

Presenting the AMI Monetary Reform Manual (as of July, 2017)

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“Over time, whoever controls the money system controls the nation.”

Robert Poteat, Director

Congressman Dennis Kucinich (D-Ohio) made history on 9/21/11 when he introduced HR2990 into the 112th Congress. The N.E.E.D. Act (National Emergency Employment Defense Act) which contains all of the necessary monetary reforms desperately needed in America.

Monetary Reform Manual – Introduction

By Stephen Zarlenga (1941 – 2017)

Dear Friends,

The World economy has been taken down and wrecked by the financial establishment and their economists; and by their supporters in the media they own, and even by some in the executive and legislative branches, in the name of “free markets” and insatiable greed. Yet no one has been indicted. Shame! Shame on them all!

The American Monetary Act, now introduced as Kucinich’s “National Emergency Employment Defense Act” (the NEED Act,) reforms the present United States money system, *and it resolves the current money crisis*. It has the necessary reforms called for by decades of research and centuries of experience. The Lost Science of Money (LSM) shows that our present system has been put together piecemeal mainly by banking interests for their own advantage, without enough regard to our nation’s needs.*

That book presents the research results of The American Monetary Institute to date and the NEED Act puts the reform process described in Chapter 24 into legislative language. Chapters 1 thru 23 present the historical background and case studies on which Chapter 24 is based. We recommend serious students of our money system read the book now, and suggest that those who’ve read it read it again.

A version of this Act has been in preparation since December 2004 and was placed on our web site for public criticism in February 2006, and concurrently released in Philadelphia at the Eastern Economic Association Conference, for general comment. It draws from and seriously improves a previous proposal known as “The Chicago Plan,” which was advanced by Professors Henry Simons, Irving Fisher and other leading economists in the 1930s in response to the wreckage of the Great Depression, which resulted from our poorly conceived banking/monetary system. This Act is more comprehensive and includes improvements to infrastructure, including the human infrastructure of health care and education.

While The American Monetary Institute is responsible for its present form, the Act is based on Aristotelian monetary concepts in existence since at least the 4th century BC and used successfully in a variety of monetary systems since then, ranging from democratic Athens to republican Rome. It is not merely a theory - its main elements have a long history of successful implementation in major societies around the world, including the American Colonies and the United States. These concepts enabled the U.S. to win our independence, and then to remain one nation. The NEED Act has been fully vetted as technically operational by going through nearly 3 years of non-partisan Congressional Legislative Counsel work before it was ready for introduction, into the 112th Congress. See pages 15 – 24 for full text

The following brief summary *The Need for Monetary Reform* serves as a preface to the Act. Much of it was written *before the banks brought down the world economy! Again those whose greed created this crisis have gone unpunished. That may be the main “legacy” of the Obama Presidency.*

You are invited to join in this citizen’s movement and demand for monetary reform! Read The Lost Science of Money and attend the AMI Monetary Reform Conference held annually in Chicago each fall (in 2017, Sept.14 - 17).

Sincerely,

Stephen Zarlenga

Director, AMI, founded 1996

* Please see *The Lost Science of Money* book for the case histories that demonstrate in detail, the points of this Manual.

The Need for Monetary Reform

Monetary reform is the critical missing element needed to move humanity back from the brink of economic destruction and nuclear disaster, away from a future dominated by fraud, ugliness and warfare, toward a world of justice and beauty.

The power to create money is an awesome power – at times stronger than the Executive, Legislative and Judicial powers combined. It's like having a "magic checkbook," where checks can't bounce. When controlled by banks it can be used to gain riches, but much more importantly it determines the direction of our society by deciding where the money goes – what gets funded and what does not. **Will it be used to build and repair vital infrastructure** such as the New Orleans levees and Minneapolis bridges to protect major cities? Or will it go into warfare and real estate bubbles and Wall Street Gambling – leading to crashes and depressions, as banking has usually done.

Thus the money issuing power should never be alienated from democratically elected government and placed ambiguously into banker's hands as it is today in America in the Federal Reserve System. Indeed, most people would be surprised to learn that the bulk of our money supply is not created by our government, but by banks when they make loans. Through the Fed's fractional reserve process the system creates what we use for "money" when banks make loans into accounts; so most of our money is issued as interest-bearing debt (see pages 9-12 below).

Under the Constitution, Article I, Sec. 8, our government has the sovereign power to issue money and spend it into circulation to promote the general welfare, for example, through the creation and repair of infrastructure, including human infrastructure - health and education - rather than misusing the money system for speculation as banking has historically done; periodically causing one crisis after another. Our lawmakers must now reclaim that power!

Money has value because of skilled people, resources, and infrastructure, working together in a supportive social and legal framework. Money is the indispensable lubricant that lets them "run." It is not tangible wealth in itself, but a power to obtain wealth. **Money is an abstract social power based in law**; and whatever government accepts in payment of taxes will be money. Money's value is not created by the corporations that now control it. As Aristotle wrote: "Money exists not by nature but by law."

Unhappily, mankind's experience with banker money creation has undeniably been a long history of fraud, mismanagement and even villainy, and the present crisis is among the worst yet! Banking abuses are pervasive and self-evident. Major banks and companies focus on abusing the money system instead of production. Billions have been stolen, trillions more have been shamelessly grabbed in so called bailouts! Most of our leadership is acting like patsies, instead of protecting our people, as the financiers rape America.

Banker "money" creation through what's known as "fractional reserve" banking fosters an unprecedented concentration of wealth which destroys the democratic process and promotes military imperialism. Less than 1% of the population now claims ownership of almost 50% of the wealth, but vital infrastructure is ignored. The American Society of Civil Engineers gives a D grade to our infrastructure and says it will soon be a D-; and estimates that \$3 trillion is needed to bring it to safe levels over the next 5 years!

That fact alone shows the world's dominant money system to be a major failure crying for reform.

Infrastructure repair would provide quality employment throughout the nation. There is a pretense that government must either borrow or tax to get the money for such projects. But it is well enough known that the government can directly create the money needed and spend it into circulation for such projects, without inflationary results. A reformed monetary/banking system can make this happen NOW!

Monetary reform is achieved with three elements which *must* be enacted together for it to work. Any one or any two of them alone won't do it, but could harm the reform process. ***The reform has its best chance of passage in this severe monetary crisis created by the banking system using debt in place of money! Considering that the same establishment controls our weapons systems, this may be humanity's only chance for reform, to stop the now obvious slide of our middle class into debt slavery or some form of "Disney Fascism."***

First, it incorporates the Federal Reserve System into the U.S. Treasury where all new money would be created by government as money, not by banks as interest-bearing debt; and be spent into circulation to promote the general welfare. A Monetary Authority monitors the money system to avoid both inflation and deflation.

Second, it halts the bank's privilege to create money by ending the fractional reserve system in a gentle and elegant way. All the past monetized bank credit would be converted into U.S. government money. Banks would then act as intermediaries accepting savings deposits and loaning them out to borrowers. They would do what people think they

do now. ***This Act nationalizes the money system, not the banking system. Banking is not a proper function of government, but only government should provide the nation's money supply!***

Third, it encourages spending new money into circulation on 21st century eco-friendly infrastructure and energy sources, including the education and healthcare needed for a growing and improving society, starting with the \$3 trillion that the Civil Engineers estimate is needed over the next 5 years, for infrastructure repair; creating good jobs across our nation, re-invigorating local economies and re-funding local government at all levels.

The false specter of inflation is always raised against such suggestions that our government fulfill its responsibility to furnish the nation's money supply. But that is a knee-jerk reaction - the result of decades, even centuries of propaganda against government.* When one actually examines the monetary record, it becomes clear that government has a far superior record in issuing and controlling money than the banks have had.* Inflation is avoided because real material wealth has been created in the process. Research and development of superior pollution-free technologies is facilitated. Advanced system dynamics studies reach the same conclusion.

What we're proposing builds upon the "Chicago Plan" which came out of University of Chicago economists in the 1930s and was widely supported nationwide by the economics profession back then. It was thought to be the next immediate step in the reforms coming out of the Great Depression. This was before our great universities economics departments went over to the "dark side" with their free market worship. Economics has become a religion with no supporting evidence, and which ignores the facts which clearly disprove its main themes.

Lawmakers have often believed they could trust the banks and ignore the big questions on how our money system is structured. Right from the Constitutional Convention many delegates ignored society's monetary power and the excellent record of government issued money in building colonial infrastructure and giving us a nation.* In effect, they left the money power up for grabs, when properly estimating it would have meant placing it in a fourth monetary branch of government. "We marvel that they saw so much, but they saw not all things" wrote Civil War General and money reformer Benjamin Franklin Butler 80 years later.

My Friends, our Great Task is to legally codify the money power that was inadequately defined by the founders; to more precisely define the money power in our society and bring it securely within the proven system of checks and balances they established. History shows that the money power will act like a fourth branch whether we recognize it as such or not. It's not safe to leave so much power and privilege in banker's hands! It's counter to our system of checks and balances. The crisis requires us to re-evaluate and focus on it now. We must not shrink from our responsibility to begin implementing the long known solutions to this problem. We start by placing the "money power" within our government where it obviously belongs. Or would you prefer to let the "Enrons" continue to control it, and us? And yes - Enron was on the Dallas Federal Reserve Board!

