

# Sound Money, Made Spendable

*Why a state-issued, gold- and silver-backed digital currency is the constitutional answer to a century of dollar debasement – and why Texas has already shown it can be done.*

AN ARGUMENT FOR MONETARY FEDERALISM

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**I**n 1920, a working man could walk into a tailor, lay down a single twenty-dollar gold piece, and walk out in a finely made suit. A little over a century later, that same ounce of gold – now worth more than five thousand dollars – still buys a finely made suit. The twenty-dollar bill does not. It barely covers the necktie. Nothing about the gold changed; it is the same soft, heavy metal it has always been. What changed is the paper. This brief is about that difference, and about a practical, constitutional way for the states to give their citizens a money that behaves like the gold rather than like the paper.

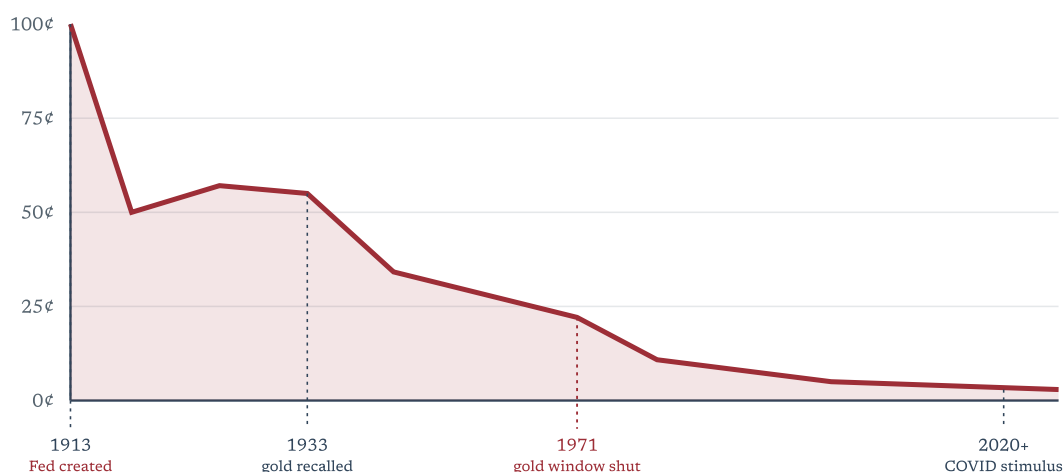
The proposal is straightforward and, as of 2026, no longer hypothetical: a state-chartered, fully reserved digital currency in which each unit represents legal title to a specific fraction of physical gold or silver held in a state depository. It would be voluntary, redeemable, and spendable in everyday amounts. It is not a cryptocurrency in the speculative sense, not a federal central-bank digital currency, and not a scheme to abolish the dollar. It is the modern, usable form of the one kind of money the Constitution expressly reserves to the states.

## A century of disappearing dollars

Begin with the problem the proposal is meant to solve. Since the Federal Reserve was created in 1913, the U.S. dollar has lost roughly ninety-seven percent of its purchasing power. By the standard Consumer Price Index measure, what one dollar bought when the Fed opened its doors now costs more than thirty dollars. Put the other way around, a 1913 dollar is worth about three cents today. This is not a fringe claim or a chart-trick; it comes straight from the Bureau of Labor Statistics' own price data.

**FIGURE 1 · THE DOLLAR'S LONG DESCENT**

### What a 1913 dollar is worth, year by year



Approximate purchasing power of one 1913 dollar, CPI-U basis (BLS). The decline was gradual while the dollar was tethered to gold, then steepened after 1971, when the last link to gold was severed, and again after 2020. Cumulative loss to date: roughly 97 percent.

Two features of this decline matter for the argument. The first is its cause. Prices did not rise because bread or steel became harder to make; in real terms many goods

became cheaper to produce. They rose because the supply of dollars expanded faster than the supply of goods – through war financing, deficit spending, and the discretionary money creation that a pure fiat system permits. Inflation, in this telling, is not an act of nature but a consequence of policy: the predictable result of a money that any administration can print at will and that no external discipline constrains. Poor oversight, political convenience, and the temptation to fund today’s promises with tomorrow’s diluted dollars are the mechanism.

The second feature is the timing. The erosion was comparatively mild while the dollar remained anchored to metal. It accelerated sharply after 1971, when President Nixon closed the gold window and the dollar became, for the first time in the nation’s history, backed by nothing but the government’s say-so. By one accounting, the bulk of the dollar’s entire loss of value is concentrated in a handful of inflationary episodes – the two world wars, the Great Inflation of 1968 to 1982, and the post-pandemic surge – each a moment when monetary discipline gave way to fiscal need. The lesson the sound-money tradition draws is simple: remove the anchor, and the drift becomes a current.

