

This first public version, released in Philadelphia at the Eastern Economic Association Conference, is hereafter circulated for general comment.

AMERICAN MONETARY ACT

An Act to restore the Constitutional power to create Money to the Congress of the United States
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC 1. SHORT TITLE

This Act may be cited as the American Monetary Act

SEC 2. FINDINGS

The Congress finds that –

- (1) The Federal Reserve Act of 1913 effectively ceded the sovereign power to create Money delegated to Congress by the Constitution to the private financial industry.
- (2) This cession of Constitutional power has resulted in a multitude of monetary and financial afflictions, including an uncontrollable national debt, excessive taxation of citizens, inflation of the currency, drastic increases in the cost of public infrastructure investments, excessive un- and under-employment, and erosion of the ability of Congress to exercise its Constitutional responsibilities to provide for the common defense and general welfare.
- (3) The issue of means of exchange by private financial institutions as interest-bearing debts should cease once and for all.
- (4) The power of Government to create Money and spend or loan it into circulation as needed is similar but different in nature from the power to create and market instruments of indebtedness; it eliminates the need to pay interest charges to financial institutions and removes their undue influence over public policy.
- (5) Direct disbursement of United States Money can be readily and easily implemented, including replacement of Federal Reserve Notes and retirement of debt.
- (6) The Federal Reserve System shall be retained as a central bank of issue, a national fund processing clearinghouse, and a fiscal agent for the Government and should be incorporated within the US Treasury. It should no longer be utilized to introduce liquidity into the currency system through interest-bearing debts.
- (7) Government policy with regard to monetary supply should be based on the principle of furnishing sufficient liquidity to support the reasoned sustainable expansion of the physical economy, providing for the common defense and general welfare of the United States, and full employment of the nation's working population.

TITLE I – DISBURSEMENT OF UNITED STATES MONEY

SEC. 101 AUTHORIZATION FOR DISBURSEMENT

Not later than 90 days after the effective date of this section, all United States Government disbursements shall be denominated in United States Money, the nominal unit being the U.S. Dollar.

SEC. 102 LEGAL TENDER

United States Money shall enter into general domestic circulation as full legal tender in payment of all debts public and private.

SEC. 103 NEGATIVE FUND BALANCES

The Secretary of the Treasury shall directly issue United States Money to account for any differences between Government appropriations authorized by Congress under law and available Government receipts.

Note: The fact that Treasury will be able to make disbursements based on direct issuance of United States Money for negative fund balances reflects Congress's Constitutional authority to "coin Money", because

Congress will then have the ability to adjust the amount of Money so created by regulating both appropriations as well as revenues from taxation and other sources. The focal point of power will be the House of Representatives as the initiator of revenue bills. Restoring to Congress its Constitutional authority will shift the ability to create Money and enter it into circulation from the private banking industry to our elected representatives, as the Constitution mandates.

SEC. 104 FORECASTING OF DISBURSEMENT REQUIREMENTS

The Secretary shall:

- (1) forecast disbursement requirements on a daily, monthly, and annual basis;
- (2) provide such forecasts to 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;
- (5) report to Congress and the public regularly on the economic impact of disbursements of United States Money and the status of the monetary supply.

SEC. 105 MONETARY CONTROL

- (1) The Secretary shall pursue the policy that the supply of money in circulation should not become inflationary nor deflationary in and of itself.
- (2) Monetary supply targets shall be established by a Monetary Control Board consisting of nine public members appointed for staggered six-year terms by the President with the advice and consent of the Senate and reporting for administrative purposes to the Secretary.
- (3) Responsibility to regulate the monetary supply in reasonable accordance with targets established by the Monetary Control Board shall rest with the Secretary of the Treasury.
- (4) The Secretary shall report to Congress any discrepancies between targets and supply in excess of two percent at the end of each quarter.

SEC. 106. DISBURSEMENT IN LIEU OF BORROWING

- (1) Disbursement of United States Money under this Act shall be made in lieu of borrowing through Treasury instruments.
- (2) Such borrowing shall cease as of the date stated in Section 101 of this title, unless otherwise authorized by Congress;
- (3) Nothing in this Act shall prevent Congress from exercising its Constitutional authority to borrow on the full faith and credit of the United States.

SEC. 107 ACCOUNTING

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 Government. The General Accountability Office shall conduct an independent audit every second year.

TITLE II – RETIREMENT OF INSTRUMENTS OF INDEBTEDNESS

SEC. 201 COMMENCEMENT OF RETIREMENT

Not later than one year from the effective date of this section, 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.

TITLE III – CONVERSION TO UNITED STATES MONEY

SEC. 301 CONVERSION OF FEDERAL RESERVE NOTES

- (1) Not later than 120 days from the effective date of this section, the Secretary shall establish the capability of converting outstanding Federal Reserve Notes to United States Money of equal face value upon presentation to any domestic national or state financial institution by the bearer;
- (2) Not later than 150 days from the effective date of this section, the Secretary shall provide a sufficient quantity of United States Money to the domestic banking system to allow for conversion of all book entries and cash-on-hand;
- (3) Not later than 180 days from the effective date of this section, all financial institutions within the United States shall disburse funds only with United States Money;
- (4) Not later than 180 days from the effective date of this section, all fund accounts within United States financial institutions shall be denominated only in United States Money;

- (5) The Secretary shall promptly dispose of all Federal Reserve Notes upon receipt.

