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112TH CONGRESS
1ST SESSION

# H. R. 2990

To create a full employment economy as a matter of national economic defense; to provide for public investment in capital infrastructure; to provide for reducing the cost of public investment; to retire public debt; to stabilize the Social Security retirement system; to restore the authority of Congress to create and regulate money, modernize and provide stability for the monetary system of the United States; and for other public purposes.

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IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2011

Mr. KUCINICH (for himself and Mr. CONYERS) introduced the following bill; which was referred to the Committee on Financial Services

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# A BILL

To create a full employment economy as a matter of national economic defense; to provide for public investment in capital infrastructure; to provide for reducing the cost of public investment; to retire public debt; to stabilize the Social Security retirement system; to restore the authority of Congress to create and regulate money, modernize and provide stability for the monetary system of the United States; and for other public purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''National Emergency Employment Defense Act of 2011''.

**SEC. 2. FINDINGS; PURPOSES.**

(a) FINDINGS.—The Congress finds as follows:

(1) Nearly 14,000,000 Americans are currently unemployed, another 12,000,000 estimated Americans are underemployed, wages are stagnant and millions of Americans are being asked to take pay cuts.

(2) Over 43,000,000 Americans live below the poverty line, 49,000,000 of Americans go to bed hungry at night, and an estimated 3,000,000 Americans are homeless.

(3) Over 1,500,000 non-business bankruptcies were filed in calendar year 2010, the highest number in five years, and the index of small business optimism is at a low not seen in nearly two decades.

(4) More than 2,000,000 homes are in foreclosure and millions of homeowners are falling behind in their mortgage payments; the housing market in terms of construction and sales has undergone an historic decline; and the declining value of housing means Americans' largest single investment, the home, is no longer a safe harbor for savings, nest

eggs, social mobility or the transfer of generational wealth.

(5) Notwithstanding passage of the Patient Protection and Affordable Care Act, a privatized health care system has made quality health care beyond the reach of most Americans.

(6) The cost of higher education has put higher academic attainment outside the reach of millions more young Americans, and the current generation of young Americans will not be able to attain the quality of life of their parents, reversing a long-standing trend.

(7) The American Society of Civil Engineers has estimated that there is $2.2 trillion in unmet infrastructure needs. Cities and States, urban and rural areas all have an urgent need to rebuild and repair roads, bridges, railroads, water systems, sewer systems and other infrastructure but lack the necessary funds, bond-issuing capacity and other needs which has led to America's infrastructure falling into disrepair.

(8) The Board of Governors of the Federal Reserve System have compounded the economic crisis by failing to take decisive action to move the economy forward, Wall Street, which was bailed out by

the American people, is not investing its rising assets in Main Street America, and individual investors are beginning to turn away from the stock market.

(9) Some banks, many of which received government bailouts, are not investing in small businesses, nor in the creation of jobs, the private sector is not creating jobs, and in fact most businesses are freezing their employment levels.

(10) Congress is stymied by competing forces: a desire to put people to work and an aversion to borrowing money to create programs to do so.

(11) Confidence in the United States' economic leadership at home and around the world is waning, the value of our currency cannot be securely maintained, and no other path to economic recovery exists which will create the changes necessary to put people back to work, invest in rebuilding America's infrastructure, i.e. highway, rail, airport, harbors, light rail, communication, shipping, water, sewer, education, and civil defense.

(12) The aforementioned conditions require comprehensive action by the United States Congress to create full employment, invest in America and secure our Nation's long-term economic, social and po-

litical future; and that such action is within our Constitutional right and responsibility.

(13) The authority to create money is a sovereign power vested in the Congress under Article I, Section 8 of the Constitution.

(14) The enactment of the Federal Reserve Act in 1913 by Congress effectively delegated the sovereign power to create money, to the Federal Reserve system and private financial industry.

(15) This ceding of Constitutional power has contributed materially to a multitude of monetary and financial afflictions, including:

(A) growing and unreasonable concentration of wealth;

(B) unbridled expansion of national debt, both public and private;

(C) excessive reliance on taxation of citizens for raising public revenues;

(D) devaluation of the currency;

(E) drastic increases in the cost of public infrastructure investments;

(F) record levels of unemployment and underemployment; and

(G) persistent erosion of the ability of Congress to exercise its Constitutional responsibil-

ities to provide resources for the general welfare of all the American people.

(16) A debt-based monetary system, where money comes into existence primarily through private bank lending, can neither create, nor sustain, a stable economic environment, but has proven to be a source of chronic financial instability and frequent crisis, as evidenced by the near collapse of the financial system in 2008.

(17) Banks increased their value by lending money imprudently, which greatly inflated the value of bank holdings, exposing depositors and taxpayers to the risks of schemes like the bundling of subprime mortgages, and ultimately bringing undercapitalized banks and the entire financial system to the edge of ruin, creating circumstances where the taxpayers of the United States were called upon to save the banks from their own imprudent lending practices, misspending and mis-investments. The banks' ability to create money out of nothing ultimately became the taxpayers' liability, and raises a fundamental question about a practice of money creation which threatens the wealth of the American people.

(18) Abolishing private money creation can be achieved with minimal disruption to current banking operations, regulation, and supervision.