## II – THE CONSTANT

### **Gold keeps the appointment paper misses**

Now set the same century against gold. In 1920, gold was fixed at \$20.67 a troy ounce. In January 2026, gold crossed \$5,000 an ounce for the first time in history – roughly two hundred and forty times its 1920 price. To the untrained eye that looks like gold “going up.” It is more accurate to say the measuring stick shrank. Gold did not become two hundred times more useful; the dollars used to price it became two hundred times less valuable.

FIGURE 2 · SAME OUNCE, SAME SUIT

## Gold holds its purchasing power; the dollar does not



The classic illustration of sound money. An ounce of gold purchased a quality men's suit in the 1920s and still does today; the \$20 that also bought a suit in 1920 now barely buys an accessory. Gold rose from \$20.67 (1920) to above \$5,000 (January 2026) in nominal terms – not because gold gained, but because the dollar lost.

This is the heart of the sound-money case. Gold is not an investment that happens to perform well; it is a yardstick that happens to hold still. Across wars, depressions, booms, and busts, an ounce of gold has tracked the real cost of ordinary things – a suit, a horse and later a car, a week of skilled labor – with remarkable steadiness, precisely because no central authority can manufacture more of it to pay a bill. A money tied to gold inherits that discipline. A money tied to nothing inherits the printing press.

**~97%**

Purchasing power lost by the dollar since 1913

**\$20.67 →  
\$5,000+**

Price of one ounce of gold,  
1920 to Jan. 2026

**1 suit**

What an ounce of gold bought  
then – and still buys now

### III – WHY IT MUST BE DIGITAL

## You cannot buy groceries with a gold coin

If gold is such honest money, why not simply spend it? Because the very fact that makes gold a good store of value – its density of worth – makes it useless for daily commerce. At more than \$5,000 an ounce, a single gold coin is worth roughly a month's rent. No cashier can make change for it; no one is going to shave slivers off a coin to pay for milk and eggs. Physical gold is a vault asset, not a wallet asset. For most of modern history this is exactly why gold circulated as large coins and paper claims while copper and silver handled small change. Sound money has always needed a mechanism to break the big unit into spendable pieces.

That mechanism, in 2026, is digital. A state-issued, gold-backed digital currency solves the divisibility problem cleanly: an ounce held in the vault can be represented by a million electronic units, each one a precise, transferable claim on a fraction of that ounce. The gold stays where gold belongs – secured, audited, untouched – while a thousandth of an ounce moves from a customer's phone to a grocer's account in the time it takes to tap a card. The technology that speculators use to trade volatile tokens is here repurposed for the opposite end: stability you can spend.

FIGURE 3 · DIVIDING THE OUNCE

## One vault ounce becomes everyday, spendable money



Illustrative denominations at a gold price above \$5,000/oz. Because the digital unit can be divided to any precision, the same ounce that is too valuable to hand a cashier becomes usable for a coffee or a bus fare. This divisibility is the entire reason the instrument must be digital rather than physical.

This is also the answer to anyone who pictures sound-money advocates as wanting to drag the country back to lugging coins. No one is proposing that. The proposal is to keep gold’s honesty and add the convenience of a debit card – to give a farmer in Idaho or a small-business owner in Texas the option of holding and spending money that cannot be quietly inflated away, using the same phone already in their pocket.

### IV – THE CONSTITUTIONAL FOOTING

## The one money the states may issue

Here the policy idea meets the founding text, and the fit is closer than most people expect. The Constitution speaks twice about money, in opposite directions. Article I, Section 8 empowers Congress “to coin Money, regulate the Value thereof.” That is a grant to mint and value coin – not, on its face, a command to run a fiat money supply or a monopoly over every form of value people might exchange. Article I, Section 10

then turns to the states: “No State shall... coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts.”

*No State shall... make any Thing but gold and silver Coin a Tender in Payment of Debts.*

U.S. CONSTITUTION, ARTICLE I, SECTION 10, CLAUSE 1

Read carefully, that clause does two things. It forbids states from coining their own money and from issuing “bills of credit” – the founding-era term for state paper money floated on the state’s credit and meant to circulate as currency. But it also singles out gold and silver coin as the one thing a state *may* make a legal tender. Far from prohibiting metal-based state money, the Constitution affirmatively channels the states toward it. The sound-money movement’s argument is therefore not that it has found a loophole, but that it is pointing to the express road the Framers left open.

