

112<sup>TH</sup> CONGRESS  
1<sup>ST</sup> 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.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “National Emergency  
3 Employment Defense Act of 2011”.

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

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

6 (1) Nearly 14,000,000 Americans are currently  
7 unemployed, another 12,000,000 estimated Ameri-  
8 cans are underemployed, wages are stagnant and  
9 millions of Americans are being asked to take pay  
10 cuts.

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

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

19 (4) More than 2,000,000 homes are in fore-  
20 closure and millions of homeowners are falling be-  
21 hind in their mortgage payments; the housing mar-  
22 ket in terms of construction and sales has undergone  
23 an historic decline; and the declining value of hous-  
24 ing means Americans’ largest single investment, the  
25 home, is no longer a safe harbor for savings, nest

1 eggs, social mobility or the transfer of generational  
2 wealth.

3 (5) Notwithstanding passage of the Patient  
4 Protection and Affordable Care Act, a privatized  
5 health care system has made quality health care be-  
6 yond the reach of most Americans.

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

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

22 (8) The Board of Governors of the Federal Re-  
23 serve System have compounded the economic crisis  
24 by failing to take decisive action to move the econ-  
25 omy forward, Wall Street, which was bailed out by

1 the American people, is not investing its rising as-  
2 sets in Main Street America, and individual inves-  
3 tors are beginning to turn away from the stock mar-  
4 ket.

5 (9) Some banks, many of which received gov-  
6 ernment bailouts, are not investing in small busi-  
7 nesses, nor in the creation of jobs, the private sector  
8 is not creating jobs, and in fact most businesses are  
9 freezing their employment levels.

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

13 (11) Confidence in the United States' economic  
14 leadership at home and around the world is waning,  
15 the value of our currency cannot be securely main-  
16 tained, and no other path to economic recovery ex-  
17 ists which will create the changes necessary to put  
18 people back to work, invest in rebuilding America's  
19 infrastructure, i.e. highway, rail, airport, harbors,  
20 light rail, communication, shipping, water, sewer,  
21 education, and civil defense.

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

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

3            (13) The authority to create money is a sov-  
4        ereign power vested in the Congress under Article I,  
5        Section 8 of the Constitution.

6            (14) The enactment of the Federal Reserve Act  
7        in 1913 by Congress effectively delegated the sov-  
8        ereign power to create money, to the Federal Re-  
9        serve system and private financial industry.

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

13            (A) growing and unreasonable concentra-  
14        tion of wealth;

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

17            (C) excessive reliance on taxation of citi-  
18        zens for raising public revenues;

19            (D) devaluation of the currency;

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

22            (F) record levels of unemployment and  
23        underemployment; and

24            (G) persistent erosion of the ability of Con-  
25        gress to exercise its Constitutional responsibil-

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

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

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

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

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

7           (20) Reclaiming the power of the Federal Gov-  
8           ernment to originate money, and to spend or lend  
9           money into circulation as needed, eliminates the  
10          need to treat money as a Federal liability or to pay  
11          interest charges on the Nation's money supply to fi-  
12          nancial institutions; it also removes the undue influ-  
13          ence of private financial institutions over public pol-  
14          icy.

15          (21) Under the current Federal Reserve Sys-  
16          tem, the persons responsible for the conduct of  
17          United States monetary policy have been unaccount-  
18          able to the Congress and the Nation, have resisted  
19          auditing by the Government Accountability Office,  
20          and have claimed exemptions from some Federal  
21          statutes, including the Civil Rights Act of 1964, that  
22          apply to all agencies of the Federal Government.

23          (22) The implementation of United States mon-  
24          etary policy by the Board of Governors of the Fed-  
25          eral Reserve System has failed to promote full em-

1       ployment, and the failure of the Board of Governors  
2       to safeguard the financial system against wholesale  
3       fraud and abuse of citizens, demonstrates the risks  
4       of maintaining a system wherein the power to create  
5       and regulate money has been delegated to private in-  
6       dividuals who are unaccountable to the People of the  
7       United States in any way, even through their rep-  
8       resentatives in Congress.