(19) The creation of money by private financial institutions as interest-bearing debts should cease once and for all.

(20) Reclaiming the power of the Federal Government to originate money, and to spend or lend money into circulation as needed, eliminates the need to treat money as a Federal liability or to pay interest charges on the Nation's money supply to financial institutions; it also removes the undue influence of private financial institutions over public policy.

(21) Under the current Federal Reserve System, the persons responsible for the conduct of United States monetary policy have been unaccountable to the Congress and the Nation, have resisted auditing by the Government Accountability Office, and have claimed exemptions from some Federal statutes, including the Civil Rights Act of 1964, that apply to all agencies of the Federal Government.

(22) The implementation of United States monetary policy by the Board of Governors of the Federal Reserve System has failed to promote full em-

ployment, and the failure of the Board of Governors to safeguard the financial system against wholesale fraud and abuse of citizens, demonstrates the risks of maintaining a system wherein the power to create and regulate money has been delegated to private individuals who are unaccountable to the People of the United States in any way, even through their representatives in Congress.

(23) An examination of the historical record demonstrates that the exercise of control by the United States Government over the money system has provided greater moderation in the supply of money and promoting the general welfare, and has been indispensable in times of national emergency for generating resources required to support public investment, provide for national defense, and promote the general welfare, and is therefore superior to private control over the money system.

(24) As our money system is a key pillar in maintaining general economic welfare and as the Federal Reserve System and its private banking partners has consistently failed to promote or preserve the general welfare, it is essential that Congress, in the name of protecting the economic lives of the American people and the long-term security of

our Nation, reassume the powers and responsibilities granted to it by the Constitution.

(b) PURPOSES.—The purposes of this Act are as follows:

(1) To create a Monetary Authority which shall pursue a monetary policy based on the governing principle that the supply of money in circulation should not become inflationary nor deflationary in and of itself, but will be sufficient to allow goods and services to move freely in trade in a balanced manner. The Monetary Authority shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.

(2) To create a full employment economy as a matter of national economic defense; to provide for public investment in capital infrastructure; to provide for reducing the cost of public investment; to retire public debt; to stabilize the Social Security retirement system; to restore the authority of Congress to create and regulate money, to modernize and provide stability for the monetary system of the United States, and for other public purposes.

(3) To abolish the creation of money, or purchasing power, by private persons through lending against deposits, by means of fractional reserve banking, or by any other means.

(4) To enable the Federal Government to invest or lend new money into circulation as authorized by Congress and to provide means for public investment in capital infrastructure.

(5) To incorporate the Federal Reserve System into the Executive Branch under the United States Treasury, and to make other provisions for reorganization of the Federal Reserve System.

(6) To provide for an orderly transition.

(7) To make other provisions necessary to accomplish the purposes of this Act.

**SEC. 3. DEFINITIONS.**

(a) IN GENERAL.—For purposes of this Act, the following definitions shall apply:

(1) BUREAU.—The term ''Bureau'' means the Bureau of the Federal Reserve established under section 314 of title 31, United States Code, as added by section 303.

(2) DEPOSIT.—The term ''deposit''—

(A) has the meaning given such term in section 3(l) of the Federal Deposit Insurance Act); and

(B) includes—

(i) a member account (as defined in section 101(5) of the Federal Credit Union Act) in a credit union; and

(ii) any transaction account.

(3) DEPOSITORY INSTITUTION.—The term ''depository institution''—

(A) has the same meaning as in section 3 of the Federal Deposit Insurance Act; and

(B) includes any credit union (as defined in section 101 of the Federal Credit Union Act).

(4) INSTRUMENT OF INDEBTEDNESS OF THE UNITED STATES; TREASURY INSTRUMENTS.—The terms ''instrument of indebtedness of the United States'' and ''Treasury instrument'' include any obligation issued under subchapter I of chapter 31 of title 31, United States Code.

(5) MEMBER BANK.—The term ''member bank'' has the same meaning as in the first section of the Federal Reserve Act.

(6) MONEY.—The term ''money'' refers to United States Money, as established under title I.

(7) MONETARY AUTHORITY.—The term ''Monetary Authority'' means the Monetary Authority established under section 302.

(8) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(9) STATE.—The term ''State'' has the same meaning as in section 3 of the Federal Deposit Insurance Act.

(10) EFFECTIVE DATE.—The term ''effective date'' means the date determined and published in the Federal Register by the Secretary, during the 90-day period beginning on the date of the enactment of this Act, that—

(A) is not less than 1 year after such date of enactment and not more than 2 years after such date; and

(B) is the date on which the designated provisions of this Act take effect.

(b) TECHNICAL AND CONFORMING AMENDMENT TO THE FDIA.—Section 3(l) of the Federal Deposit Insurance Act (12 U.S.C. 1813(l)) is amended by adding at the end the following:

''Such term does not include any amount on which any interest is paid or which is received or held by a bank or savings association pursuant to a loan agreement for a fixed term of time (as determined without regard to any designation on the agreement as a loan, certificate, or other particular instrument).''.