The crucial design question is whether a digital token counts as a forbidden “bill of credit” or a permitted dealing in gold and silver. The answer turns on structure, and the Supreme Court has told us where the line sits. In *Craig v. Missouri* (1830) and *Briscoe v. Bank of Kentucky* (1837), the Court treated “bills of credit” as paper issued on the credit of the state and designed to circulate as money – promises to pay, not property. A gold-backed token built the right way is not a promise at all. If each unit is legal *title* to a specific, allocated quantity of metal already sitting in the vault – a warehouse receipt, a bailment, ownership – then the holder is not extending credit to the state; the holder owns gold and is simply moving claims to it. That is dealing in gold and silver, the very thing Section 10 protects, not emitting a bill of credit, the thing it bans.

What remains is the federal monopoly over circulating fiat *currency*, which is real but narrower than commonly assumed. It rests not on the text but on later cases – the Legal Tender Cases and *Juilliard v. Greenman* (1884) – that upheld Congress’s power to make paper notes legal tender, and on statute (Federal Reserve notes are legal tender under 31 U.S.C. § 5103). A voluntary, redeemable receipt for privately owned metal does not try to displace that currency or compel anyone to accept it; it sits alongside the dollar as an option. The strongest version of the constitutional case, then, is this: the states are expressly permitted to make gold and silver a tender, the anti-commandeering and reserved-powers principles of the Tenth Amendment protect their authority to structure such a system, and nothing in the federal currency power forbids citizens from owning and transferring title to their own metal by digital means.

## V – TEXAS LIGHTS THE PATH

### **From theory to a working statute**

The best evidence that this is workable rather than utopian is that a large state has already legislated it. In June 2025, Governor Greg Abbott signed House Bill 1056, advancing Texas toward recognizing gold and silver as legal tender and, more ambitiously, toward a transactional payment system backed by physical metal. Under the law’s timeline, the legal-tender provisions take effect on September 1, 2026, and a metals-backed transactional system could launch by May 1, 2027 – letting depositors and vendors make and receive payments using digital credits backed by bullion held in the state’s vault.

That vault is not new. The Texas Bullion Depository, created by the legislature in 2015, is the first state-administered precious-metals depository in the nation, operated as a division of the Comptroller’s office. The legal architecture is exactly the title-to-metal model the constitutional analysis requires: the enabling bills specify

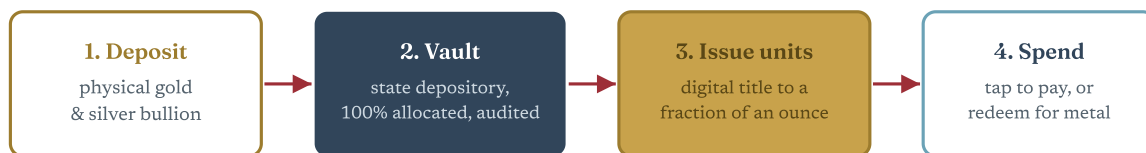
that each unit of the digital currency represents a particular fraction of a troy ounce of gold held in trust. As the sponsor put it, the goal is not to create another speculative cryptocurrency but to give Texans a sound, spendable alternative to Federal Reserve notes. In January 2026 the Comptroller issued a formal request for information asking technology vendors how to build the platform – addressing tokenization, identity and anti-money-laundering compliance, liquidity, and explicitly how to do all of it within the constitutional limits on states coining money.

**FIGURE 4 · HOW IT WORKS**

### **Title to metal in, spendable units out – the dollar never required**

voluntary – no one is forced to use it

redeemable on demand



*A receipt for owned metal – not a “bill of credit,” not coined money*

The Texas model in outline: citizens deposit metal (or buy allocated metal), the state depository holds it on a full-reserve basis, and ownership is represented by divisible digital units that can be spent or redeemed. Because the unit is title to specific metal rather than a promise to pay, it is structured to satisfy Article I, Section 10.

Texas is not alone in the broader movement – gold-and-silver legal-tender and sound-money measures have advanced in states such as Utah, Wyoming, Oklahoma, and others – but it is the furthest along in pairing legal-tender recognition with a real transactional system and a state-run vault to back it. For a federalism project, that is the point: one state, using powers the Constitution reserves to it, building a

model the other forty-nine can study, copy, or improve. This is Brandeis’s “laboratory of democracy” applied to money itself.

## VI – THE WIDER CASE

### Why monetary federalism is worth the effort

Beyond inflation-proofing individual savings, a state metal-backed currency serves three structural ends. First, **resilience**: a state and its citizens gain a financial instrument that does not depend entirely on the soundness of federal monetary policy, providing a cushion against a debt crisis, a currency shock, or simple mismanagement in Washington. Second, **discipline by competition**: when citizens have a credible, convenient alternative that holds its value, the fiat dollar must compete on merit, creating a quiet but real pressure against open-ended money printing. Third, **self-government**: the proposal is a concrete exercise of a reserved power, reasserting that the states are not mere administrative districts of the national government but sovereigns with their own constitutional tools – here, the explicit gold-and-silver tender power of Section 10.

