

Presenting the American Monetary Act (as of July 18, 2009)

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

Stephen Zarlenga, Director

Introduction

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. Shame! Shame on them all!

The American Monetary and Financial Security Act (the “Act”) is a comprehensive reform of the present United States money system, **and it resolves the current banking crisis**. “Reform” is not in its title, because the AMI considers our monetary system to never have been adequately defined in law, but rather to have been put together piecemeal under pressure from particular interests, mainly banking, in pursuit of their own private advantage, without enough regard to our nation’s needs. That is the harsh judgment of history as made clear in *The Lost Science of Money*, by Stephen Zarlenga (abbreviated LSM).*

That book presents the research results of The American Monetary Institute to date and this 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.

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 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 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 employed 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 us to first establish the U.S. and then to maintain it as one nation.

The current text of the Act (continuing to be developed) is presented on the right side of pages 13-22. On the left appears an explanation of the terminology and why it’s necessary. A background explanation appears after each Title. Then the next Title is considered. This is still an open process – **criticisms are welcomed**.

This brief form of the Act is a structural summary, which gets more detailed and fleshed out by legislative aides preparing it for introduction into Congress as a Bill. The following brief summary:

The Need for Monetary Reform serves as a preface to the American Monetary Act. (It was written **before the banks brought down the world economy!**)

You are invited to join in this citizen’s movement and demand for monetary reform! Attend the AMI Monetary Reform Conference held annually in Chicago at Roosevelt University each September.

Sincerely,

Stephen Zarlenga Director, AMI.

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

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 privately 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 loans creating the real estate bubble – leading to a crash and depression.

Thus the money issuing power should never be alienated from democratically elected government and placed ambiguously into private hands as it is in America in the Federal Reserve System today. Indeed, most people would be surprised to learn that the bulk of our money supply is not created by our government, but by private banks when they make loans. Through the Fed's fractional reserve process the system creates "money" when banks make loans into accounts; so most of our money is issued as interest-bearing debt (see page 14 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 private corporations that now control it. As Aristotle wrote: "Money exists not by nature but by law."

Unhappily, mankind's experience with private money creation has undeniably been a long history of fraud, mismanagement and even villainy, and the present crisis could become 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 are being shamelessly grabbed in so called bailouts! Much of our leadership is acting like patsies, instead of protecting our people as the financiers rape America.

Private money creation through "fractional reserve" banking fosters an unprecedented concentration of wealth which destroys the democratic process and ultimately 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 \$2.2 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 would further harm the reform process. ***The reform has its best chance of passage in this severe monetary crisis created by the privatized money system. Considering that the same establishment controls our weapons systems, this may be humanities only chance for reform, to stop the now obvious slide of our middle class into slavery or some form of "Disney Fascism."***

First, incorporate the Federal Reserve System into the U.S. Treasury where all new money would be created by government as money, not interest-bearing debt; and be spent into circulation to promote the general welfare. The monetary system would be monitored to be neither inflationary nor deflationary.

Second, halt the bank's privilege to create money by ending the fractional reserve system in a gentle and elegant way. All the past monetized private 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 providing the nation's money supply is a government prerogative!***

Third, spend 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 \$2.2 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 private issuers 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.

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 that important university and most other university economics departments went over to the "dark side" with their free market worship. That's a religion with no supporting evidence that ignores the facts which clearly disprove it.

Lawmakers have often believed they could ignore the big questions on how our money system is structured. Right from the Constitutional Convention delegates ignored society's monetary power and the excellent record of government issued money in building colonial infrastructure and giving us a nation.* 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 complete that part of government left 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 private hands! It's counter to our system of checks and balances. The developing 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 "Enron" continue to control it, and us? And yes - Enron was on the Dallas Fed 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."

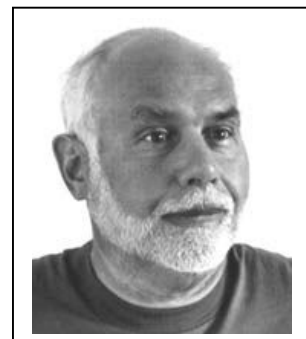
Friends, look around you. That time has certainly come! Awaken – get up and fight for your family and nation.

Thanks for your attention,

Stephen Zarlenga

Director

*Please see ***The Lost Science of Money*** book by Stephen Zarlenga for the case histories that demonstrate in detail, the points of this pamphlet. AMI is a registered 501c3 Publicly Supported Charitable Trust. <http://www.monetary.org>



The Short Title; Findings; and Purposes of the Act are given.

The “Findings” summarize the problem – that Society’s monetary power has been privatized in the hands of the financial industry, especially the ambiguous but essentially privately controlled Federal Reserve System (2).