**SEC. 4. COORDINATION WITH OTHER LAW.**

(a) IN GENERAL.—This Act shall supersede any provision of Federal law in effect on the day before the date of the enactment of this Act that is inconsistent with any provision of this Act but only to the extent of such inconsistency.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Congress a proposed draft of legislation of the Monetary Authority that, if enacted, would implement such technical and conforming amendments as the Monetary Authority may recommend—

(1) to repeal the provisions of law referred to in subsection (a) that are inconsistent with this Act; and

(2) to further clarify and implement the provisions of this Act.

# TITLE I—ORIGINATION OF UNITED STATES MONEY

## SEC. 101. EXERCISE OF CONSTITUTIONAL AUTHORITY TO CREATE MONEY.

(a) IN GENERAL.—Pursuant to the exercise by the Congress of the authority contained in the 5th clause of section 8 of Article I of the Constitution of the United States of America—

(1) the authority to create money within the United States shall hereafter reside exclusively with the Federal Government; and

(2) the money so created shall be known as United States Money and denominated and expressed as provided in section 5101 of title 31, United States Code.

(b) EXERCISE OF SOVEREIGN POWER.—The creation of United States Money under this Act is the legal expression of the sovereign power of the Nation and confers upon its bearer an unconditional means of payment.

(c) LIMITATION ON EXPRESSION.—Beginning on the effective date—

(1) only the coin, notes, or other forms of legal tender, including electronic currency, originated by the United States Treasury under the authority of

this Act shall be deemed as United States money; and

(2) it shall be unlawful for any person to designate any credit, note, bond, script or other financial instrument as United States Money.

**SEC. 102. UNLAWFUL FOR PERSONS TO CREATE MONEY.**

Any person who creates or originates United States money by lending against deposits, through so-called fractional reserve banking, or by any other means, after the effective date shall be fined under title 18, United States Code, imprisoned for not more than 5 years, or both.

**SEC. 103. PRODUCTION OF UNITED STATES MONEY.**

(a) COMMENCING FULL PRODUCTION OF UNITED STATES CURRENCY.—Section 5115 of title 31, United States Code, is amended by striking subsections (a) and (b) and inserting the following new subsections:

''(a) IN GENERAL.—In order to furnish suitable notes for circulation as United States money, the Secretary of the Treasury shall cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the same denominations as are currently issued.

''(b) FORM AND TENOR.—United States currency notes for circulation as United States money shall be in

form and tenor as directed by the Secretary of the Treasury.''.

(b) CEASING PRODUCTION OF FEDERAL RESERVE NOTES.—The Secretary of the Treasury shall wind-down and cease production of Federal reserve notes under the 8th undesignated paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 418) as quickly as practicable after the date of the enactment of this Act, but no later than the effective date, in coordination with the start-up and maintenance of production of United States currency under section 5115 of title 31, United States Code. The Secretary shall ensure that at all times the amount of Federal Reserve notes in circulation is sufficient to meet demand until the production of United States currency is sufficient to meet such demand.

(c) CONTINUING CIRCULATION UNTIL RETIREMENT.—Any Federal Reserve notes in circulation shall continue to be legal tender until retired in accordance with applicable provisions of law.

**SEC. 104. LEGAL TENDER.**

(a) IN GENERAL.—United States Money shall enter into general domestic circulation as full legal tender in payment of all debts public and private.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 5103 of title 31, United States Code, is amended

by striking ''(including Federal reserve notes and circulating notes of Federal reserve banks and national banks)'' and inserting ''in the form of United States Money''.

**SEC. 105. DISBURSEMENTS TO BE DENOMINATED IN UNITED STATES MONEY.**

On the effective date, all United States Government disbursements shall be denominated in United States Money, the unit being the dollar, symbolized as $.

**SEC. 106. ORIGINATION IN LIEU OF BORROWING.**

(a) IN GENERAL.—After the effective date, and subject to limitations established by the United States Monetary Authority under provisions of section 302, the Secretary shall originate United States Money to address any negative fund balances resulting from a shortfall in available Government receipts to fund Government appropriations authorized by Congress under law.

(b) PROHIBITION ON GOVERNMENT BORROWING.—After the effective date, unless otherwise provided by an Act of the Congress enacted after such date—

(1) no amount may be borrowed by the Secretary from any source; and

(2) no amount may be borrowed by any Federal agency or department, any independent establishment of the executive branch, or any other instrumentality of the United States (other than a na-

tional bank, Federal savings association, or Federal credit union) from any source other than the Secretary.

(c) RULE OF CONSTRUCTION.—No provision of this Act shall be construed as preventing the Congress from exercising its constitutional authority to borrow money on the full faith and credit of the United States.

(d) TECHNICAL AND CONFORMING AMENDMENT.—On the effective date, chapter 31 of title 31, United States Code, is hereby repealed, subject to the retirement of outstanding instruments of indebtedness of the United States in accordance with section 401.

**SEC. 107. RETIREMENT OF INSTRUMENTS OF INDEBTEDNESS.**

Before the effective date, the Secretary shall commence to retire all outstanding instruments of indebtedness of the United States by payment in full of the amount legally due the bearer in United States Money, as such amounts become due.

**SEC. 108. ACCOUNTING.**

(a) IN GENERAL.—The Secretary shall account for the disbursement of United States Money and of current fund balances through accounting reports maintained and published by the Secretary and by departments and agencies of the United States Government.