SEC. 302 RESERVE REQUIREMENTS AND INTEREST CEILINGS

- (1) Not later than 180 days from the effective date of this section, financial institutions authorized to operate within the United States under any Federal or state charter may only lend money as a deposit institution without fractional reserve banking;
- (2) In order to initially bring reserves to a level equivalent to outstanding loans, financial institutions may at inception of this act, borrow United States Money from the Treasury;
- (3) In ending fractional reserve banking, the Secretary is authorized to initially lend United States Money at interest to financial institutions for reserve purposes subject to regulations established by the Secretary.
- (4) Not later than 120 days from the effective date of this section, the Secretary shall publish regulations for:
 - a) criteria to determine interest charges for utilization by financial institutions of public funds, procedures for determining and declaring insolvency of reserve borrowing portfolios, and policies and procedures for disposition of forfeited financial institution assets.
 - b) Checking type accounts; to implement a system of what is generally known as one-hundred percent reserve banking on all checking accounts, warehousing and transferring. Effectively, checking accounts become a service for which fees are charged. This regulation will take effect over a one year period.
 - c) Savings Type accounts and Time Deposits; to establish reserve and other requirements for the continued lending of money at interest by banks.
 - d) other accounts; establishing appropriate regulations, to encourage private lending activity, but prohibit private money creation.
 - e) the computer accounting segregation of deposits of money, from the deposits of loans – i.e. from credit deposited in the system, with the intent to allow money, but not credit, to be loaned out.

Note: It is anticipated that the money spent into circulation by the U.S. Government under Title V of this Act, will ultimately be deposited into the banks, where that money, not fractional reserves, will provide the engine for continued loans and necessary expansion. . It is also anticipated that enough public spirited banking professionals will join with Treasury officials in assuring that these regulations are properly formulated recognizing realities within the banking industry, to assure a smooth transition.

- (5) The total amount of interest charged by a financial institution to any natural person borrower through amortization, including all fees and service charges, shall not exceed the original principal of any loan, except mortgages.
- (6) United States debt instruments held by banks will be credited to their reserve positions in calculating the amounts necessary to borrow to upgrade their reserves.
- (7) The maximum interest rate of 8% per year will apply throughout the U.S. inclusive of all fees.

TITLE IV – RECONSTITUTION OF THE FEDERAL RESERVE AS A BUREAU WITHIN THE UNITED STATES TREASURY DEPARTMENT

SEC. 401 RECONSTITUTION OF THE FEDERAL RESERVE

- (1) No later than 90 days from the effective date of this section, the Secretary shall purchase on behalf of the United States all net assets in the Federal Reserve System at current market value denominated in United States Money.
- (2) The Federal Reserve in its role as a central bank of issue, a national fund processing clearinghouse, and a fiscal agent for the Government shall be reconstituted as a bureau within the United States Department of the Treasury.
- (3) The Federal Reserve shall be administered by a commissioner and deputy commissioner appointed for six-year terms by the President with the advice and consent of the Senate.
- (4) The Federal Reserve shall administer on behalf of the Secretary the monetary targets established and authorized by the Monetary Control Board and shall administer lending of United States Money to authorized financial institutions in order to assure one-hundred percent reserve banking, also known as deposit banking, within the United States.

TITLE V – INFRASTRUCTURE MODERNIZATION

SEC. 501 DIRECT FUNDING OF INFRASTRUCTURE IMPROVEMENTS

Note: Since the banks will not be creating new money and it is crucial in an expanding economy and population base that new money be added into circulation, this will be done through direct funding of infrastructure, social, education and health programs on a per capita basis assuming an equitable distribution throughout the nation.

Not later than 90 days from the effective date of this section, the Secretary shall report to Congress on opportunities to utilize direct funding by the 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. This will be done with substantial intrinsic ecological sustainability and quality of life considerations.

In particular to promote throughout the U.S. a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion.

Note: these ecological, sustainability and quality of life considerations are derived from the European Central Bank treaty protocols, which examined the questions extensively.

SEC. 502 INTEREST FREE LENDING TO LOCAL GOVERNMENTAL BODIES

Not later than 180 days from the effective date of this section, the Secretary shall provide recommendations to 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 or other criteria to assure equity as determined by the Monetary Control Board.

SEC. 503 FARMING PARITY PROGRAM

Not later than 120 days from the effective date of this section, the Secretary, in cooperation with the Secretary of Agriculture, shall provide recommendations to Congress for a program of farm parity payments of United States Money to family farmers in order to assure diversity of quality domestic food sources and products and maintain the socially beneficial existence of family farming operations within the United States.

SEC. 504 INITIAL MONETARY DIVIDEND TO CITIZENS

Not later than 90 days from the effective date of this section, the Secretary, in cooperation with the Monetary Authority shall provide recommendations to Congress for payment of a Citizens Dividend as a tax-free grant to all U.S. citizens residing in the U.S. 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.

The American Monetary Institute would like to thank the following persons for their helpful comments on previous drafts of the American Monetary Act: Mr. Ken Bohnsack; Prof. Robert Blain; Mr. Richard Distlehorst; Mr. Ben Gisin; Mr. Greg Mihalich; Prof. Nic Tideman; Mr. Randy Cook; Mr. Charles Walters; Mr. David Hershey; Prof. Glen Martin; Mr. Dan Sullivan; Mr. Byron Dale; Mr. Steven Looney; Mr. Greg Young; Dr. Lewis Coleman; Mr. Jack Biddell; Mr. Don Bethune; and last but not least, Mr. James Robertson. Responsibility for the program as a whole rests with the American Monetary Institute Charitable Trust, a 501(c)3 organization founded in 1996 for the independent study of monetary history, theory and reform. Please see <http://www.monetary.org> where you may email your observations on this proposed legislation as well as your donations to assist in educating our citizenry on these important questions. After comments lead to further refinements, the Act will be prepared for introduction as a bill into the House of Representatives and the Senate of the United States of America.

Further comment on the Act is invited by email to ami@taconic.net