9               (23) An examination of the historical record  
10       demonstrates that the exercise of control by the  
11       United States Government over the money system  
12       has provided greater moderation in the supply of  
13       money and promoting the general welfare, and has  
14       been indispensable in times of national emergency  
15       for generating resources required to support public  
16       investment, provide for national defense, and pro-  
17       mote the general welfare, and is therefore superior  
18       to private control over the money system.

19              (24) As our money system is a key pillar in  
20       maintaining general economic welfare and as the  
21       Federal Reserve System and its private banking  
22       partners has consistently failed to promote or pre-  
23       serve the general welfare, it is essential that Con-  
24       gress, in the name of protecting the economic lives  
25       of the American people and the long-term security of

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

3 (b) PURPOSES.—The purposes of this Act are as fol-  
4 lows:

5 (1) To create a Monetary Authority which shall  
6 pursue a monetary policy based on the governing  
7 principle that the supply of money in circulation  
8 should not become inflationary nor deflationary in  
9 and of itself, but will be sufficient to allow goods  
10 and services to move freely in trade in a balanced  
11 manner. The Monetary Authority shall maintain  
12 long run growth of the monetary and credit aggre-  
13 gates commensurate with the economy's long run po-  
14 tential to increase production, so as to promote ef-  
15 fectively the goals of maximum employment, stable  
16 prices, and moderate long-term interest rates.

17 (2) To create a full employment economy as a  
18 matter of national economic defense; to provide for  
19 public investment in capital infrastructure; to pro-  
20 vide for reducing the cost of public investment; to  
21 retire public debt; to stabilize the Social Security re-  
22 tirement system; to restore the authority of Con-  
23 gress to create and regulate money, to modernize  
24 and provide stability for the monetary system of the  
25 United States, and for other public purposes.

1           (3) To abolish the creation of money, or pur-  
2           chasing power, by private persons through lending  
3           against deposits, by means of fractional reserve  
4           banking, or by any other means.

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

9           (5) To incorporate the Federal Reserve System  
10          into the Executive Branch under the United States  
11          Treasury, and to make other provisions for reorga-  
12          nization of the Federal Reserve System.

13          (6) To provide for an orderly transition.

14          (7) To make other provisions necessary to ac-  
15          complish the purposes of this Act.

16 **SEC. 3. DEFINITIONS.**

17          (a) IN GENERAL.—For purposes of this Act, the fol-  
18          lowing definitions shall apply:

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

23               (2) DEPOSIT.—The term “deposit”—

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

4 (B) includes—

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

8 (ii) any transaction account.

9 (3) DEPOSITORY INSTITUTION.—The term “de-  
10 pository institution”—

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

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

16 (4) INSTRUMENT OF INDEBTEDNESS OF THE  
17 UNITED STATES; TREASURY INSTRUMENTS.—The  
18 terms “instrument of indebtedness of the United  
19 States” and “Treasury instrument” include any obli-  
20 gation issued under subchapter I of chapter 31 of  
21 title 31, United States Code.

22 (5) MEMBER BANK.—The term “member bank”  
23 has the same meaning as in the first section of the  
24 Federal Reserve Act.

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

3           (7) MONETARY AUTHORITY.—The term “Mone-  
4 tary Authority” means the Monetary Authority es-  
5 tablished under section 302.

6           (8) SECRETARY.—The term “Secretary” means  
7 the Secretary of the Treasury.

8           (9) STATE.—The term “State” has the same  
9 meaning as in section 3 of the Federal Deposit In-  
10 surance Act.

11           (10) EFFECTIVE DATE.—The term “effective  
12 date” means the date determined and published in  
13 the Federal Register by the Secretary, during the  
14 90-day period beginning on the date of the enact-  
15 ment of this Act, that—

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

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

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

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

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

8       (a) **IN GENERAL.**—This Act shall supersede any pro-  
9 vision of Federal law in effect on the day before the date  
10 of the enactment of this Act that is inconsistent with any  
11 provision of this Act but only to the extent of such incon-  
12 sistency.