As the late Congressman Wright Patman, Chairman of the House Committee on Banking and Currency for over 16 years, said, "I have never yet had anyone who could, through the use of logic and reason, justify the Federal Government borrowing the use of its own money....I believe the time will come when people will demand that this be changed. I believe the time will come in this country when they will actually blame you and me and everyone else connected with the Congress for sitting idly by and permitting such an idiotic system to continue."

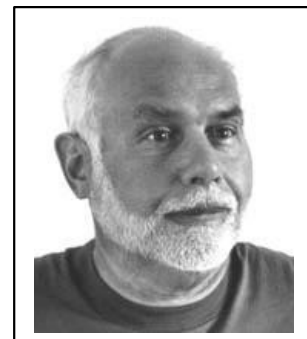
Friends, look around you. That time has certainly come! Awaken – get up and fight for your family and nation. Join us in our efforts to achieve a sensible monetary system for America.

Thanks for your attention,

Stephen Zarlenga, founder of American Monetary Institute

*Please see ***The Lost Science of Money*** book by Stephen Zarlenga for the case histories that demonstrate in detail, the points of this pamphlet.

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Background

The World's greatest problem, besides poor spiritual values, is that the governments of the World do not create their own money, but have allowed banks to usurp the special privilege to lend their credits into circulation in place of actual money. Whether a nation has a banker or a governmentally controlled central bank the bank loans function as money within the world's economies. Two major problems arise:

First the obvious interest cost which the banks receive when they create such "debt money" out of thin air. In 2013 this cost the US government **\$416 billion** in interest charges on the national debt – about **11%** of the annual federal budget. Not to mention the interest the banks also charge against all the private borrowings. So the banker creation of fiat money acts like a private tax on all of society, to the benefit of the banks with the privilege to create such money. This has spread poverty and has concentrated wealth to obscene levels!

Societies might survive even with such a ball-and-chain around every producer's leg, but the second problem is even worse: It's the bankers, not the society, who decide the direction of the nation – what gets funded and what does not. Will money go into fixing New Orleans levees and Minneapolis bridges, or into real estate bubbles and Wall Street gambling, and warfare?

Understanding The Nature of Money

Mankind can survive under all sorts of political systems from democracy to dictatorship, but the best systems will be those in harmony with the nature of man. Likewise all sorts of things can be used as money; but the best will be that in harmony with the nature of money. Therefore evaluating what constitutes proper monetary reform requires us to better understand the nature of money.

In 1718, John Locke wrote: "Observe well these rules: It is a very common mistake to say that money is a commodity... [but] Bullion is valued by its weight... money is valued by its stamp." America's great Ben Franklin agreed, writing: "Silver and gold...(are) of no certain permanent value... We must distinguish between money as it is bullion, which is merchandise, and as by being coined it is made a currency; for its value as merchandise, and its value as a currency are two different things..." (LSM, Ch. 14*)



Founding Father Ben Franklin, the great scientist (early work with electricity) and statesman (guided the Continental Congress; convinced France to support our revolution) was also a monetary genius. His 1729 essay *The Nature and Necessity of a Paper Currency* summarized the ideas he used to help Pennsylvania with its money system in 1723 rescuing her from a prolonged usury crisis. Franklin told the world: "**Experience, more prevalent than all the logic in the World, has fully convinced us all that paper money has been of the greatest benefit to the country**"- thereby also identifying good thinking methodology.

The Aristotelian Concept of Money – a legal fiat

Both Locke and Franklin echoed Aristotle's concept of money as an abstract legal power, a fiat of the law, summed up in Aristotle's phrase "**Money exists not by nature but by law.**" (Ethics, 1133) To Aristotle money isn't a commodity that comes out of a mine or a farm. It comes from "nomos" - the law or binding custom, and the Greek name for money was "nomisma." Aristotle makes the supreme distinction between *money*, which is abstract, and *wealth*, which is tangible. He is the creator of the "science of money." (Ch.1)

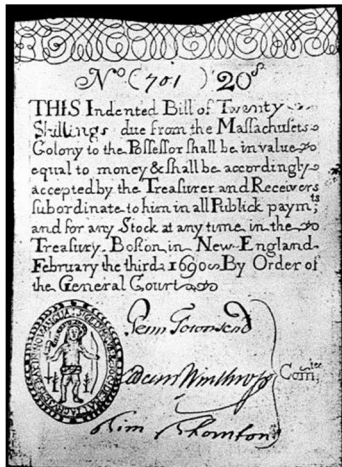
The history of ancient systems shows a pattern of Aristotle's science of money being discovered; used to build the society; corrupted and then lost; and again rediscovered over the centuries.

American Colonial Development

Massachusetts rediscovered the science of money in 1690 when she issued "bills of credit," the first paper money in the West. She *spent* them into circulation paying for colonial expenses. In 1723 under Franklin's guidance

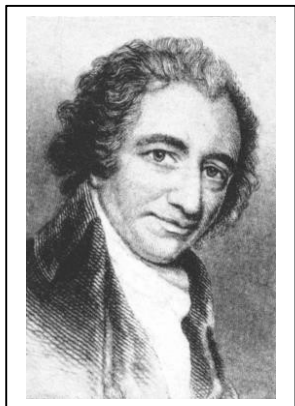
*Chapter notations refer to chapters of The Lost Science of Money book containing the information.

Pennsylvania created and *loaned* such money into circulation and used the interest earned for colonial expenses. The colonial fiat currencies dramatically improved life in the colonies, facilitated the building of real infrastructure, reversing the flow of emigrants who for decades had been moving back to England.



Dutch and English laws forbade sending money to the colonies. By necessity we became a monetary laboratory trying everything from agricultural and metallic commodities to ‘land banks.’ Finally Massachusetts issued paper “bills of credit,” spending them into circulation. They were not a promise to pay anything, but were a promise to receive them back in payments to the colony. It functioned as money and turned life around, building real infrastructure in the colonies. Right from the earliest days we have been a nation of fiat paper money. Without it there is no United States of America.

Such American “nomisma” -the **Continental Currency**- helped us win our independence. The Continental Congress authorized \$200 million in Continentals and issued \$200 million (plus replacement notes). They have been smeared as inflation money, and while the British counterfeiting billions of them eventually destroyed the value of the Continentals. Still, they carried us over 5 ½ years of warfare to within 6 months of final victory. **They gave us a nation! Later the Greenbacks let us keep it.** \$450 million Greenbacks were authorized and \$450 million were issued. Eventually they exchanged dollar for dollar with gold coins, but few people bothered to exchange them. Examining the real facts surrounding government money creation, a very different picture emerges than from the propaganda on them.



Tom Paine, Father of the Revolution, praised the Continental Currency:
“Every stone in the bridge, that has carried us over, seems to have a claim upon our esteem. But this was a corner stone, and its usefulness cannot be forgotten.”
“...But to suppose as some did, that, at the end of the war, it was to grow into gold or silver, or become equal thereto, was to suppose that we were to get 200 millions of dollars by going to war, instead of paying the cost of carrying it on.” (Ch. 14)

Why does this concept supporting government “fiat money” seem alien to most economists today? First, understand that “most economists” are fools. The full answer was given by the great monetary historian Alexander Del Mar in 1905:

"As a rule political economists...don't take the trouble to study the history of money; it is much easier to imagine it and to deduce the principles of this imaginary knowledge."

Thus there is a mythology – *a reigning error* – that government always issues money irresponsibly. But this is the result of centuries of propaganda sponsored by those benefiting from bank issued money. The Continental Currency is attacked, without discussion that the British counterfeited untold \$ billions. They also used counterfeiting against the French Assignats – the details became public when the counterfeiters sued each other in the English courts. The German hyperinflation is cited by the banker money promoters without pointing out that the German Reichsbank was privately owned and controlled, and that the hyperinflation began the month that all governmental influence over it was removed on the insistence of the allied occupiers. The hyperinflation ended when the German government re-asserted its control over the money system. These and other cases are detailed in *The Lost Science of Money* book, which all Americans should read.

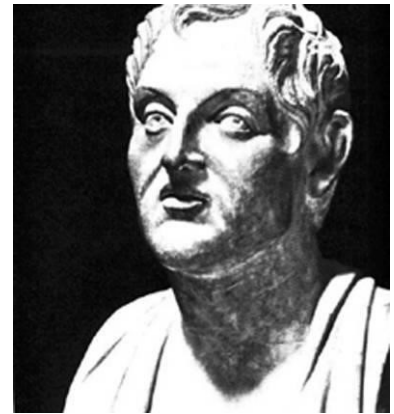
This Battle to Control the Money Power has raged for millennia over the same dividing line: will society's money be issued as credit/debt when banks make loans, and be controlled by the few, to favor the few; or will it be issued as money (not debt) by government, and be spent into circulation for the common good.

How a society defines money determines who controls it. Define money as wealth, and the wealthy will control it. Define it as credit/debt, as is done today, and the banker will be in control. Define it as Aristotle did - **an abstract legal power** - and government can control it to promote the general welfare. Despite the prevailing prejudice against government, historical case studies show much better results from government controlled money systems, than from banker controlled ones. (see The Lost Science of Money book)

This battle is summarized as Aristotle's science of money vs. Adam Smith's metallic view of money. Smith's inadequate definition (Wealth of Nations, 1776) obliterated the concept of money in the law: **"By the money price of goods it is to be observed, I understand always, the quantity of pure gold or silver for which they are sold, without any regard to denomination of the coin."** He took the concept of money back to metal by weight (ponderata), where it had been before Caesar and the Romans conquered England. (Ch. 12)



"Adam Smith vs. Aristotle" summarizes the battle to control the Money Power. Whether money should be tangible wealth and thereby be privately controlled to benefit the wealthy (Smith), or be an abstract legal fiat power **government controlled** to promote the general welfare (Aristotle). To all Goldbugs: Fiat money is not the problem - **bank issued** fiat money is the problem, which is like a private tax on all society.