(b) GAO AUDIT.—The Comptroller General of the United States shall conduct an independent biennial audit.

# TITLE II—ENTRY OF UNITED STATES MONEY INTO CIRCULATION

## SEC. 201. ENTRY OF UNITED STATES MONEY INTO CIRCULATION.

The Secretary shall cause United States Money to enter into circulation by and through any of the following means:

(1) Any origination or disbursement of funds to accomplish Federal expenditures authorized and appropriated by an Act of the Congress.

(2) Any disbursement to retire outstanding instruments of indebtedness of the Federal Government or the Secretary of the Treasury as such instruments become due.

(3) Any contribution authorized by an Act of the Congress subject to any limitation established by the Monetary Authority to the Revolving Fund established in section 302 of this Act.

(4) Any action provided for in the transitional arrangements specified in title IV of this Act, including the conversion of all deposits in transaction accounts into United States Money.

(5) Any exercise of ''lender of last resort'' emergency authorities under the emergency procedures specified in section 305.

(6) Any purchase of stock in a Federal reserve bank from a member bank and of any other assets as prescribed under the Federal Reserve Act as required to accomplish the purposes of section 301.

(7) Any other means, and for any other purpose explicitly authorized by an Act of the Congress that becomes law after the effective date of this Act.

# TITLE III—RECONSTRUCTION OF THE FEDERAL RESERVE SYSTEM

**SEC. 301. RECONSTITUTION OF THE FEDERAL RESERVE.**

(a) GOVERNMENT ACQUISITION OF ALL NET ASSETS OF FEDERAL RESERVE SYSTEM.—On the effective date, the Secretary shall purchase on behalf of the United States all net assets in the Federal Reserve System, including the Federal reserve banks, according to the rules specified in the Federal Reserve Act (12 U.S.C. 288) for this purpose.

(b) REPAYMENT OF RESERVES.—Any reserves of any member bank that is held by any Federal reserve bank shall be returned to the member bank in the form of United States Money, subject to the provisions contained in sections 401 and 402(b).

**SEC. 302. ESTABLISHMENT OF THE UNITED STATES MONETARY AUTHORITY.**

(a) MONETARY AUTHORITY.—

(1) ESTABLISHMENT.—

(A) IN GENERAL.—There is hereby established the Monetary Authority as an authority within the Department of the Treasury under the general oversight of the Secretary of the Treasury.

(B) AUTONOMY OF MONETARY AUTHORITY.—The Secretary of the Treasury may not intervene in any matter or proceeding before the Monetary Authority, unless otherwise specifically provided by law.

(C) INDEPENDENCE OF MONETARY AUTHORITY.—The Secretary of the Treasury may not delay, prevent, or intervene in the issuance of any regulation or other determination of the Monetary Authority, including the determination of the amounts of money to be originated and most efficient method of disbursement consistent with the appropriations of Congress and the statutory objectives of monetary policy as specified in this Act.

(2) MEMBERSHIP.—

(A) IN GENERAL.—The Monetary Authority shall consist of 9 public members appointed by the president, by and with the advice and consent of the Senate.

(B) TERMS.—

(i) IN GENERAL.—Except as provided in subparagraph (E), each member of the Monetary Authority shall be appointed to a term of 6 years.

(ii) CONTINUATION OF SERVICE.—Each member of the Monetary Authority may continue to serve after the expiration of the term of office to which such member was appointed until a successor has been appointed and qualified.

(C) POLITICAL AFFILIATION.—Not more than 4 of the members of the Monetary Authority may be members of the same political party.

(D) VACANCY.—

(i) IN GENERAL.—Any vacancy on the Monetary Authority shall be filled in the manner in which the original appointment was made.

(ii) INTERIM APPOINTMENTS.—Any member appointed to fill a vacancy occur-

ring before the expiration of the term for which such member's predecessor was appointed shall be appointed only for the remainder of such term.

(E) STAGGERED TERMS.—Of the members first appointed to the Monetary Authority after the enactment of this Act—

(i) 1 shall be appointed for a term of 2 years;

(ii) 2 shall be appointed for a term of 3 years;

(iii) 2 shall be appointed for a term of 4 years;

(iv) 2 shall be appointed for a term of 5 years; and

(v) 2 shall be appointed for the full term of 6 years.

(3) CHAIRPERSON.—One of the members of the Monetary Authority shall be designated by the President as the Chairperson of the Monetary Authority.

(4) DUTIES.—The Monetary Authority shall—

(A) establish monetary supply policy and monitor the Nation's monetary status; and

(B) carry out such other responsibilities as the President may delegate to the Monetary

Authority or that may be provided by an Act of Congress.

(5) GOVERNING PRINCIPLE OF MONETARY POLICY.—The Monetary Authority shall pursue a monetary policy based on the governing principle that the supply of money in circulation should not become inflationary nor deflationary in and of itself, but will be sufficient to allow goods and services to move freely in trade in a balanced manner. The Monetary Authority shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.

(6) MEETINGS.—The Monetary Authority shall meet on a regular basis subject to the call of the Chairperson, the Secretary, or a majority of the members.