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

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

22               and

23               (2) to further clarify and implement the provi-  
24               sions of this Act.

1           **TITLE I—ORIGINATION OF**  
2           **UNITED STATES MONEY**

3   **SEC. 101. EXERCISE OF CONSTITUTIONAL AUTHORITY TO**  
4           **CREATE MONEY.**

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

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

12           (2) the money so created shall be known as  
13 United States Money and denominated and ex-  
14 pressed as provided in section 5101 of title 31,  
15 United States Code.

16           (b) **EXERCISE OF SOVEREIGN POWER.**—The creation  
17 of United States Money under this Act is the legal expres-  
18 sion of the sovereign power of the Nation and confers upon  
19 its bearer an unconditional means of payment.

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

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

1 this Act shall be deemed as United States money;  
2 and

3 (2) it shall be unlawful for any person to des-  
4 ignate any credit, note, bond, script or other finan-  
5 cial instrument as United States Money.

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

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

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

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

17 “(a) IN GENERAL.—In order to furnish suitable  
18 notes for circulation as United States money, the Sec-  
19 retary of the Treasury shall cause plates and dies to be  
20 engraved in the best manner to guard against counterfeits  
21 and fraudulent alterations, and shall have printed there-  
22 from and numbered such quantities of such notes of the  
23 same denominations as are currently issued.

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

1 form and tenor as directed by the Secretary of the Treas-  
2 ury.”.

3 (b) CEASING PRODUCTION OF FEDERAL RESERVE  
4 NOTES.—The Secretary of the Treasury shall wind-down  
5 and cease production of Federal reserve notes under the  
6 8th undesignated paragraph of section 16 of the Federal  
7 Reserve Act (12 U.S.C. 418) as quickly as practicable  
8 after the date of the enactment of this Act, but no later  
9 than the effective date, in coordination with the start-up  
10 and maintenance of production of United States currency  
11 under section 5115 of title 31, United States Code. The  
12 Secretary shall ensure that at all times the amount of Fed-  
13 eral Reserve notes in circulation is sufficient to meet de-  
14 mand until the production of United States currency is  
15 sufficient to meet such demand.

16 (c) CONTINUING CIRCULATION UNTIL RETIRE-  
17 MENT.—Any Federal Reserve notes in circulation shall  
18 continue to be legal tender until retired in accordance with  
19 applicable provisions of law.

20 **SEC. 104. LEGAL TENDER.**

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

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

1 by striking “(including Federal reserve notes and circu-  
2 lating notes of Federal reserve banks and national banks)”  
3 and inserting “in the form of United States Money”.

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

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

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

10 (a) IN GENERAL.—After the effective date, and sub-  
11 ject to limitations established by the United States Mone-  
12 tary Authority under provisions of section 302, the Sec-  
13 retary shall originate United States Money to address any  
14 negative fund balances resulting from a shortfall in avail-  
15 able Government receipts to fund Government appropria-  
16 tions authorized by Congress under law.

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

20 (1) no amount may be borrowed by the Sec-  
21 retary from any source; and

22 (2) no amount may be borrowed by any Federal  
23 agency or department, any independent establish-  
24 ment of the executive branch, or any other instru-  
25 mentality of the United States (other than a na-

1 tional bank, Federal savings association, or Federal  
2 credit union) from any source other than the Sec-  
3 retary.

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

8 (d) **TECHNICAL AND CONFORMING AMENDMENT.**—  
9 On the effective date, chapter 31 of title 31, United States  
10 Code, is hereby repealed, subject to the retirement of out-  
11 standing instruments of indebtedness of the United States  
12 in accordance with section 401.

13 **SEC. 107. RETIREMENT OF INSTRUMENTS OF INDEBTED-**  
14 **NESS.**

15 Before the effective date, the Secretary shall com-  
16 mence to retire all outstanding instruments of indebted-  
17 ness of the United States by payment in full of the amount  
18 legally due the bearer in United States Money, as such  
19 amounts become due.