What was Smith's motive? We're not mind-readers; however we note that his Patron's family (The Scottish Duke of Buccleugh) had recently intermarried with the English House of Montagu, which was the power behind the private Bank of England. We also note that Smith's *Wealth of Nations* book came out in 1776, the year after the American Continental Congress began issuing our Continental Currency which enabled us to fight and win the revolution against England, then the world's strongest military power. (Ch.12) (Prof. Carroll Quigley tells us that a later Duke of Buccleugh, Lord Lothian, was responsible for the flawed Treaty of Versailles, which guaranteed that WW1 would be followed by WW2!)

Was it ever Feasible to Use Gold for Money?

Aside from being against the true nature of money as an abstract legal power, there is a very practical matter that supporters of Gold money can't address: *There has never been enough supply of gold sufficient for such a money system. The Gold supply never keeps pace with the growth of population and commerce.* This periodically caused bank crises and crashes.

Gold systems usually tried to solve this problem by cheating - pretending to be operating a gold based system but really mixing bank paper into the money supply, pretending it was convertible into gold; leveraging the amount of gold in the system through fractional reserves of one type or another. Because this bestowed great power and unearned wealth onto bankers, there has never been a shortage of apologists for such mixed systems - we call them "economists!" Their main function and "crime" has been to support immoral banking systems.

The Bank of Amsterdam - A Gold Deposit Bank

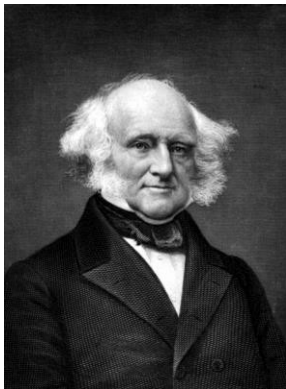
The greatest growth rate ever recorded in gold supplies occurred from 1500 to 1600 as centuries of gold accumulation was stripped from the Central and South American Indians at gunpoint. Spain did the bloody work on the ground, while English and Dutch Navies intercepted much of the loot in the Atlantic. Thus the value of gold and silver fell 80% from about 1500 to 1650 as the metallic reserves of Europe rose over 400% and so did prices. But industry thrived during this period as money became much more plentiful and more widely distributed sparking what's been called the "Renaissance of the North."



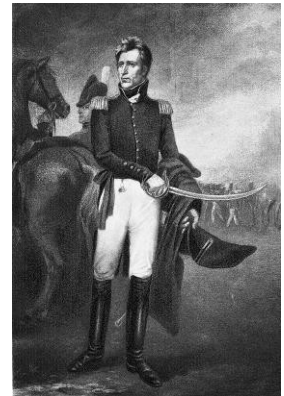
The Bank of Amsterdam (1609-1815) was owned by the city. It was supposed to be a classic gold “deposit bank” holding deposits and transferring them from account to account. No interest was paid and no loans were to be made, except to the city of Amsterdam. But *it did* extend large secret loans to the Dutch East India Company, making it a “covert” bank of issue. Even during this greatest period of growth in the European gold supply, taken at gunpoint from the America’s, *it wasn’t possible to base a money system on metal alone, though if there was ever a time when that could be done, it was then.* (Ch.9)

Andrew Jackson & Martin Van Buren Attack the “MONEY POWER”

The only attempt at a true metallic money system in America was made by Presidents Jackson and Van Buren in the 1830s. Jackson paid off the entire US debt in 1835. He took the banker owned 2nd Bank of the U.S. out of government affairs. Van Buren set up 15 branches of the U.S. Treasury to handle government payments. But this real move to metallic money caused the worst deflation and depression crisis in the nation until then. Van Buren quickly introduced government issued money in the form of U.S. notes. (Ch. 15)



Presidents Jackson and Van Buren acted to end special bank privileges. In the late 1830s they removed government funds from the private 2nd Bank of the United States and refused to accept inconvertible state chartered bank paper for land purchases from the government. But while cutting off bank created money, they neglected to provide government created money in its place, thereby causing the worst deflation seen up to then in America.



Such notes had earlier been carefully issued from 1812 in various denominations. A total of \$60.5 million had been authorized, but only \$36.7 million had actually been issued. **Government error, if any, was on the side of taking great care, not recklessness.** The note issuing process was not abused by government. (Ch. 15)

The Civil War Greenbacks from 1862

The Greenbacks provided a daily lesson in the nature of money. Greenbacks were eventually redeemable one for one with gold coin, but they were so convenient that hardly anyone bothered to redeem them. (Ch. 17)



The Greenbacks were created by our Government and spent into circulation interest free and debt free. \$450 million were authorized and \$450 million were issued, and they couldn’t be counterfeited. Greenbacks didn’t promise to pay something else – *they were the money.* Being printed, not borrowed, they didn’t create any more national debt or interest payments. Thus they were called “The best currency that ever a nation had.”

A very brief summary of developments since the Greenbacks:

The National Banking System

From 1864-1913 the National Banking Act shifted bank charters from the state level to the national level. It required more capital and reserves, and removed much petty corruption that plagued banking. But it formalized institutional corruption in allowing a form of fractional reserves, where banks were able to create money based on a multiple of reserves (Ch. 17-18) It culminated in the Panic of 1907, which then led to establishing the “Fed.”

The Federal Reserve System

In 1913 the Federal Reserve System was surreptitiously created by America's banking "elite" (Ch. 19). In summary, the Fed is "ambiguous" – *it's not* a part of the Judicial, the Executive or the Legislative Branches. *It oversees itself. *It gets its own budget from its money operations *The 12 regional Fed's shares are owned by the member banks in their district. *It is not owned by the Rothschild's, or the Morgan's, etc, as rumored. *The U.S. President appoints the Chairman for 4 years and the 7 member Washington board for 14 years. *There are no "shares" in the Washington Board. *It is controlled by the banking "fraternity" and it delegates powers to bankers that should always remain under our constitutional system of "checks and balances."

The Great Depression

By December 1932, it's been only 20 years since the establishment of the Fed, but in that brief time the Federal Reserve System had wrecked and taken America down to its knees:

***Farms** were wrecked with huge debt and falling land prices; ***factories** were closed; ***banks** were closing; ***exchanges** were destroyed; *the **economy** collapsed – people couldn't find work and many were hungry.

From 1929 to 1932: National income dropped 52%. Industrial production fell 47%. Wholesale prices fell 32%. The real value of debt *rose* 140%! Unemployment rose 329% from 3.5 million to 15 million people. Over a quarter of our workforce was unemployed. All that destruction in less than 20 years! (Ch. 20)

The "Chicago Plan" Solution

Clearly changes in the monetary system were called for, but most economists were useless, and J. M. Keynes merely entrenched the problem, advising that government must borrow money that they allow the banks to create out of thin air, instead of doing the right thing and creating the money itself. What nonsense!

Then Henry Simons and Paul Douglas, great University of Chicago economists, correctly diagnosed the problem: "*The mistake lies in fearing money and trusting debt.*" Simons' elegant solution, called the "Chicago Plan," would substitute money for the debt in circulation as bank loans. It was supported by great economists across the country (Irving Fisher of Yale; Frank Graham and Charles Whittlesley of Princeton; Earl Hamilton of Duke; to name a few). This brilliant plan *nationalized the Federal Reserve System* and *stopped the banks from creating any part of the money supply* (The American Monetary Act and Congressman Kucinich's NEED Act incorporate these 2 elements).

Though Keynes' advice dominated, yet some good but minimal banking reforms, such as the Glass-Steagall laws curbing speculation were enacted with the expectation that something more comprehensive like the Chicago Plan would follow; but once the crisis devolved into WW2, it was ignored. The main good achieved out of the horrible and deadly Great Depression was the Social Security System, America's most important anti-poverty legislation.

Deification of Free Markets and Removal of Regulations

A most destructive part of the late 20th century was the continued transformation of economics into a clandestine religion, which deified markets, and demanded de-regulation for unproven theoretical reasons: Don't try to pass laws over the market – it will crush your puny laws (*Omnipotence*). Don't try to dictate results to the market, it has the input of millions of participants and will always know more than any regulator (*Omniscience*). Do the right things and the market will reward you; misbehave and you will be punished (*Benevolence*). Clearly the economists are defining a **GOD**, not a mere mechanism for buying and selling.

Unfortunately, Libertarians considered Ayn Rand's novels promoting "capitalism," as historical evidence! One of her followers was Alan Greenspan, Federal Reserve Chairman for 20 years, and the person most responsible for de-regulation of markets. He allowed the banking system to run amok, and bring down the world economy.

Plutocratic Abuse and Criminal Activity Have Dominated Our Nation

Faced with the horrendous effects of his actions and inactions, Alan Greenspan, in late 2008, did admit his error in trusting financial leaders to act in the *long term* interest of themselves and their shareholders. What Greenspan missed was that sometimes in the *short term* it is possible to grab so much loot that these villains will not care about the long term. *Libertarians have not admitted this error!* This same mistake underlies all free market theology. When one understands and appreciates it, the so called free market theoretical structure falls apart!