This privatization has led to a multitude of afflictions (3) through the mechanism of allowing financial institutions to issue money in the form of interest-bearing debt (4). The Act will stop this private creation of money, once and for all (6)

The “Findings” point out (7) how this differs from government creating money, not debt, and spending it into circulation interest free. That removes the interest burden on our money supply and allows public control rather than private influence to determine how money is introduced into the economy. For example, whether it is largely directed as at present into real estate speculation and various Wall Street games, or into crucially needed infrastructure, such as levees protecting major American cities, and the nation’s bridges and dams.

A solution is described and its objectives are outlined, in a general form taken from the U.S. Constitution that all reasonable Americans can support in order “to promote the general welfare.”

THE AMERICAN MONETARY ACT

An Act to restore the Constitutional power to create Money to the Congress of the United States

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

SEC 1. SHORT TITLE

This Act may be cited as the American Monetary Act

SEC 2. FINDINGS; PURPOSES

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

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

(2) 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 to private financial industry.

(3) This cession 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) Inflation 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 common defense and general welfare.

The American Monetary Institute agrees with leading economist James Galbraith, Public Affairs School, U. of Texas; who on May 4, 2010 submitted written testimony to the Senate's Judiciary Committee; Subcommittee on Crime; stating that Economics is a "disgraced Profession."

Our reasons may differ from Prof. Galbraith's, but for over a decade AMI has focused on the 3 main reasons that economics fails to deliver for mankind:

1) Failure in defining the terms of its theories. For example, money is the basic building block of economics, yet economists are still arguing over the nature of money. Whether it is a commodity like gold and silver, or a credit issued by a bank, or as AMI and others, starting with Aristotle have shown, an abstract legal power of society, embodied in law. Aristotle's one sentence phrase has not been bettered in 2,400 years: "Money exists not by nature but by law."

Since the way one defines money will determine who controls the money system, economists have unwittingly favored policies that undermine our constitutional democracy.

If one defines money as a commodity (as wealth), as Adam Smith did, then the money system will be under control of the wealthy, who have the gold and silver, not under control of society.

Define money as credit/debt and the bankers will be in control since they dominate credit/debt. That's the present misconception of money in the U.S. We can see all around us the terrible destructive results that using credit/debt for money has had upon the World.

We see that it has offered the worst among us the opportunity to rape and pillage the World's economies, and make a mockery of our justice systems.

(4) 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.

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

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

(7) The power of the Federal Government to create money, and to spend or lend money into circulation as needed, eliminates the need to treat money as a Federal liability and to pay interest charges on the nation's money supply to financial institutions; it also renders unnecessary the undue influence of private financial institutions over public policy.

(8) The unprecedented 2008 breakdown of the United States banking and monetary system has brought severe and unacceptable effects on employment and the economies of the United States and every other major country, and has made fundamental reform an urgent necessity.

(9) Under the current Federal Reserve System, the persons responsible for the conduct of U.S. monetary policy have been unaccountable to Congress and the nation, have refused to be audited by the General Accounting Office, and have claimed exemptions from some federal statutes, including the 1964 Civil Rights Act, that apply to all agencies of the federal government.

(10) The conduct of United States monetary policy by the Federal Reserve Board, and specifically the failure of Board members 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 persons who are unaccountable to the People of the United States through their Representatives in Congress.

Understand that most economists are not that smart. One economist even insists that “all money (even coinage!) is debt.” In our view that really defines money out of existence, replacing it with credit, which is a different word with a different meaning and very different results.

Such economists aren't intelligent enough to understand that the present debt-based system is just a result of particular rules that are man-made and not laws of nature. They can't conceive that those rules of the money system can be changed into better rules more in harmony with the nature of money; with the nature of humanity, and in harmony with our Constitution. ***This proposed Act makes those changes.***

2) Failure to use good thinking methodology. By overemphasizing logic, theory, and now mathematics, economics has downplayed, even overlooked the actual visible failed results of its recommended policies. It fails to identify the cause and effect relation between its erroneous theories and the damage they inflict on society as seen in the “Findings” items 1 to 13. One conservative economist (Ludwig Von Mises) goes so far as to claim that his theories can never be disproven by “mere facts!”

3) This failure in methodology has rendered economics incapable of making good course corrections or re-evaluating the theories. Such a course correction – monetary reform – is clearly 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. This is the great challenge of our time, and of our species. The “Purposes” section to your right, summarizes how to do this.

(11) The Federal Reserve Board has acted unilaterally to create and spend \$1.25 trillion for the purpose of acquiring mortgage-backed securities, in disregard for the Constitutional requirement that all federal government spending originate in the House of Representatives.