20 **SEC. 108. ACCOUNTING.**

21 (a) **IN GENERAL.**—The Secretary shall account for  
22 the disbursement of United States Money and of current  
23 fund balances through accounting reports maintained and  
24 published by the Secretary and by departments and agen-  
25 cies of the United States Government.

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

3 **TITLE II—ENTRY OF UNITED**  
4 **STATES MONEY INTO CIR-**  
5 **CULATION**

6 **SEC. 201. ENTRY OF UNITED STATES MONEY INTO CIR-**  
7 **CULATION.**

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

11 (1) Any origination or disbursement of funds to  
12 accomplish Federal expenditures authorized and ap-  
13 propriated by an Act of the Congress.

14 (2) Any disbursement to retire outstanding in-  
15 struments of indebtedness of the Federal Govern-  
16 ment or the Secretary of the Treasury as such in-  
17 struments become due.

18 (3) Any contribution authorized by an Act of  
19 the Congress subject to any limitation established by  
20 the Monetary Authority to the Revolving Fund es-  
21 tablished in section 302 of this Act.

22 (4) Any action provided for in the transitional  
23 arrangements specified in title IV of this Act, includ-  
24 ing the conversion of all deposits in transaction ac-  
25 counts into United States Money.

1           (5) Any exercise of “lender of last resort” emer-  
2           gency authorities under the emergency procedures  
3           specified in section 305.

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

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

11 **TITLE III—RECONSTRUCTION OF**  
12 **THE FEDERAL RESERVE SYSTEM**

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

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

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

1 **SEC. 302. ESTABLISHMENT OF THE UNITED STATES MONE-**  
2 **TARY AUTHORITY.**

3 (a) MONETARY AUTHORITY.—

4 (1) ESTABLISHMENT.—

5 (A) IN GENERAL.—There is hereby estab-  
6 lished the Monetary Authority as an authority  
7 within the Department of the Treasury under  
8 the general oversight of the Secretary of the  
9 Treasury.

10 (B) AUTONOMY OF MONETARY AUTHOR-  
11 ITY.—The Secretary of the Treasury may not  
12 intervene in any matter or proceeding before  
13 the Monetary Authority, unless otherwise spe-  
14 cifically provided by law.

15 (C) INDEPENDENCE OF MONETARY AU-  
16 THORITY.—The Secretary of the Treasury may  
17 not delay, prevent, or intervene in the issuance  
18 of any regulation or other determination of the  
19 Monetary Authority, including the determina-  
20 tion of the amounts of money to be originated  
21 and most efficient method of disbursement con-  
22 sistent with the appropriations of Congress and  
23 the statutory objectives of monetary policy as  
24 specified in this Act.

25 (2) MEMBERSHIP.—

1           (A) IN GENERAL.—The Monetary Author-  
2           ity shall consist of 9 public members appointed  
3           by the president, by and with the advice and  
4           consent of the Senate.

5           (B) TERMS.—

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

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

16          (C) POLITICAL AFFILIATION.—Not more  
17          than 4 of the members of the Monetary Author-  
18          ity may be members of the same political party.

19          (D) VACANCY.—

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

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

1 ring before the expiration of the term for  
2 which such member's predecessor was ap-  
3 pointed shall be appointed only for the re-  
4 mainder of such term.

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

8 (i) 1 shall be appointed for a term of  
9 2 years;

10 (ii) 2 shall be appointed for a term of  
11 3 years;

12 (iii) 2 shall be appointed for a term of  
13 4 years;

14 (iv) 2 shall be appointed for a term of  
15 5 years; and

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

18 (3) CHAIRPERSON.—One of the members of the  
19 Monetary Authority shall be designated by the Presi-  
20 dent as the Chairperson of the Monetary Authority.