Substantial regulation is always required, but substantial reform needs to be enacted first.

Our apologies for cramming so much history into so few pages. *The Lost Science of Money* covers all this and much, much more, in detail, in 756 pages. It's strongly recommend for your permanent family library.

Monetary Reform Is Critical to Mankind's Progress and Survival

Monetary reform is as old as money itself. And while Money plays such a crucial role in our lives and civilization that we couldn't function without it, very few of us have given it the attention it deserves! Not just to make more – but to understand how the money system works; the institutions and regulations that determine what is money; how it's introduced or removed from circulation; who controls these decisions for what purposes. The Justice or injustice of it; who benefits, who loses?

We want to live in a world of growing freedom and opportunity, but have we done enough to assure that society's money system is operated to advance our civilization? Evidence demonstrates that the money power has instead become oppressive. Let's see which changes are called for.

Why does reform become Necessary? A century ago the great monetary historian Alexander Del Mar wrote: "The money system is society's greatest dispenser of justice or injustice." A good system functions fairly, helping to create values for life. A bad one, like our present bank controlled one, obstructs the creation of values; gives special privileges to some and disadvantage to others; causes unfair concentrations of wealth and power; leads to social strife and eventually warfare and a thousand unforeseen bad consequences.

Because great power is exercised through money, power-hungry elements from ancient times to the present pursued the political ambition to dominate through the Money Power. This requires societies to periodically reform corrupted systems. The main weapon in this battle has been the manipulation of language and thought, where definitions serve as heavy artillery. Those benefiting from the corruption fund university economics departments and finance "professionals" (*we call them economists*) to promote their viewpoint through economic theories. That's why this corrupt system has continued for so long despite its abysmal performance.

Why is reform so urgent now? Financial abuses of the world's money systems are pervasive and self-evident. Dominant companies focus on usury instead of production. "Globalization" harms helpless third world nations – and even the Planet! Action on monetary reform has become urgent as we enter the 3rd millennium. The same creepy characters are in control of nuclear weapons!

How does reform proceed? It must start with an understanding of the nature of money; that money is not a commodity; that money and credit are two very different things. That money need not be debt!

If society defines money as a commodity (as wealth) then the wealthy will control the monetary mechanism. In our system money and credit have been confused. If society defines money as credit/debt, as the present system does, then the bankers will control the system, and look at the horrible results! Define money in the proper Aristotelian sense as an abstract legal power, and control over money and society can then be under our constitutional system of checks and balances.

The Lost Science of Money book presents the historical record of the chain of the concept of money from Aristotle forward to arrive at our concept of money:

"Money's essence (apart from whatever is used to signify it) is an abstract social power embodied in law, as an unconditional means of payment." (LSM, p. 657)

Confusion, Complexity and Dishonesty Serve to "Protect" America's Nightmare Monetary System.

Because the economists have made such a mess of the World's money systems, explaining to people how banks loan what we use for money into circulation, can confuse people because the process is so unjust; so harmful to good public policy, and so full of counter intuitive and misleading banker terminology!

Money is a crucial part of modern society – But Where Does Our Money Come From?

Most people think our money is issued by our government and indeed money *should* be created and issued by government and used for the benefit of all by creating and spending new money directly to promote the general welfare, on things like infrastructure, health care and education. That is what passage of the Kucinich's NEED Act will do. *However, in our present system this does not happen.* Today, about 97% of the money in our nation is created by banks as interest bearing debt, when they make loans!

Here's the official story – the one in the economics textbooks: but understand that process has shifted and is no longer the reality - what the banking system actually does – if it ever was. Still you should see it.

The Federal Reserve Bank of New York, one of the 12 bank owned Federal Reserve branch banks, begins the process by creating money out of thin air. Then using this money as a reserve base, the rest of the banks create about ten times that amount of money when they make loans out of thin air, through “fractional reserve accounting.” The stated “reserve” varies from 0% initially to 10% for larger amounts.

The textbooks have relied on **Modern Money Mechanics – The Chicago Fed’s guidebook**, published and republished 6 times from 1961 to 1994 by the Chicago Federal Reserve Bank. Again remember this is the *old* official story believed for decades:

How Does the Federal Reserve System Create what we use for Money out of thin air?

There are two stages in money creation; the first is by the Federal Reserve, the second by the various banks. This first step involves the government borrowing money. Congress and the Executive need to spend more money than they raise from taxes or other revenue streams. To acquire this money the Treasury sells ‘securities’ that mature in three time periods: up to one year, the security is called a “Bill,” from one year to 10 years it is called a “Note” and over ten years it is called a “Bond.” These Treasury securities are sold mostly to domestic and foreign banks, and this is how the Treasury gets needed operating money for government expenditures.

This money creation process starts *only* at the Federal Reserve Bank of New York. It buys these securities, not usually from the government, but from a special list of private treasury securities dealers who represent banks, and from banks directly. The Fed buys these securities and pays for them by crediting the dealer’s bank account. At the same time the Fed credits that same amount to the account that the dealer’s bank has at the Fed. That is simply recorded on an account ledger as a “liability” - an amount the Fed “owes” that bank.

The following example shows how it looks on the account books when the Fed purchases \$10,000 in securities from Bank A.

Federal Reserve Bank		Bank A	
<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Treasury Securities	Reserve Account	Reserve Account	Dealer’s Account
+\$10,000	+\$10,000	+\$10,000	+\$10,000

This double-entry accounting system is described in Modern Money Mechanics. (Available for \$25 from AMI)

At the Federal Reserve Bank, the Assets column has increased by \$10,000 because the Federal Reserve now owns the actual Treasury securities with a face value of \$10,000 (plus earned interest).

And, at the Federal Reserve Bank, the Liabilities column has also increased by \$10,000, which was the cost of purchasing the security. The Federal Reserve is able to make these purchases with mere bookkeeping entries, only because of accounting rule privileges sanctioned by our government.

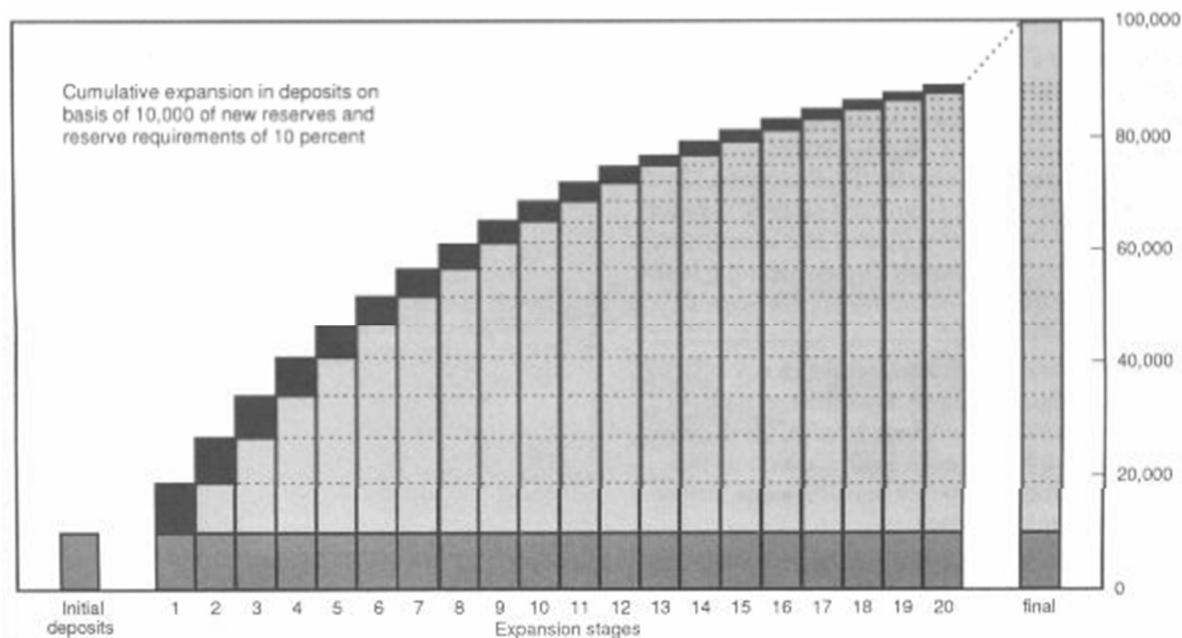
At Bank A (the bank that holds the Treasury securities dealer’s account), the Assets column is increased by \$10,000. ***This is the first moment that this ‘reserve’ money has come into existence*** – while at the same time the Fed now holds the Treasury Security.

And at Bank A, the Liabilities column represents the payment by the Fed to the Treasury securities dealer of \$10,000 (banks call their customer’s deposits “liabilities”).

Summarizing the above: the Federal Reserve at the time of purchase took those Treasury securities and gave the securities dealer money, and gave Bank A reserves. ***This money the Fed gave the securities dealer’s bank, was simply done by creating a liability on the Fed’s books, and by doing this the Fed created the money.***

Now that we have an understanding (if you don’t understand it, remember that’s been its main protection!) of the initial creation of money by the Fed, we are now ready to examine the second stage – **fractional reserve banking**. (But remember, this is their “old story” which came crashing down in 2014, when the Bank of England’s 1st quarter report decisively stated [admitted!] that the banks are creating loans, without reserves!)

