything else is credit.” His sentiment echoed the notions of our founding fathers like Washington and Jefferson. In fact, Jefferson is quoted as saying that “paper is poverty, it is only the ghost of money and not money itself.”

The founding fathers left a provision in the United States Constitution that allows a sovereign state to make gold and silver money at the state level. This bill provides Kansans the opportunity to benefit from that provision using modern technology. At present, gold is mostly used as something to hold, where we basically bury it in the ground hoping to preserve wealth in inflationary times. Warren Buffett has said that it is crazy to dig out gold in Africa. Fly it here by plane and then bury it in a vault. This adds nothing to the economy. Yet if you make gold and silver transactional as a currency, you provide true value. An option for Kansans to preserve purchasing power but also use it as money. One of the most often reasons people cite for not buying gold is that you cannot eat it. But I recently used gold to buy groceries with the same sort of technology Kansas could adopt for money.

If the state passes these bills, gold and silver can become useful, optional money. People can still use dollars, or they can use gold and silver in a transactional way. Basically, it would allow everyone to affordably buy gold and silver and then spend it with a debit card using the existing financial system. Citizens would be able to buy a penny’s worth of gold. They could spend gold for a movie ticket or to buy a cheeseburger. The technology exists, is proven, and is offered by several companies including one in the United Kingdom with the gold stored in Switzerland and insured by Lloyds of London.

This can be brought to Kansas, operated in Kansas, with the gold held in the United States. Unfortunately, the current commercial offering is subject to capital gains taxation if the value of gold relative to dollars increases. But if Kansas adopted gold and silver as transactional money under this bill, that tax threat could be neutralized. People should not be taxed solely because their money maintains purchasing power.

The time for this proposal is NOW. The threats are real. The technology exists and is proven. Finally, the state could benefit with earnings as the use of transactional gold and silver would enable the state to earn money from the already existing swipe fees. The State of Kansas can ensure economic safety, justice, and prosperity for Kansans by passing this important legislation. At present, 25 states are considering similar efforts. Kansas has an opportunity to be a true leader.