(7) PAY.—The members of the Monetary Authority shall receive a salary at annual rates equal to the annual rate determined under section 5 of title 28, United States Code, for an associate justice.

(8) STAFF.—The Monetary Authority may appoint and establish the pay of such employees as the

Monetary Authority determines is appropriate to assist the Monetary Authority to carry out the duties imposed under this section.

(b) RESPONSIBILITY OF SECRETARY.—The Secretary shall regulate the monetary supply in reasonable accordance with targets established by the Monetary Authority.

(c) REPORTS ON DISCREPANCIES.—The Secretary shall report to the Congress any discrepancy between any monetary target and the monetary supply in excess of 0.5 percent at the end of each quarter.

**SEC. 303. ESTABLISHMENT OF THE BUREAU OF THE FEDERAL RESERVE.**

(a) IN GENERAL.—Subchapter I of chapter 3 of title 31, United States Code, is amended by adding at the end the following new section:

**"SEC. 314. BUREAU OF THE FEDERAL RESERVE.**

''(a) ESTABLISHMENT.—There is hereby established the Bureau of the Federal Reserve as a bureau within the Department of the Treasury (hereafter in this section referred to as the 'Bureau').

''(b) MANAGEMENT.—

''(1) COMMISSIONER.—The management of the Bureau shall be vested in a Commissioner who, with the assistance of the Deputy Commissioner and such staff as the Commissioner may appoint, shall carry

out the duties vested in the Bureau and the Commissioner.

''(2) DEPUTY COMMISSIONER.—There is hereby established within the Bureau the position of Deputy Commissioner.

''(3) APPOINTMENT.—The Commissioner and the Deputy Commissioner shall be appointed by the president, by and with the advice and consent of the Senate.

''(4) TERMS.—

''(A) IN GENERAL.—The Commissioner and the Deputy Commissioner shall each be appointed to a term of 7 years.

''(B) STAGGERED TERMS.—Notwithstanding subparagraph (A), the person first appointed Deputy Commissioner shall be appointed to a term of 4 years.

''(5) VACANCY.—

''(A) IN GENERAL.—Any vacancy on the Bureau shall be filled in the manner in which the original appointment was made.

''(B) INTERIM APPOINTMENTS.—Any member appointed to fill a vacancy occurring before the expiration of the term for which such

member's predecessor was appointed shall be appointed only for the remainder of such term.

''(c) DUTIES.—

''(1) MONETARY POLICY.—The Bureau shall—

''(A) administer, under the direction of the Secretary, the origination and entry into circulation of United States Money, subject to the limitations established by the Monetary Authority; and

''(B) administer lending of United States Money to authorized depository institutions, as described in section 403 ('Revolving Fund') to ensure that—

''(i) money creation is solely a function of the United States Government; and

''(ii) fractional reserve lending is ended.

''(2) TRANSFERRED FUNCTIONS.—After the effective date, the Bureau shall exercise all functions consistent with this Act which, before such date, were carried out under the direction of the Board of Governors of the Federal Reserve System.

''(3) ITEMIZATION BY SECRETARY.—Not less than 90 days before the effective date, the Secretary and the Monetary Authority shall itemize—

"(A) the functions of the Board of Governors of the Federal Reserve System that are transferred to the Bureau pursuant to paragraph (2); and

"(B) the provisions of the Federal Reserve Act and other provisions of Federal law, relating to the functions so transferred, in the application of which the term 'Bureau' (as established under this section) shall be substituted for the term 'Board of Governors of the Federal Reserve System' or 'Board', as the case may be.".

(b) CLERICAL AMENDMENT.—The table of sections for subchapter I of chapter 3 of title 31, United States Code, is amended by adding at the end the following new item:

"314. Bureau of the Federal Reserve.".

(c) ROLE OF BOARD AFTER ENACTMENT.—With effect on the effective date, the Board of Governors of the Federal Reserve System shall be dissolved.

**SEC. 304. FORECASTING OF DISBURSEMENT REQUIREMENTS.**

The Secretary shall—

(1) forecast disbursement requirements on a daily, monthly, and annual basis;

(2) provide such forecasts to the Congress and the public;

(3) integrate forecasts with the Federal budget process;

(4) maintain a sufficient research capability to continuously and effectively assess the impact of disbursement of United States Money on all aspects of the domestic and international economies; and

(5) report to the Congress and the public regularly on the economic impact of disbursements of United States Money and the status of the monetary supply.

**SEC. 305. LENDER OF LAST RESORT; EMERGENCY PROCEDURES.**

(a) RECOMMENDATION OF THE PRESIDENT UPON RECOMMENDATION OF EMERGENCY BOARD.—The Monetary Authority may not exercise any authority under the 3rd undesignated paragraph of section 13 of the Federal Reserve Act unless—

(1) the Emergency Board established under subsection (b) recommends, upon a vote of 2/3 of the members, to the House of Representatives and the Senate, that the House of Representatives and the Senate adopt a concurrent resolution calling on

the President to certify that a national emergency exists which requires the exercise of such authority;

(2) the House of Representatives and the Senate each adopt, by a vote of 2/3 of the members present, a concurrent resolution calling on the President to certify that a national emergency exists which requires the exercise of such authority; and

(3) the President issues a certification that a national emergency exists which requires the exercise of such authority by the Monetary Authority.