The Second Stage – How Fractional Reserve Banking Then Creates Money out of thin air: This chart shows how more money is created with fractional reserve banking. The following - an admittedly simplified description – does give an excellent graphic description of how the “money” supply expands. However, remember this is the old “theoretical” explanation.



Source: Federal Reserve Bank of Chicago, “Modern Money Mechanics” (1962; rev. 1968; 1971; 1975; 1982; 1992; 1994)

Notice the diagram’s bottom left corner: the “initial” deposit of \$10,000. This deposit was made by the Federal Reserve itself. The Federal Reserve created this money out of thin air, as a liability to itself. Or, in other words, it paid for it with its own bookkeeping entry as described on page 10.

For illustration purposes assume that the \$10,000 that was deposited into Bank A, for the account of the securities dealer, for the sale of the Treasury bond to the Federal Reserve, stays in Bank A’s accounts. Then in the account ledger, under Bank A’s liabilities, is the \$10,000 in the dealers’ account; which is balanced by assets of \$10,000 in Bank A’s reserve account at the Fed.

As an asset, Bank A can use those reserves of \$10,000 to create new money in the form of loans or investments up to 90% of that amount (with the old theoretical 10% reserve accounting rules). Therefore, about \$9,000 of new money can be created and lent out by Bank A. If Bank A loans Arthur \$9,000 to buy a used tractor from Bill and Bill deposits the \$9,000 in Bank A (or any other bank), the fractional reserve lending can continue. After Arthur’s loan, Bank A can see that its asset column has just increased by \$9,000. After Bill’s deposit, the bank receiving the deposit (if not Bank A) can see that its liability column and asset column has just increased by \$9,000. The second bank can now create 90% of that amount, or \$8,100 of additional money, and loan it out to Carl to build a porch onto his house. The contractor who gets this job deposits the \$8,100 into some other bank and that bank can now loan out 90% of that amount, or \$7,290.

Banks call the money they receive from other banks when a customer from one bank makes a payment to a customer of another bank, “reserves,” and the amount of this which they can loan or invest “**excess reserves.**” What’s important is that the original deposit by the Fed of \$10,000 can expand: \$10,000 + \$9,000 + \$8,100 + \$7,290 + \$6,561 ... with each addition being a new loan of 90% of the previous loan (after it gets deposited somewhere). The original reserve of \$10,000 (the new money the Fed initially created to buy Treasury securities) can continue to expand deposits with each new bank loan, to eventually become \$100,000, or ten times the original deposit. This is graphically presented in the diagram from the Chicago Fed. **That’s the old textbook story.**

The above are some wholesome loan examples. But much or most of the loaning went into overpriced, often fraudulent real estate transactions, and stock market gambling and takeovers! Just garbage!

While the Federal Reserve turns over to the Treasury, the net interest on its creation of the initial \$10,000 reserves, *the interest earned on the \$90,000 of this new money created through fractional reserve lending goes to the banks.* But morally, the first use of this money, and all seigniorage from it, should belong to everyone through government, otherwise it acts like a private tax on the rest of us; and even worse, it controls the direction of society. And if the bank does not receive the interest plus principal payments, from its borrowers, the bank forecloses and takes any collateral the borrower has pledged.

But listen: In reality, it's been shown that the system continually "violates" the above fractional reserve scenario. The banks can and do make the loans, creating the "money" on their books, before they obtain any reserves! The very process of issuing a loan, places potential "reserves" into the system which they can later borrow! Important researchers have made this shocking revelation for years, and in January, 2014, it has even been publicly admitted by Bank of England officials. The Economics textbooks, where economists learn what they think they know about money and banking, are wrong and must now be re-written!

Here are Three Major Problems with Fractional Reserve Banking:

First, it's immoral, taking from the whole society and gives to a privileged few, *who have done nothing to deserve it*, except for manipulating accounts, without producing anything useful for life. Instead of using government money, spent into circulation, it uses bank debt loaned into circulation, concentrating wealth to obscene levels which must be stopped and reversed.

Second, the interest on money created as debt is like a ball-and-chain on the leg of everyone creating values for living. While the Fed turns over its (unaudited) earnings on initial money creation to the Treasury, the various banks keep the net interest they charge in the fractional reserve money creation. That concentrates money in the wrong hands, where it's been used it to overcome regulation, as they did by ending the Glass-Steagall regulations in 1999. They are destroying our government!

Third, whoever controls the money system controls the direction of society. If it is government, then in a democracy, citizens can influence and decide what to do with it, and it can function under our constitutional system of checks and balances. If it's banks, then only bankers will decide what to do with it, most likely in their own interest. We have seen what that means!

In practice the banks have funded ridiculous bubbles on Wall Street, or incredible real estate bubbles. They did not fund the levee repairs around New Orleans or the bridge repairs in Minneapolis, or the \$3 trillion the engineers tell us is needed to make our infrastructure safe!

The American Monetary Act and Kucinich's HR2990 reforms the system with three main actions*:

One: The Federal Reserve System becomes incorporated into the U.S. Treasury. This nationalizes the money system, not the banking system. Banking is *not a proper function of government*, but control and oversight of the money system *must be done by government*.

Two: The accounting privilege banks now have of creating money through fractional reserve lending is decisively stopped. Banks remain private companies and are encouraged to act as intermediaries between their clients who want a return on their savings and those clients willing to pay for borrowing those savings, but they may no longer create any part of the nation's money supply.

Three: New money is introduced by government creating and spending it into circulation starting with the \$3 trillion the engineers tell us is needed for infrastructure repair and renewal over 5 years. In addition, health care and education are included as human infrastructure. *Everyone* supports the infrastructure, but they worry how to pay for it. That becomes possible with passage of Kucinich's NEED Act! See page 14 below for a one page summary of what Kucinich's HR 2990 does.

History shows that all three elements must be done, and done together, for the reforms to work. This is clear in the pages of *The Lost Science of Money* book, by Stephen Zarlenga.

The system's main "protection" is the confusion it generates. ***Just keep in mind that the power to create our nation's money has been usurped by banks, and they use bank debt in place of Government money. That must be ended now. Monetary Reform Now!*** *(See P. 14 for several additional N.E.E.D. Act actions)

Background: The actual history of government control over money shows a far superior record to banker control. There is a mythology – *a reigning error* – that government issued money has been irresponsible, and inflationary. But this is the result of decades, even centuries of relentless propaganda, and is contradicted by the historical facts. The Continental Currency is attacked, without discussion that while our government authorized \$200 million and issued \$200 million (plus replacement notes), the Brits successfully counterfeited untold \$billions. They did the same for the French Assignats – the details became public when the counterfeiters sued each other in the English courts.

The American Greenbacks are smeared as worthless inflation money when in fact our government authorized \$450 million and printed exactly \$450 million; and every greenback eventually exchanged one for one with gold coinage – but very few people bothered to exchange them!

The German hyperinflation is cited by the “banker propagandists” without pointing out that the German Reichsbank was privately owned and controlled, or that the hyperinflation began the month that all governmental influence over the Reichsbank was removed on the insistence of the allied occupiers. These and other cases are described in *The Lost Science of Money* book.

Bankers will raise the specter of inflation against any proposal that our government fulfill its responsibility to provide the nation’s money. But again this is a knee-jerk reaction resulting from the same propaganda. The reason that inflation is avoided is that real wealth is created with the money spent into circulation on infrastructure, and education and health care. It results in the provision of real goods and vital services and the existence of these serves to control inflation. It is mainly expenditures for warfare that are inflationary, because not only is the money not directed to creating values for life, it actually destroys those values, while increasing the money supply, and *THAT* will always be inflationary.

It will be argued that the banks must have the money creation privilege in order to survive, and removing it would destroy banking. But that is absurd – a leftover from banks never having enough gold! Banking has already destroyed itself! The Savings and Loan industry operated for many decades on principles close to what the NEED Act advocates. We are not out to destroy banking – however, the folly of our present system is self-evident. There’s nothing in the dominant financier’s background, training or philosophy that qualifies them to be above our constitutional system of checks & balances. Look at the mess they have created around the World!

This comprehensive Act has its best chance for passage in the great crisis created by the criminal element within the banking system. Our strategy is to stay focused on the full American Monetary Act as the minimum solution. Implementing only parts of it would be a dereliction of duty. Such compromise would give the criminal financiers the opportunity to re-group and re-assert their power over all banking, as they have mercilessly done in at least four major historical cases over the past 150 years, here and in other countries. That’s what a wealthy organized gang with a single objective can do, especially *against a population that only coalesces under severe crisis conditions as at present*. Though the crisis means suffering, we must at least use it to solve the problem.

Lawmakers at the national level must be made to understand how this crisis is within their power to solve. Also, at the state and local levels, lawmakers must be made aware how solving this problem nationally, opens the way for real world solutions of most of the “insoluble” local problems they face. **Therefore in conjunction with the national approach, a state focused campaign demanding national reform needs to be organized.** None of this is easy, but take heart when you consider that what we are proposing would be immensely beneficial to 99.5% of the population. Even those presently gaining unearned riches from the present faulty system would benefit from the improved quality and security of life in general.