21 (4) DUTIES.—The Monetary Authority shall—

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

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

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

3 (5) GOVERNING PRINCIPLE OF MONETARY POL-  
4 ICY.—The Monetary Authority shall pursue a mone-  
5 tary policy based on the governing principle that the  
6 supply of money in circulation should not become in-  
7 flationary nor deflationary in and of itself, but will  
8 be sufficient to allow goods and services to move  
9 freely in trade in a balanced manner. The Monetary  
10 Authority shall maintain long run growth of the  
11 monetary and credit aggregates commensurate with  
12 the economy's long run potential to increase produc-  
13 tion, so as to promote effectively the goals of max-  
14 imum employment, stable prices, and moderate long-  
15 term interest rates.

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

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

24 (8) STAFF.—The Monetary Authority may ap-  
25 point and establish the pay of such employees as the

1 Monetary Authority determines is appropriate to as-  
2 sist the Monetary Authority to carry out the duties  
3 imposed under this section.

4 (b) RESPONSIBILITY OF SECRETARY.—The Secretary  
5 shall regulate the monetary supply in reasonable accord-  
6 ance with targets established by the Monetary Authority.

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

11 **SEC. 303. ESTABLISHMENT OF THE BUREAU OF THE FED-**  
12 **ERAL RESERVE.**

13 (a) IN GENERAL.—Subchapter I of chapter 3 of title  
14 31, United States Code, is amended by adding at the end  
15 the following new section:

16 **“SEC. 314. BUREAU OF THE FEDERAL RESERVE.**

17 “(a) ESTABLISHMENT.—There is hereby established  
18 the Bureau of the Federal Reserve as a bureau within the  
19 Department of the Treasury (hereafter in this section re-  
20 ferred to as the ‘Bureau’).

21 “(b) MANAGEMENT.—

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

1 out the duties vested in the Bureau and the Com-  
2 missioner.

3 “(2) DEPUTY COMMISSIONER.—There is hereby  
4 established within the Bureau the position of Deputy  
5 Commissioner.

6 “(3) APPOINTMENT.—The Commissioner and  
7 the Deputy Commissioner shall be appointed by the  
8 president, by and with the advice and consent of the  
9 Senate.

10 “(4) TERMS.—

11 “(A) IN GENERAL.—The Commissioner  
12 and the Deputy Commissioner shall each be ap-  
13 pointed to a term of 7 years.

14 “(B) STAGGERED TERMS.—Notwith-  
15 standing subparagraph (A), the person first ap-  
16 pointed Deputy Commissioner shall be ap-  
17 pointed to a term of 4 years.

18 “(5) VACANCY.—

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

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

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

3 “(c) DUTIES.—

4 “(1) MONETARY POLICY.—The Bureau shall—

5 “(A) administer, under the direction of the  
6 Secretary, the origination and entry into cir-  
7 culation of United States Money, subject to the  
8 limitations established by the Monetary Author-  
9 ity; and

10 “(B) administer lending of United States  
11 Money to authorized depository institutions, as  
12 described in section 403 (‘Revolving Fund’) to  
13 ensure that—

14 “(i) money creation is solely a func-  
15 tion of the United States Government; and

16 “(ii) fractional reserve lending is  
17 ended.

18 “(2) TRANSFERRED FUNCTIONS.—After the ef-  
19 fective date, the Bureau shall exercise all functions  
20 consistent with this Act which, before such date,  
21 were carried out under the direction of the Board of  
22 Governors of the Federal Reserve System.

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



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

3           (3) integrate forecasts with the Federal budget  
4           process;

5           (4) maintain a sufficient research capability to  
6           continuously and effectively assess the impact of dis-  
7           bursement of United States Money on all aspects of  
8           the domestic and international economies; and

9           (5) report to the Congress and the public regu-  
10          larly on the economic impact of disbursements of  
11          United States Money and the status of the monetary  
12          supply.

13 **SEC. 305. LENDER OF LAST RESORT; EMERGENCY PROCE-**  
14 **DURES.**

15          (a) **RECOMMENDATION OF THE PRESIDENT UPON**  
16 **RECOMMENDATION OF EMERGENCY BOARD.**—The Mone-  
17 tary Authority may not exercise any authority under the  
18 3rd undesignated paragraph of section 13 of the Federal  
19 Reserve Act unless—

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

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

3 (2) the House of Representatives and the Sen-  
4 ate each adopt, by a vote of 2/3 of the members  
5 present, a concurrent resolution calling on the Presi-  
6 dent to certify that a national emergency exists  
7 which requires the exercise of such authority; and

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

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

14 (1) The President.