(b) EMERGENCY BOARD.—There is established for purposes of this section the Emergency Board which shall consist of the following members:

(1) The President.

(2) The Secretary of Commerce.

(3) The Secretary of Energy.

(4) The Secretary of Labor.

(5) The Secretary of the Treasury.

(6) The Speaker of the House of Representatives.

(7) The minority leader of the House of Representatives.

(8) The majority leader of the Senate.

(9) The minority leader of the Senate.

(10) The chairpersons and ranking members of the Committee on Financial Services and the Committee on Oversight and Government Reform of the House of Representatives.

(11) The chairpersons and ranking members of the Committee on Banking, Housing, and Urban Affairs and the Committee on Homeland Security and Governmental Affairs of the Senate.

(c) RULE OF CONSTRUCTION.—Except as provided in subsection (a), no provision of this Act shall be construed as affecting the authority of the Monetary Authority under the 3rd undesignated paragraph of section 13 of the Federal Reserve Act.

**SEC. 306. SAVINGS PROVISIONS AND TRANSFER PROVISIONS.**

(a) SAVINGS PROVISIONS.—

(1) EXISTING RIGHTS, DUTIES, AND OBLIGATIONS NOT AFFECTED.—The establishment of the Bureau of the Federal Reserve shall not affect the validity of any right, duty, or obligation of the United States, the Bureau (as the successor to the Board of Governors of the Federal Reserve System or any Federal reserve bank), or any other person that—

(A) arises under any provision of law relating to any function of the Board of Governors of the Federal Reserve System transferred to the Bureau by this title and amendments made by this title; and

(B) existed on the day before the effective date.

(2) CONTINUATION OF SUITS.—This Act shall not abate any proceeding commenced by or against the Board of Governors (or any Federal reserve bank) before the effective date with respect to any function of the Board of Governors (or any Federal reserve bank) transferred to the Bureau by this title, except that the Bureau shall be substituted for the Board of Governors (or Federal reserve bank) as a party to any such proceeding as of the effective date.

(b) TRANSFER OF CERTAIN PERSONNEL.—

(1) IDENTIFYING EMPLOYEES FOR TRANSFER.—The Secretary and the Chairman of the Board of Governors of the Federal Reserve System shall—

(A) jointly determine the number of employees of the Board necessary to perform or support the functions of the Board of Governors that are transferred to the Monetary Au-

thority (if any) and the Bureau of the Federal Reserve pursuant to a provision of or amendment made by this title; and

(B) consistent with the number determined under subparagraph (A), jointly identify employees of the Board of Governors for transfer in a manner that the Secretary and the Board of Governors of the Federal Reserve System, in their sole discretion, determine to be equitable.

(2) IDENTIFIED EMPLOYEES TRANSFERRED.—All employees of the Board of Governors of the Federal Reserve System identified under paragraph (1)(B) shall be transferred to the Monetary Authority or the Bureau of the Federal Reserve, as the case may be, for employment.

(3) FEDERAL RESERVE BANK EMPLOYEES.—Employees of any Federal reserve bank, as of the day before the transfer date for any employees of the Board of Governors of the Federal Reserve System, shall be treated as employees of the Board of Governors for purposes of paragraph (1) and (2).

# TITLE IV—TRANSITIONAL ARRANGEMENTS

**SEC. 401. CONVERSION OF FEDERAL RESERVE NOTES.**

(a) IN GENERAL.—Before the end of the 120-day period beginning on the date of the enactment of this Act, the Secretary shall establish the rules and procedures for converting outstanding Federal reserve notes to United States Money of equal face value.

(b) PROVISION OF SUPPLY SUFFICIENT FOR CONVERSION AND ISSUANCE.—Before the end of the 150-day period beginning on the date of the enactment of this Act and as Federal reserve notes are converted to United States Money, the Secretary shall begin providing a sufficient quantity of United States Money to the domestic banking system to allow for conversion of all outstanding Federal reserve notes and the issuance of additional currency as required.

(c) DISBURSAL OF FUNDS.—After the end of the 180-day period beginning on the date of the enactment of this Act, all financial institutions within the United States shall only disburse funds in United States Money, whether as currency, an addition to an available account balance, or other instrument.

(d) DISPOSAL OF OBSOLETE CURRENCY.—The Secretary shall promptly dispose of (in the manner provided

under section 5120(b) of title 31, United States Code, for the disposal of obsolete United States currency) all Federal reserve notes as they are returned in exchange for United States Money.

(e) TECHNICAL AND CONFORMING AMENDMENT.—Effective at the end of the 150-day period beginning on the date of the enactment of this Act, section 16 of the Federal Reserve Act is amended by striking the 8th, 9th, 10th, 11th, and 12th undesignated paragraphs (12 U.S.C. 418, 419, 420, 421, and omitted, respectively).

**SEC. 402. REPLACING FRACTIONAL RESERVE BANKING WITH THE LENDING OF UNITED STATES MONEY.**

(a) CONVERSION PROCESS.—

(1) DEPOSITS.—

(A) IN GENERAL.—All deposits at any depository institution shall be designated as and treated as United States Money (either cash or an electronic equivalent) and as transaction accounts.