The American Monetary Institute is organizing local chapters around the country to help educate our fellow citizens and representatives in the area of monetary history, theory and reform. We do this in a way that is understandable to the average newspaper reporter. The *Lost Science of Money* book is written in highly readable form – *we intend to be understood!* We invite you now to join with us in this adventure to achieve a just money system – to right this wrong that has plagued our nation and humanity for so long.

Each year in the fall, we hold an AMI monetary Reform Conference in Chicago. You are invited to participate! This year the 13th Annual Conference will be at University Center, Sept. 14 – 17, 2017. We bring in the most knowledgeable monetary reformers from around the world who present their work and news and ideas. To see a line-up of this year’s participants please see our home page at

<http://www.monetary.org>

ONE PAGE SUMMARY OF WHAT Kucinich's HR2990 (112th Congress) WILL DO **Over time, whoever Controls the nation's money system Controls the nation.**

Article 1, Section 8 of The U.S. Constitution places the Money Power of our nation into the Congress. That is the power to create and regulate the nation's money supply. However in 1913 the Congress foolishly delegated this power to the banker controlled Federal Reserve System. The results have been horrendous! Therefore the NEED Act takes back this power.

The National Emergency Employment Defense Act (the "NEED" Act) solves the problem with 3 main actions

- 1) The Federal Reserve is dismantled and good parts are placed into the US Treasury. A Monetary Authority is created which avoids an inflationary or deflationary money supply.
- 2) Accounting rule changes prohibit the banks from creating what we use for money- from using debt for money - what's known as fractional reserve banking is decisively ended.
- 3) The Congress originates (creates) new US Money and spends it into circulation, for infrastructure, health care and education; starting for example with the \$3 trillion the engineers tell us is needed for infrastructure over the next 5 years. The human infrastructure of health care and education is added. This is estimated to create over 7 million good jobs quickly.

Additionally the NEED Act, introduced in 112th Congress, HR 2990:

- * Pays off the national debt as it comes due, if necessary by creating the money to pay for Bonds coming due, rather than rolling them over with new borrowing
- * Limits interest rates to 8% including all fees; historically this is a high interest rate
- * Ends compound interest; with the rule that total interest may never exceed the principal, except on mortgages
- * Lets the 50 states decide where 25% of the new money goes each year through per capita federal grants. Some general areas can be specified – infrastructure, health, education; unfunded federal mandates; pensions. This is a big deal – no way that any local actions (e.g. mythical local currencies) can be as powerful in solving local crises.
- * 2990 Contains a tax free dividend for every citizen. Imagine if the bailout went to all our citizens. Say 3 trillion to the citizens instead of to the banks. With 300 million citizens that's \$10,000 to every man, woman and child. \$40,000 to a family of four. The depression/recession would be over! Banks could have competed for these deposits.

THE YAMAGUCHI STUDY (World expert in predictive economic modeling process) concluded that HR 2990:

- Pays off the national debt as it comes due
- Provides the funding for infrastructure (which solves the unemployment problem)
- Does these things without inflation!

Friends please re-read, and forward this page to your entire email list. Please send any questions to ami@taconic.net. We will answer! Thank you!

Kucinich's HR 2990 runs our money system for the nation, not the bankers;

And that's why you are not hearing about it from their media!

Chicago Teachers Union Endorsement of HR 2990 is at:

<http://www.monetary.org/wp-content/uploads/2012/01/N.E.E.D.-Resolution.pdf>

The International Association of Machinists and Aerospace Workers Union (Local 126, Chicago area) Endorsement of HR 2990 is at:

http://www.monetary.org/wp-content/uploads/2012/03/Local_126_Resolution_HR2990_3_7_12-1.pdf

HR 2990 IH

The Western Ohio Society of Friends (Quakers) will be displayed at <http://www.monetary.org>

September 21, 2011

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

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 political 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 responsibilities 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 employment, 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 national 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 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.
 - (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 Authority (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 accounting 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.

FAQs “Twenty Questions” Frequently Asked About the Kucinich N.E.E.D Act (National Emergency Employment Defense Act)

1) Won't the government creating new money for infrastructure and other expenses cause inflation?

No. While this is an important concern, some of it is anti-governmental propaganda and it need not cause inflation, depending on where the new money goes, for example:

When new money is used to create real wealth, such as goods and services and the \$3 trillion worth of public infrastructure building and repair the engineers tell us is needed over the next 5 years, there need not be inflation because real things of real value are being created at the same time as the money, and the existence of those real values for living, serves to keep prices down.

If it goes into warfare or bubbles (real estate/Wall Street/etc.) it would create inflationary bubbles with no real production of goods and services. That is the history of banker control over money creation. It mostly enriches the finance sectors, which produce almost nothing. That must end now. Government tends to direct resources more into areas of concern for the whole nation, such as infrastructure, health care, education, etc. The AMA Title 5 specifies infrastructure items including human infrastructure of health care and education to focus on.

Also remember, the American Monetary Act eliminates ‘fractional reserve banking’ *which has been one of the main causes of inflation*. And remember new money must be introduced into circulation as the population and economy grow or is improved, or we’d have deflation.

2) How can we trust government with the power to create money? – Won’t they go wild (and again cause inflation)? Don’t you know that government can’t do anything right?

Two Points:

A. The U.S. Constitution binds government to represent the interests of the American people – “to promote the General Welfare” and empowers our Federal Government to create, issue and regulate our money (Article I, Section 8, Clause 5). We must hold our officeholders responsible to the laws. Do you want us to deny the Constitution? In favor of who? Enron? Bear Stearns? J.P. Morgan? Goldman Sachs? Lehman Brothers? Please get real! **Our choice is to let those pirates continue to control our money system or to intelligently constitute the MONEY POWER within our government. Examine the dismal history of letting banker’s run things.**

Under the American Monetary Act, the Congress, the President and the Board of the Monetary Authority will all be responsible if any inflation or deflation takes place, and the people will know that they are responsible. They are specifically directed to avoid policies that are either inflationary or deflationary.

Do you really trust the “ENRON’S” to dominate our money? Look how they have abused that power! And Yes Damn it! Enron was on the Board of the Dallas Federal Reserve Bank, before Enron closed in disgrace!

B. Finally and most importantly, an examination of history, despite the current prejudice and massive propaganda waged against government, shows that government control of money has a far superior historical record to banker control over money systems. See this brochure, and the LSM, Chapter 16. History shows that government has a far superior record in controlling the money system than banks have. And **Yes**, that includes the Continental Currency, The Greenbacks, and even the German hyperinflation; which by the way took place under a completely privatized German central bank! The German hyperinflation is really an example of a private money disaster.

The Lost Science of Money book, chapter 12, uncovers the beginnings of the attack on government and found it started with Adam Smith himself in an attempt to block moves to take back the monetary power from the then private Bank of England, and put it back into government, which had done a good job in monarchical management of the money system, with only one exception under Henry VIII.

3) Why should we give the government even more power?

Because *our money system belongs to society as a whole*. It is too important to trust to unrepresentative and unaccountable banker hands, preoccupied with private gain, with little regard for the detrimental consequences of their actions on the country, and outside our system of checks and balances. Just look what they have done!

4) How can we prevent government from abusing its power once it can create money directly?

The same way we prevent it from abusing any power, by upholding the rule of law and by participating in democratic political processes; and through reasonable structural limits.

5) Should we let banks keep some part of the money creation privilege?

Absolutely not! History shows that the banks, if given any privileged power over money, eventually undermine the public interest, and take over the whole thing. We know this from historical case studies in at least 4 major historical situations – the U.S. “Greenbacks”, The nationalization of the Bank of England, and the Canadian and New Zealand monetary experiences. Anyone who proposes allowing the banks to keep any part of the power to create money are either ignorant of monetary history or are more likely shilling for the banks.

Under the American Monetary Act we do have the best of both worlds. We keep the benefits of having the professionalism and expertise of a competitive banking system in the private sector, but we take away the dangers

of having them dominate our monetary and public policies with their narrow short term profit focus, by removing their privilege to create what we use for money. Ultimately this is a question of morality. No such special privileges can be allowed to particular groups; especially the monetary privilege, which confers power and wealth on them at the expense of the rest of society.

6) Well then, should we nationalize all the banking business?

What kind of “Kool Aid” are you drinking and who gave it to you? (this was being advocated by those promoting states starting banks, and using the destructive fractional reserves system) The banking business is obviously not a proper function of government; but providing, controlling and overseeing the monetary system is definitely a function of government. No private party can do that properly. Especially not banks! Markets have utterly failed to do that. They have concentrated wealth, have harmed the average American and now broken down entirely, except for assistance from our government. Who would keep money in banks today, except for the FDIC guarantees?

Banks should remain privately owned, because when reasonably structured, they perform very necessary functions, and can do it professionally and conveniently. Who within government would run the banking business? Bankers however, have nothing in their training, experience or their souls that qualifies them as masters of the universe – to control our society as the money power confers upon them.

Banks should act as intermediaries for their clients who want to get a return on a deposit or similar investment; and their clients who are willing to pay for the use of that money. But banks must not create the money. The money system belongs to the Nation and our Federal Government must be the only entity with the power to issue and regulate our money as the U.S. Constitution already mandates. We nationalize the monetary system, but don’t nationalize the individual banks. That would be a dangerous step towards fascism. Private enterprise is a powerful mechanism that can produce excellent results when properly structured and regulated. That is an important American “theme!” The AMA does not throw out the baby with the bathwater! But it most certainly gets rid of the bathwater, which is banker money creation. That acts like a private tax on the rest of us!