15 (2) The Secretary of Commerce.

16 (3) The Secretary of Energy.

17 (4) The Secretary of Labor.

18 (5) The Secretary of the Treasury.

19 (6) The Speaker of the House of Representa-  
20 tives.

21 (7) The minority leader of the House of Rep-  
22 resentatives.

23 (8) The majority leader of the Senate.

24 (9) The minority leader of the Senate.



1 (A) arises under any provision of law relat-  
2 ing to any function of the Board of Governors  
3 of the Federal Reserve System transferred to  
4 the Bureau by this title and amendments made  
5 by this title; and

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

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

17 (b) TRANSFER OF CERTAIN PERSONNEL.—

18 (1) IDENTIFYING EMPLOYEES FOR TRANS-  
19 FER.—The Secretary and the Chairman of the  
20 Board of Governors of the Federal Reserve System  
21 shall—

22 (A) jointly determine the number of em-  
23 ployees of the Board necessary to perform or  
24 support the functions of the Board of Gov-  
25 ernors that are transferred to the Monetary Au-

1           thority (if any) and the Bureau of the Federal  
2           Reserve pursuant to a provision of or amend-  
3           ment made by this title; and

4                   (B) consistent with the number determined  
5           under subparagraph (A), jointly identify em-  
6           ployees of the Board of Governors for transfer  
7           in a manner that the Secretary and the Board  
8           of Governors of the Federal Reserve System, in  
9           their sole discretion, determine to be equitable.

10           (2) IDENTIFIED EMPLOYEES TRANSFERRED.—

11           All employees of the Board of Governors of the Fed-  
12           eral Reserve System identified under paragraph  
13           (1)(B) shall be transferred to the Monetary Author-  
14           ity or the Bureau of the Federal Reserve, as the  
15           case may be, for employment.

16           (3) FEDERAL RESERVE BANK EMPLOYEES.—

17           Employees of any Federal reserve bank, as of the  
18           day before the transfer date for any employees of  
19           the Board of Governors of the Federal Reserve Sys-  
20           tem, shall be treated as employees of the Board of  
21           Governors for purposes of paragraph (1) and (2).

1           **TITLE IV—TRANSITIONAL**  
2                           **ARRANGEMENTS**

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

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

9           (b) **PROVISION OF SUPPLY SUFFICIENT FOR CON-**  
10 **VERSION AND ISSUANCE.**—Before the end of the 150-day  
11 period beginning on the date of the enactment of this Act  
12 and as Federal reserve notes are converted to United  
13 States Money, the Secretary shall begin providing a suffi-  
14 cient quantity of United States Money to the domestic  
15 banking system to allow for conversion of all outstanding  
16 Federal reserve notes and the issuance of additional cur-  
17 rency as required.

18           (c) **DISBURSAL OF FUNDS.**—After the end of the  
19 180-day period beginning on the date of the enactment  
20 of this Act, all financial institutions within the United  
21 States shall only disburse funds in United States Money,  
22 whether as currency, an addition to an available account  
23 balance, or other instrument.

24           (d) **DISPOSAL OF OBSOLETE CURRENCY.**—The Sec-  
25 retary shall promptly dispose of (in the manner provided

1 under section 5120(b) of title 31, United States Code, for  
2 the disposal of obsolete United States currency) all Fed-  
3 eral reserve notes as they are returned in exchange for  
4 United States Money.

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

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

14 (a) CONVERSION PROCESS.—

15 (1) DEPOSITS.—

16 (A) IN GENERAL.—All deposits at any de-  
17 pository institution shall be designated as and  
18 treated as United States Money (either cash or  
19 an electronic equivalent) and as transaction ac-  
20 counts.