(B) PROHIBITIONS.—In addition to subsection (d), the following provisions shall apply with respect to United States Money on deposit in a transaction account at any depository institution:

(i) INTEREST.—No interest may be paid or may accrue on any United States Money on deposit in a transaction account at any depository institution.

(ii) DEPOSITS AS BAILMENT.—Any United States Money on deposit in a transaction account at any depository institution shall—

(I) be treated as a bailment for the mutual benefit of the parties and terminable at will; and

(II) as property held in trust as bailed property, not be treated as an asset of the depository institution or as a source of credit.

(C) EXCEPTION FOR LONG-TERM SAVINGS NOT SUBJECT TO DEPOSIT INSURANCE.—

(i) IN GENERAL.—Subparagraph (B) shall not apply to any liability of depository institution to a customer for any amount in an account at the depository institution pursuant to a contract that restricts the availability of any such amount for a fixed term and does not permit

amounts to be transferred in any manner for the benefit of a third party.

(ii) FIXED-TERM SAVINGS NOT INSURED.—Any account described in clause (i) may not be treated as a deposit, for purposes of the Federal Deposit Insurance Act, or as a share draft account, for purposes of the Federal Credit Union Act.

(2) OUTSTANDING CREDIT.—Any asset of a depository institution that results from credit extended against, is attributable to, or has been accounted for with respect to, amounts described in paragraph (1)(A) shall, as of the effective date—

(A) be a liability of the depository institution to the Federal Government; and

(B) as the outstanding balance is repaid pursuant to its terms, shall be paid over to the Federal Government.

(3) DEPOSIT IN REVOLVING FUND.—The monies paid to the Federal Government shall be deposited into the Revolving Account established in section 403.

(4) IN GENERAL.—Before the effective date and subject to the requirements of this section, the Monetary Authority shall establish and publish the ac-

counting rules, pricing, and processes which will convert all bank credit in circulation as of the date of such conversion, into United States legal tender money.

(5) RETENTION OF INTEREST PAYMENTS.—A depository institution may keep as income, any interest payment made by a customer to a depository institution on an outstanding loan for which the depository institution became indebted to the Federal Government under paragraph (2).

(b) TREATMENT OF AMOUNTS ON RESERVE AT A FEDERAL RESERVE BANK.—The Monetary Authority shall determine, by the effective date, how the reserves of a depository institution at a Federal reserve bank pursuant to section 19 of the Federal Reserve Act shall be treated, so as to promote a seamless transition to the new system.

(c) ACCOUNTS IN GENERAL.—Before the effective date, the Monetary Authority shall prescribe new lending and accounting regulations for various types of accounts including transaction accounts and time deposit accounts described in subsections (d) and (e).

(d) TRANSACTION ACCOUNTS.—

(1) FRACTIONAL RESERVE BANKING ENDED.—The regulations prescribed under subsection (c) shall provide that—

(A) any depository institution shall have a fiduciary responsibility for the money of any depositor on deposit in a transaction account which—

(i) shall be held for the exclusive use of the account holder; and

(ii) may not be used by a depository institution to fund loans or investments;

(B) a dollar of United States Money shall be on hand or in a Federal Government account for each dollar in a transaction account; and

(C) a depository institution may charge a reasonable fee for providing transaction account services.

(2) TRANSACTION ACCOUNT DEFINED.—For purposes of this section, the term, ''transaction account''—

(A) means a deposit or account on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone transfers, or other similar items for the

purpose of making payments or transfers to third persons or others; and

(B) includes demand deposits, negotiable order of withdrawal accounts, savings deposits subject to automatic transfers, and share draft accounts.

(e) UNITED STATES MONEY AS SOURCE OF LOANS.—After the effective date, all lending by depository institutions may be accomplished only by the lending of actual United States Money that is—

(1) owned by the depository institution from earnings and or capital contributions by investors;

(2) borrowed at interest from the Federal Government; or

(3) borrowed at interest through the issuance of bonds or other interest-bearing securities by the lending bank, to the extent that such bonds or securities are structured in a manner consistent with the purposes of this Act.

(f) ENCOURAGEMENT OF PRIVATE, PROFIT-MAKING MONEY LENDING ACTIVITY.—The regulations prescribed and actions taken under this section shall be established and taken in a manner that—

(1) encourages private, profit-making money lending activity by banking institutions; and

(2) prohibits the creation of private money through the establishment of lending credit against depository receipts, sometimes referred to as ''fractional reserve banking''.

**SEC. 403. ESTABLISHMENT OF FEDERAL REVOLVING FUND.**

(a) REVOLVING LOAN FUND.—Subject to provision in advance in an appropriation Act, there is hereby established a revolving loan fund in the Treasury of the United States where amounts received from depository institutions under terms specified in section 402 of this Act shall be deposited and made available for relending to banking institutions and for other purposes.

(b) ADMINISTRATION.—The Revolving Fund shall be administered by the Bureau under such terms and conditions as the Secretary shall prescribe consistent with the purposes of this Act.