We regard such nationalization proposals (nationalize all banking) either as an inability to understand the difference between nationalizing the money system and nationalizing the banking business, OR more likely as attempts to actually block proper monetary reform, because you’d have to change the essence of America to do it. So it distracts from real reform. The reforms that we advocate actually puts into place the system that most people think we have now! People think our money is provided by government. They erroneously believe that the Federal Reserve is already a part of our government. They think the banks are lending money which has been deposited with them, not that they are creating that money when they make loans. Under the NEED Act many of those things people already believe about money and banking actually become true!

7) Doesn’t your NEED Act proposal merely continue with a fiat money system?

Shouldn’t we be using gold and silver instead? Wouldn’t that provide a more stable money?

Our system is absolutely a fiat money system. But that’s a good thing, not a bad one. In reaction to the many problems caused by our privatized fiat money system over the decades, many Americans have been misled to blame fiat money for our troubles, and some mistakenly support using valuable commodities for money.

But Folks! The problem is not fiat money, because all advanced money is a fiat of the Law! **The problem is bank issued fiat money. Then that is like a private tax on all of us** imposed by bankers with the privilege to issue fiat money. Banker fiat money must now stop forever!

Aristotle gave us the science of money in the 4th century B.C. which he summarized as: **“Money exists not by nature but by law!”** So Aristotle accurately defines money as a legal fiat.

As for gold, most systems pretending to be gold systems have been frauds which empowered banks and never had the gold to back up their promises. And remember if you are still in a stage of trading things (such as gold) for other things, you are still operating in some form of barter system, not a real money system, and therefore not having the potential advantages as are available through Kucinich’s N.E.E.D. Act!

And finally as regards gold and silver: Please ***do not confuse a good investment with a good money system.*** From time to time gold and silver are good investments. However you want very different results from an investment than you want from a **money**. Obviously you want an investment to go up and keep going up. But you want money

to remain fairly stable. Rising money would mean that you'd end up paying your debts in much more valuable money. For example the mortgage on your house would keep rising if the value of money kept rising. Also, contrary to prevailing prejudice, gold and silver have both been very volatile and not stable at all. Just check out the long term gold chart.

8) How can a bank lend money if they have to keep 100% reserves?

This question results from economists classifying our proposal as a "100% reserve" plan, as the Chicago Plan was known. But our plan fundamentally reforms the *banker's credit system*, replacing it with a *government money system*. *The accounting rules are changed.*

Banks will be encouraged to continue their loan activities by lending *money* that has been deposited with them in savings and time deposit accounts; or lending their capital that has been invested with them. It is in the checking account departments that the banks presently create money when they make loans in a fractional reserve system. This will be stopped by new bank accounting rules. Making loans from savings account is a different matter, because real money, not credit will have been transferred into such accounts, and loaning that out does not create new money or give the bank any power, that belongs to our society. Some money loaned out of a savings type account might later get re-deposited into another savings account and again be re-loaned, but it's the same money, not any newly created money, and will reflect that way on the bank's books. This is sufficient to solve the problem of banks creating "purchasing media" by loaning their credit which then functions as money in the present system.

Various types of accounts will have differing requirements: e.g. matching time deposits to loan durations, lessening the "borrowing short term and lending long term" problem. Money market and mutual fund type accounts can be very flexible. *The principle applied will be to encourage good intermediation of money between clients who want a return on their money and those willing to pay for using it; but will prohibit money creation.* Checking accounts will become a "warehousing service," for which fees are charged. (Please see # 9 below)

9) If banks are no longer allowed to create money, where will banks get enough money to fill client's needs for money under the NEED Act?

We devote substantial space to this question because economists so used to confusing credit and money have to get used to the idea of money instead of credit. Usually they want to know how the NEED Act creates money within the present bank accounting framework. Well it does not! The NEED Act will change the accounting rules to deal with *money not credit*.

There will be several substantial sources of *money* for banks to satisfy their clients money needs:

a) The NEED Act converts through an accounting procedure, the existing credit the banks have circulated through loans (roughly the existing "money" supply) into US money, no longer bank credit. That process will indebt the banks to the government for the amount converted over and above their capital in this sense: At present when bank loans are repaid to the banks by their customers, those credits/debts go out of circulation/out of existence and the credit money supply contracts as loans are repaid, until they make new loans. But under the NEED Act, since it's now money, those monies will not go out of circulation the way the credits did. They are paid over to the government in satisfaction of the obligation the banks incurred in converting them from credit to money. That goes into a pool which can be used by Congress for the items in Title V of the NEED Act (as described on pages 23-24), or it can even be re-lent to the banks at an adjusted interest rate. **Note: this action de-leverages the banks, but does not reduce the money supply.**

b) Probably the most important source of funds for bank lending will be the continuing government expenditures, over and above tax receipts, such as social security and other payments by government on the items in Title V. Also the engineers tell us that about \$3 trillion is now necessary to make our infrastructure safe over the next 5 years. That's about \$440 billion new money per year. Also the health care and education provisions, and grants to states in Title V can be introduced as new money. *ALL* these either go under the mattress or will eventually be deposited into various types of bank accounts where provisions of the Act will allow this money to be lent or invested. The banks will be lending and placing this money that has been deposited with them; not lending credit they create, masquerading as money. They will have to compete to attract such deposits from citizens and companies.

c) The NEED Act specifies the repayment of US instruments of indebtedness (bonds/notes/etc) instead of being rolled over as at present, real US monies (either existing, or new) will be paid to the bondholders as they become due. Those people/institutions will be looking for places to invest that money. One place would be in bank stock, which is a source of lending funds for banks. Of the \$5 to 7 trillion in US bonds and notes privately held, about 3.5 trillion is due within 1 to 5 years; .72 trillion is due in 5 to 10 years; .35 trillion is due in 10 to 20 years. All these amounts will represent newly created US money and will eventually find their way to becoming new lend-able or investable bank deposits and even investments in banks.

d) Finally the NEED Act does not allow the banks to decide their own leverage situations. The Act essentially eliminates most leverage from the banking system in a healthy, non deflationary way. That will be good. They will no longer be able to pretend they were “banking” when they made bad loans overextending their positions and creating bubbles, in order to grab huge bonuses on imaginary profits. In other words ***banks will no longer be able to make loans in a bubble creation process.*** That is a good thing!

10) How will the U.S. Treasury create the money?"

The same way the Federal Reserve does now, as simple account entries, but as income, without the accompanying debt obligations. It's described in the NEED Act, 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.

11) Is there any chance the NEED Act could eliminate the federal income tax?

It “could,” though that's not likely in the near future. Thanks to the immense savings our government will experience through control over its money system taxation should decline substantially for middle and lower income groups. (It should be raised, really raised, for the rich!)

In addition the AMA should directly lead to substantial reductions in interest rates, because as the US pays off its national debt in money rather than rolling it over, those receiving those payments will be looking for places to loan and invest those funds. Interest rates should drop substantially.

12) Why does the NEED Act have an 8% maximum interest rate, including all fees?

Because before 1980/1981, forty nine States had “anti-usury” laws which limited normal interest rates to a maximum of between 6% and 10% p.a. (one state had 12%). The NEED Act takes the middle of this range to represent a restoration of the interest rate limits prevailing across the country prior to 1980/1981. It also limits compound interest.

13) Won't you be breaking the sanctity of contracts when you convert the existing bank credit already in circulation, into U.S. Money?

No. First of all a contract requires understanding of the terms by all parties to it, and that certainly did not exist. But more likely it will be viewed as very acceptable by the banks, considering the security it confers on banking, especially when the alternative is going broke. There would be no reason to extend the legal tender privilege (acceptance for taxes) to the credits of any disagreeing banks.

14) How would the NEED Act affect our position with China?

The AMA would have a number of positive effects on Chinese - American Trade. Particularly it would encourage the Chinese to use more of their dollar earnings to really trade with us rather than just sell to us, and then invest their earnings in US bonds as at present. More details forthcoming!

15) What about other countries, and international systems such as the IMF (International Monetary Fund) and the BIS (Bank for International Settlements)?

We'd expect other countries to follow in our footsteps to obtain the advantages of issuing their own national monies. The United Nations is already putting forward suggestions that member states shift now to nationally created, debt free; interest free moneys. They are way ahead of the US Congress just now. A much reformed IMF, already organized under United Nations Article 57; #3, will see a greatly expanded role for the SDR and more responsibility for international accounts clearing as well as real assistance to member states, rather than acting as a destructive collection agent for the big banks. The role and importance of the BIS should be rapidly reduced, and perhaps eliminated. Just look at the mess created under their guidance and rules. Some job they did!

16) One attack in the campaign against our nation is the assertion, masquerading as a question, is really a vicious assertion: “Government is so corrupt and so much in the hands of the worst people and they won’t ever let you do this reform!”

This lie, designed to discourage and demoralize, is a variant of the Sun Tzu method of winning the battle by convincing the opposition not to fight because they can’t win. It reminds me of the cyborg Borg wars line **“Resistance is futile”** from the Star Trek New Generation series. **Don’t fall for it!**

As our people suffer more deeply from the unfortunate monetary/banking system, any remaining bad elements in government can be cleansed. That’s what we’ll do instead of whining about it. Become a part of the solution not a cry-baby! Get up and fight for your family and nation!