21 (B) PROHIBITIONS.—In addition to sub-  
22 section (d), the following provisions shall apply  
23 with respect to United States Money on deposit  
24 in a transaction account at any depository insti-  
25 tution:

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

5 (ii) DEPOSITS AS BAILMENT.—Any  
6 United States Money on deposit in a trans-  
7 action account at any depository institu-  
8 tion shall—

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

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

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

18 (i) IN GENERAL.—Subparagraph (B)  
19 shall not apply to any liability of deposi-  
20 tory institution to a customer for any  
21 amount in an account at the depository in-  
22 stitution pursuant to a contract that re-  
23 stricts the availability of any such amount  
24 for a fixed term and does not permit

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

3 (ii) FIXED-TERM SAVINGS NOT IN-  
4 SURED.—Any account described in clause  
5 (i) may not be treated as a deposit, for  
6 purposes of the Federal Deposit Insurance  
7 Act, or as a share draft account, for pur-  
8 poses of the Federal Credit Union Act.

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

14 (A) be a liability of the depository institu-  
15 tion to the Federal Government; and

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

19 (3) DEPOSIT IN REVOLVING FUND.—The mon-  
20 ies paid to the Federal Government shall be depos-  
21 ited into the Revolving Account established in sec-  
22 tion 403.

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

1       counting rules, pricing, and processes which will con-  
2       vert all bank credit in circulation as of the date of  
3       such conversion, into United States legal tender  
4       money.

5           (5) RETENTION OF INTEREST PAYMENTS.—A  
6       depository institution may keep as income, any in-  
7       terest payment made by a customer to a depository  
8       institution on an outstanding loan for which the de-  
9       pository institution became indebted to the Federal  
10      Government under paragraph (2).

11      (b) TREATMENT OF AMOUNTS ON RESERVE AT A  
12      FEDERAL RESERVE BANK.—The Monetary Authority  
13      shall determine, by the effective date, how the reserves of  
14      a depository institution at a Federal reserve bank pursu-  
15      ant to section 19 of the Federal Reserve Act shall be treat-  
16      ed, so as to promote a seamless transition to the new sys-  
17      tem.

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

23      (d) TRANSACTION ACCOUNTS.—

1 (1) FRACTIONAL RESERVE BANKING ENDED.—

2 The regulations prescribed under subsection (c) shall  
3 provide that—

4 (A) any depository institution shall have a  
5 fiduciary responsibility for the money of any de-  
6 positor on deposit in a transaction account  
7 which—

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

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

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

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

18 (2) TRANSACTION ACCOUNT DEFINED.—For  
19 purposes of this section, the term, “transaction ac-  
20 count”—

21 (A) means a deposit or account on which  
22 the depositor or account holder is permitted to  
23 make withdrawals by negotiable or transferable  
24 instrument, payment orders of withdrawal, tele-  
25 phone transfers, or other similar items for the

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

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

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

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

13                   (2) borrowed at interest from the Federal Gov-  
14           ernment; or

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

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

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

1           (2) prohibits the creation of private money  
2           through the establishment of lending credit against  
3           depository receipts, sometimes referred to as “frac-  
4           tional reserve banking”.

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

6           (a) REVOLVING LOAN FUND.—Subject to provision  
7           in advance in an appropriation Act, there is hereby estab-  
8           lished a revolving loan fund in the Treasury of the United  
9           States where amounts received from depository institu-  
10          tions under terms specified in section 402 of this Act shall  
11          be deposited and made available for relending to banking  
12          institutions and for other purposes.

13          (b) ADMINISTRATION.—The Revolving Fund shall be  
14          administered by the Bureau under such terms and condi-  
15          tions as the Secretary shall prescribe consistent with the  
16          purposes of this Act.