It is worth being precise about what this is and is not. It is voluntary, so it coerces no one and forces no merchant to accept it. It is fully reserved, so it creates no new money out of thin air and adds nothing to the inflation it is meant to escape. It is redeemable, so the holder can always take the metal and walk away. And it is the opposite of a federal central-bank digital currency: where a CBDC would be government-issued fiat, centrally controlled, and potentially programmable and surveilled, a state metal-backed token is asset-backed, owner-controlled, and redeemable in a physical commodity. Offering citizens the sound, private alternative now is also the most effective way to blunt the case for the surveillance-prone federal version later.

## The honest objections

A persuasive case is stronger for meeting the best counterarguments head-on. Four deserve a direct answer.

**The “welfare, not wallets” objection.** Critics rightly note that the dramatic 97-percent figure measures the fate of a dollar stuffed under a mattress, not the fate of households. Over the same century, real wages, productivity, and living standards rose enormously; people who invested rather than hoarded cash generally kept pace with or beat inflation. This is true and important – the dollar’s decline is not proof that Americans grew poorer. The sound-money reply is narrower but still bites: not everyone can or does invest in markets, savers and those on fixed incomes are punished most, and a money that quietly taxes idle cash at two to three percent a year is a money that demands constant financial sophistication just to stand still. A stable alternative is insurance for exactly the people least equipped to play the inflation game.

**Gold’s own volatility.** Gold is a stable yardstick over decades, but over months and years its price swings hard – and by some inflation-adjusted measures its 2026 price sits well above its long-run average, meaning a metal-backed currency could import gold’s short-term volatility into everyday prices. This is a genuine tradeoff. The honest answer is that the instrument is best understood as a savings-and-payments option whose virtue is long-horizon stability, not a promise of day-to-day price calm, and that pairing gold with silver and allowing easy conversion to dollars at the point of sale can soften the swings.

**Is deflation the new danger?** Mainstream economists argue that mild inflation is healthy and that hard money invites deflation, which can deepen recessions by encouraging hoarding and raising real debt burdens. The reply is that a voluntary, opt-in currency does not impose a deflationary regime on the whole economy – the dollar and the Federal Reserve remain in place – it merely gives individuals a choice the current system denies them.

**Federal preemption and practicality.** Finally, skeptics warn that the federal currency power and federal financial regulation – commodities law, money-transmission rules, and the stablecoin framework Congress enacted in 2025 – could complicate or preempt a state system, and that liquidity and merchant adoption are hard problems. These are real and unresolved. The measured response is that a carefully structured title-to-metal model, designed for compliance from the outset and rolled out in phases, is precisely how Texas is attempting to navigate them – and that the courts have not yet spoken on a system built this way.

## CONCLUSION

### **An old anchor for a new age**

The dollar's century-long slide is not an accident of nature; it is the foreseeable behavior of a money no longer tethered to anything real. Gold has spent that same century quietly keeping its appointments – buying the same suit in 2026 that it bought in 1920 – precisely because no one can print it. The only thing that ever kept ordinary people from spending such honest money was that it came in chunks too valuable to make change for. Digital fractionalization erases that last obstacle. What is left is a money that holds its value and fits in a phone – and a Constitution that, in Article I, Section 10, expressly reserves to the states the power to make gold and

silver a tender. Texas has shown the path is open and walkable. A state-issued, metal-backed digital currency is not nostalgia for a vanished era; it is sound money, finally made spendable.

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## Sources & references

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“Gold’s Purchasing Power: What One Ounce Buys Over Time” – one ounce bought a quality men’s suit in the 1920s and still does. [goldsilver.com](https://www.goldsilver.com); [U.S. Gold Bureau](#)

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Key cases: *Craig v. Missouri*, 29 U.S. 410 (1830) and *Briscoe v. Bank of Kentucky*, 36 U.S. 257 (1837) (“bills of credit”); *Juilliard v. Greenman*, 110 U.S. 421 (1884) and the Legal Tender Cases (federal paper-money power); 31 U.S.C. § 5103 (legal tender).

Counterpoint on the purchasing-power chart: Pragmatic Capitalism, “Has the US Dollar Lost 99% of its Purchasing Power Since 1913?” [pragcap.com](https://www.pragcap.com); on inflation-adjusted gold being above its long-run average, [InflationData](#)

*This brief presents the strongest version of the case for a state-issued, precious-metals-backed digital currency, as its proponents would argue it, together with a fair statement of the principal counterarguments. It is an advocacy and educational document, not legal, financial, or investment advice; the constitutional questions discussed remain genuinely contested and no court has ruled on a system structured as described. Gold and*

*silver prices fluctuate and can fall as well as rise. Figures are drawn from the sources above; charts are illustrative and rounded.*