“Put a stone in your stomach!” is an old phrase of Zulu warriors when summoning courage. Earlier tonight I saw an electric message on a local banks billboard:

“If you think you can, you can. If you think you can’t, you can’t!”

Yeah! We never said all bankers are evil, but there’s a very, very bad controlling element among them.

17) Why didn’t nationalized money systems work in the former Soviet Union countries?

Because their monetary systems were still controlled from within their banking systems, using the same faulty methods. The 1966 Federal Reserve publication *Money, Banking, and Credit in Eastern Europe* states:

“In the communist countries, money is created in the same way as in capitalist countries – through the extension of bank credit. This fact is not generally recognized or accepted in the various countries of Eastern Europe. The result is that a good deal of confusion emerges from their economic literature with regard to the nature of money and the role of the monetary process and the function of the banking system.... Since Marx identified money with gold, the official theory holds paper money to be merely a substitute for gold and ignores deposit money.” (p. 42-43) Sound familiar? Their economists were/are as dumb as ours!

18) Won’t we get hyper-inflation like Zimbabwe?

No. For governments or anyone to issue money, there has to be a functioning society with enough rule of law and physical and social infrastructure to support the creation of values for living. Zimbabwe unfortunately did not have those pre-requisites; thus their society was falling apart.

19) What about having the individual 50 states go into the banking business?

More Kool-Aid and distractions. Look folks the objective is to get the banks out of the Money creation field, not to get the government into banking!! It’s a distracting idea that does not in any way accomplish any necessary reform. Instead it endorses and sanctions the vicious fractional reserve system, and continues using bank debt in place of money! See the AMI website, bulletin # 5 for details. It’s **“mind boggling”** that any progressive can ignore morality and justice and fall for this diversion. It leaves the same people and banks in control, using the same “trick:” substituting banker credit/debt in place of Government money! Shame on some smart people for being such suckers! It is **Mind Boggling** that any “progressive” could be so dumb!

20) How about local currencies?

Local currency movements can help people to understand the money problem but it is an illusion to think local currencies stop a mismanaged unjust national system from obscenely concentrating wealth; being a motivating factor for warfare; financing harmful polluting activities when saner alternatives exist. Understand also that a national currency properly under governmental control gives much greater local control than the present national currency under banker control, because locally, our voting power *can* exert influence on national policy.

And remember the principle of subsidiarity put forward by E. F. Schumacher. His slogan *was not* “small is beautiful.” What E. F. Schumacher actually said is what the AMI is saying: Use an **“Appropriate scale”- do things on an appropriate scale.** That dominant scale in the currency area is national and will continue to be for the foreseeable future. The appropriateness of acting on the national level must be recognized.

21) Have another question? We’ll try to answer. Please do forward it to us by email (ami@taconic.net)

To rescue America in the 1930s Depression, the great Henry Simons concluded:

“The mistake...lies in fearing money and trusting debt...”

Our Monetary reform is based on government money, not debt of any kind.

Attend the AMI Monetary Reform Conference, Each September

The American Monetary Institute holds its 13th Annual Monetary Reform Conference at University Center, Sept. 14 - 17, 2017, in beautiful downtown Chicago. True monetary reform, not mere regulation, is needed to secure justice and repair the damage the present banker's system has done to our economy, society and psyche! Humanity must move away from a world dominated by fraud, warfare and ugliness, towards a world of justice and beauty. The conference presents the minimum initial steps to begin this process.

Don't be discouraged because the villains who created the crisis have manipulated governments to bail them out. Their media, which makes such "errors" possible, and their economist's false theories behind banker activities already stand accused in the public mind.

The World's top monetary reform minds are already scheduled to speak in 2017: Prof. Joseph Huber of Martin Luther University in Berlin; Dr. Michael Kumhof, formerly of the IMF, now at the Bank of England; Professors Steve Keen; Nick Tideman; Kaoru Yamaguchi; and key additional people will be speaking. This conference also represents the 20th anniversary of the American Monetary Institute.

Main Themes of the Conference: Implementing Real Monetary Reform now!

We know from centuries of experience and decades of study which minimal actions must be taken now to put time on the side of justice. These views have stood the test of history and the challenges from those with less experience or operating under misconceptions or shilling for the banks. Rather than arguing over these main themes it is time for those who understand, to move forward to implement the elements we know must be part of any good reform. "Econospeak" is avoided. Theories designed to help the 1/10 of 1% are exposed. This is not "rocket science" – much of it is good common sense relying on the work of some "Greats" such as Aristotle; Bishop Berkeley; Ben Franklin; Tom Jefferson; Frederick Soddy; Archbishop of Canterbury William Temple; Alexander Del Mar; Congressmen Wright Patman and Henry Gonzales and Dennis Kucinich; Kaoru Yamaguchi; Michael Kumhof; Jamie Walton; Stephen Zarlenga; Robert Poteat, and others.

What are these broad national parameters supported by over 3,000 years of history? Our money system must shift away from banker control and be under governmental control; away from commodity money notions and from fractional reserve banking – using debt in place of money when banks make loans. ***It must establish money issued interest free by government and spent into circulation for the common good and must be morally grounded in fairness. And we consider it important that we also have a good time while doing this!***

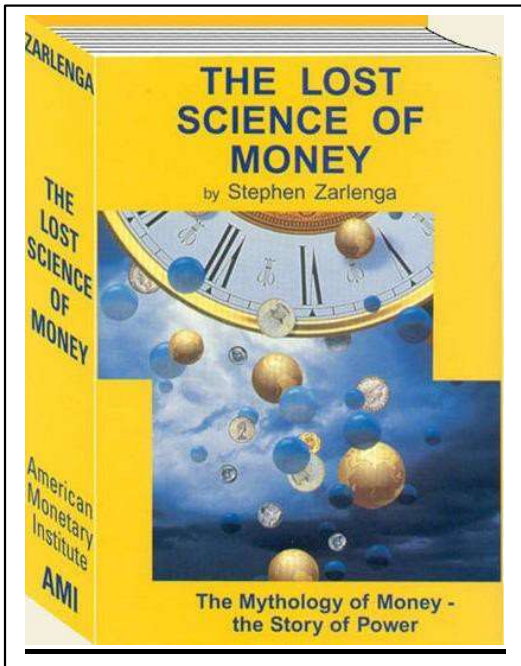
The Kucinich NEED Act has been carefully vetted as technically operational by almost 3 years of non partisan legislative counsel work of the Congress. It is now formally "on the shelf" of our nations official documents and can be re-introduced by any member of Congress, honest enough and smart enough and courageous enough to act on behalf of the long suffering people of our nation. (That's the 99% plus of us who's work and activity go disproportionately to benefit the tiny portion in control)

The 2017 conference will show how the Kucinich NEED Act provides a seamless, painless overnight transition from a corrupt system based on using interest charging bank debt in place of money, to a just system based on using a real, interest free stable government money system; as specified in the US Constitution. We'll show that this is easily workable and not really radical at all – in fact the Kucinich proposal puts into place the system that most Americans mistakenly believe we have operating now!

Please visit AMI's website for latest conference info at <http://www.monetary.org>

Past Speakers have included: Congressman Dennis Kucinich and Elizabeth Kucinich; Prof. Joseph Huber (Martin Luther University) Dr. Michael Kumhof (A Research Director, at the IMF); Prof. Kaoru Yamaguchi (Doshisha University); Prof. William Black (S& L crisis resolver); Mr. James Wert (31 years as Congressional Legislative Counsel); Prof. Nic Tideman (former White House Economic Advisor); Carol Brouillet (Green Party Candidate); William Bergman (former Federal Reserve whistleblower); Dr. Cay Hehner (then Director, N.Y. Henry George School); William Hixson (author); Dick Distelhorst and Robert Poteat (veteran money reformers); James Gibb Stuart (Brit reformer); Prof. Paul Davidson (of Post Keynesian Economics); Charles Walters (founder, Acres, USA); Greg Coleridge (Ohio Friends Service Committee); Jamie Walton, and Steven Walsh, AMI Researchers; Dr. Michael Clark (the UN), Michelle St. Pierre, (Ron Paul organizer); Dr. Ed Chambers (trained Barack Obama in Chicago); Lucienne DeWulf (AMI Co-founder); Stephen Zarlenga, AMI Director; and many more. You can see who spoke in 2015 at <http://www.monetary.org/2015schedule.html>

“The Lost Science of Money” – a remarkable book by Stephen Zarlenga



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3. A Monetary View of Rome's Decline
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5. Crusades End Byzantium's Monetary Control
6. Renaissance Struggles For Monetary Dominance
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9. The Rise Of Capitalism in Amsterdam
10. Transferring Capitalism to England
11. Hatching the Bank of England
12. Political Economists: Priesthood of the Bankers Theology
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15. The Money Power vs. the Constitution
16. U.S. Government Money vs. Bank Money
17. The Greenbacks: Real American Money
18. Nineteenth Century Monetary Crimes – The Great Deflations
19. Establishment of the Federal Reserve
20. Federal Reserve System Wrecks America
21. Germany's 1923 Hyper-Inflation under a Private Central Bank
22. International Monetary Organizations
23. The European Monetary Union
24. Proposals for U.S. Monetary Reform

Chapters 1 through 23 present the case histories and then Chapter 24 applies them to the present. What needs to be done in the present based on what history teaches us about the money power, to place time on the side of justice!

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