17          (c) NATIONAL EMERGENCY.—In the event of a find-  
18          ing by the President that a National Emergency exists,  
19          and with the concurrence of the Congress in accordance  
20          with the emergency procedures specified under section  
21          305, the Secretary, on the advice of the Monetary Author-  
22          ity, may draw upon up to 80 percent of the funds on de-  
23          posit in the Revolving Fund. Such funds shall be returned  
24          to the Revolving Fund within 3 years of the date of initial  
25          disbursement, either through repayment of loans or

1 through an Appropriation Act, unless the Secretary re-  
2 ceives from the Congress specific authorization to extend  
3 the term of the loans. The authorization of Congress shall  
4 be given by joint resolution.

5 **TITLE V—ADDITIONAL**  
6 **PROVISIONS**

7 **SEC. 501. DIRECT FUNDING OF INFRASTRUCTURE IM-**  
8 **PROVEMENTS.**

9 (a) **REPORT REQUIRED ON OPPORTUNITIES FOR DI-**  
10 **RECT FUNDING.**—Before the effective date, the Secretary,  
11 after consultation with the heads of Executive branch de-  
12 partments, agencies and independent establishments, shall  
13 report to the Congress on opportunities to utilize direct  
14 funding by the United States Government to modernize,  
15 improve, and upgrade the physical economy of the United  
16 States in such areas as transportation, agriculture, water  
17 usage and availability, sewage systems, medical care, edu-  
18 cation, and other infrastructure systems, to promote the  
19 general welfare, and to stabilize the Social Security retire-  
20 ment system.

21 (b) **BROAD EQUITABLE DISPERSION OF FUNDING.**—  
22 Generally, any program recommended for direct funding  
23 shall be undertaken throughout the Nation based on per  
24 capita amounts and other criteria to assure equity as de-  
25 termined by the Monetary Authority.

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

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

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

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

12 Except as provided in section 402 and the amend-  
13 ment made by section 3(b), no provision of this Act shall  
14 be construed as altering or affecting any authority or func-  
15 tion of the Federal Deposit Insurance Corporation. No  
16 later than 12 months after the date of the enactment of  
17 this Act, the Chairperson of the Board of Directors of the  
18 Federal Deposit Insurance Corporation shall study and  
19 make recommendations to the Congress regarding any  
20 changes in authorities, including expanded supervision and  
21 monitoring, required to enhance the oversight and regu-  
22 latory roles of the Federal Deposit Insurance Corporation  
23 under this Act.

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

25 (a) IN GENERAL.—Each year, the Monetary Author-  
26 ity shall instruct the Secretary to disperse grants over a

1 12-month period to the States equal to 25 percent of the  
2 money created under this title in the prior year. In the  
3 first year the amount of such grants shall be 25 percent  
4 of the anticipated money creation in that first year.

5 (b) USE OF GRANTS FOR BROAD-BASED PUR-  
6 POSES.—The States may use such funds in broadly des-  
7 ignated areas of public infrastructure, education, health  
8 care and rehabilitation, pensions, and paying for unfunded  
9 Federal mandates.

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

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

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

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

1 and Federal Disability Insurance Trust Funds shall sub-  
2 mit to the Monetary Authority any requests to cover im-  
3 pending deficits in Social Security Trust Fund accounts.

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

5 (a) IN GENERAL.—Before the effective date, the Sec-  
6 retary, in cooperation with the Monetary Authority, shall  
7 make recommendations to the Congress for payment of  
8 a Citizens Dividend as a tax-free grant to all United  
9 States citizens residing in the United States in order to  
10 provide liquidity to the banking system at the commence-  
11 ment of this Act, before governmental infrastructure ex-  
12 penditures have had a chance to work into circulation.

13 (b) STUDY OF EFFECTS OF CITIZENS DIVIDEND.—  
14 The Secretary shall maintain a thorough study of the ef-  
15 fects of the Citizens Dividend observing its effects on pro-  
16 duction and consumption, prices, morale, and other eco-  
17 nomic and fiscal factors.

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

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

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

23 The Congress shall be aware that funding through  
24 this Act is available for Congressional enactments for re-  
25 solving aspects of the mortgage crisis.

1 **SEC. 510. INTEREST FREE LENDING TO LOCAL GOVERN-**  
2 **MENTAL BODIES.**

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

○