(c) NATIONAL EMERGENCY.—In the event of a finding by the President that a National Emergency exists, and with the concurrence of the Congress in accordance with the emergency procedures specified under section 305, the Secretary, on the advice of the Monetary Authority, may draw upon up to 80 percent of the funds on deposit in the Revolving Fund. Such funds shall be returned to the Revolving Fund within 3 years of the date of initial disbursement, either through repayment of loans or

through an Appropriation Act, unless the Secretary receives from the Congress specific authorization to extend the term of the loans. The authorization of Congress shall be given by joint resolution.

# TITLE V—ADDITIONAL PROVISIONS

## SEC. 501. DIRECT FUNDING OF INFRASTRUCTURE IMPROVEMENTS.

(a) REPORT REQUIRED ON OPPORTUNITIES FOR DIRECT FUNDING.—Before the effective date, the Secretary, after consultation with the heads of Executive branch departments, agencies and independent establishments, shall report to the Congress on opportunities to utilize direct funding by the United States Government to modernize, improve, and upgrade the physical economy of the United States in such areas as transportation, agriculture, water usage and availability, sewage systems, medical care, education, and other infrastructure systems, to promote the general welfare, and to stabilize the Social Security retirement system.

(b) BROAD EQUITABLE DISPERSION OF FUNDING.—Generally, any program recommended for direct funding shall be undertaken throughout the Nation based on per capita amounts and other criteria to assure equity as determined by the Monetary Authority.

**SEC. 502. INTEREST RATE CEILINGS.**

(a) LIMIT ON AMOUNT OF FINANCING FEES.—The total amount of interest charged by a financial institution on any extension of loans (other than a mortgage) to any individual borrower through amortization, including all fees and service charges, shall not exceed the total amount of the loan extended.

(b) LIMIT ON RATE.—The annual percentage rate applicable to any loan of money may not exceed 8 percent on unpaid balances, inclusive of all charges.

**SEC. 503. AUTHORITY OF FDIC.**

Except as provided in section 402 and the amendment made by section 3(b), no provision of this Act shall be construed as altering or affecting any authority or function of the Federal Deposit Insurance Corporation. No later than 12 months after the date of the enactment of this Act, the Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation shall study and make recommendations to the Congress regarding any changes in authorities, including expanded supervision and monitoring, required to enhance the oversight and regulatory roles of the Federal Deposit Insurance Corporation under this Act.

**SEC. 504. MONETARY GRANTS TO STATES.**

(a) IN GENERAL.—Each year, the Monetary Authority shall instruct the Secretary to disperse grants over a

12-month period to the States equal to 25 percent of the money created under this title in the prior year. In the first year the amount of such grants shall be 25 percent of the anticipated money creation in that first year.

(b) USE OF GRANTS FOR BROAD-BASED PURPOSES.—The States may use such funds in broadly designated areas of public infrastructure, education, health care and rehabilitation, pensions, and paying for unfunded Federal mandates.

**SEC. 505. EDUCATION FUNDING PROGRAM.**

Before the end of the 120-day period beginning on the date of the enactment of this Act, the Secretary, in cooperation with the Secretary of Education, shall provide recommendations to the Congress for a program to help fund our educational system that will put the United States on par with other highly developed nations, and to sufficiently provide for universal pre-kindergarten, fully funded State programs for elementary and secondary education and universal college at every 2- and 4-year public institution of higher learning and create a learning environment so that every child has an opportunity to reach their full educational potential.

**SEC. 506. SOCIAL SECURITY TRUST FUNDS.**

The Secretary in consultation with the Board of Trustees of the Federal Old-Age and Survivors Insurance

and Federal Disability Insurance Trust Funds shall submit to the Monetary Authority any requests to cover impending deficits in Social Security Trust Fund accounts.

**SEC. 507. INITIAL MONETARY DIVIDEND TO CITIZENS.**

(a) IN GENERAL.—Before the effective date, the Secretary, in cooperation with the Monetary Authority, shall make recommendations to the Congress for payment of a Citizens Dividend as a tax-free grant to all United States citizens residing in the United States in order to provide liquidity to the banking system at the commencement of this Act, before governmental infrastructure expenditures have had a chance to work into circulation.

(b) STUDY OF EFFECTS OF CITIZENS DIVIDEND.—The Secretary shall maintain a thorough study of the effects of the Citizens Dividend observing its effects on production and consumption, prices, morale, and other economic and fiscal factors.

**SEC. 508. UNIVERSAL HEALTH CARE FUNDING.**

The Congress shall be aware that funding through this Act is available for a universal health care plan as may be enacted by Congress.

**SEC. 509. RESOLVING THE MORTGAGE CRISIS.**

The Congress shall be aware that funding through this Act is available for Congressional enactments for resolving aspects of the mortgage crisis.

**SEC. 510. INTEREST FREE LENDING TO LOCAL GOVERNMENTAL BODIES.**

Before the end of the 180-day period beginning on the date of the enactment of this Act, the Secretary shall provide recommendations to the Congress for a program of interest-free lending of United States Money to State and local governmental entities, including school boards and emergency fire services for infrastructure improvements under their control and within their jurisdictions, based on per capita amounts and other criteria to assure equity as determined by the Monetary Authority.

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