(12) An examination of the historical record demonstrates that the exercise of control by the United States Government over the money system has been superior to private control in providing greater moderation in the supply of money, 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.

(13) As our money system is a key pillar in maintaining general economic welfare and as the Federal Reserve System and the financial establishment have consistently failed to promote or preserve the general welfare, it is essential that Congress reassume the powers and responsibilities granted to it by the Constitution.

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

(1) To incorporate the Federal Reserve System into the United States Treasury where all new money would be created by government as money, not interest-bearing debt; and be spent into circulation to promote the general welfare.

(2) To nationalize the monetary system, but not the banking or financial services industry, by halting the privilege currently granted to private institutions to create money, ending the fractional reserve system in a gentle and elegant way, and converting all of the past monetized private credit still outstanding into United States Government money.

(3) To spend 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.

Background: The Fed is a private organization, not a part of our government.

The Federal Reserve System consists of 12 regional Federal Reserve banks, with boards of directors, under an umbrella direction of the seven member Federal Reserve Board in Washington, which has the power to determine major aspects of banking activity, such as setting interest rates, and the reserve and other operational requirements. There are no shares of the Washington Fed Board organization; the only “ownership” of the Fed is in shares of each of the 12 regional banks. They are entirely owned by the private member banks within their respective districts, according to a formula based on member bank size. The ownership is highly restricted in that such ownership is mandatory; the shares can't be sold; and they pay a guaranteed 6% annual dividend.

Thus the stories that the Federal Reserve is “owned” by foreign bankers (the Rothschild's and other prominent banker names usually come up) are not accurate and these types of rumors have mainly served to discredit wholesome criticism of the banking system.

It will be clear from the following facts that the Fed is *definitely* not part of the US Government.

*The Fed is *not* organized within the Executive, Legislative or Judicial branches of our government.

*Who pays the Fed's bills and determines its budget? *Not any part of our government.* The Fed gets its funding from its own specially privileged operations. The Fed Board determines Fed budgets.

*Who monitors and oversees Fed activities? *Again the Fed itself.* While some important elements of proper auditing have taken place, there has not yet been a comprehensive independent audit, by the Government Accountability Office as proposed in a recent letter from Ralph Nader to new Fed Chairman Ben Bernanke, calling for greater monetary transparency.

*Federal Reserve employees *are not* part of the US Civil Service System and are not covered by government employees' health insurance or pension programs. Who does the hiring and firing? Except for the highly publicized Chairman and seven member Washington Board, this is in private, unelected hands.

*Federal Reserve Banks *are not listed* as government organizations by the telephone companies, a small but telling fact.

The ambiguity surrounding the Fed arises because the U.S. President appoints the Fed Chairman to four year terms, and the seven member board to 14 year terms. Also the Fed is supposed to implement government fiscal policy, but it has not really done so. (see *Is the Federal Reserve System Part of the U.S. Government*, at our website <http://www.monetary.org/federalreserveprivate.htm>)

Several structural problems arise from private control: The system tends to be run to benefit those in control rather than the whole society. This concentrates wealth into fewer and fewer hands. The interest received by the banking system for money creation flows into their hands. The control over where the money goes determines the direction the society moves in. Privately controlled money tends to go into speculation to make a quick buck. Infrastructure, health and education get ignored or short changed.

The private banking system, not government, now creates our money in the form of debt.

Most Americans think our money is issued and controlled by our government. They are surprised to learn that most of our money is created when people and businesses have to borrow from banks, since this is the main way that money now enters the system. The banks make loans by crediting the borrowers account. This is fiat money, or “purchasing media” created out of thin air, thanks to a special legal privilege granted to them called “fractional reserve banking.” They write a computer credit in the account of those whose needs have driven them to the banking system to borrow money.

This concentrates great power and transfers tremendous wealth to the financial sector.

Under this privately controlled monetary system, it's not surprising that wealth and power have become concentrated to obscene levels never before seen in our society, where less than 1% of the population is now claiming ownership of nearly 50% of the nation's wealth!

This money creation prerogative, often referred to as “**THE MONEY POWER**,” (President Martin Van Buren always capitalized it!) has traditionally been associated with national sovereignty. Alienating the power from government into private hands has inevitably served to concentrate elements of what should remain national sovereign power into those private hands, where predictably it has been used to promote the interests of the few in control rather than the society as a whole. That is clearly unacceptable in both a *democracy* and a *republic*. It establishes *plutocracy* – *the rule by wealth*.

Sections 101 & 102 specify the U.S. Dollar as our currency unit and make it “legal tender” – meaning all debts can be legally paid with it; creditors must accept it in payment.

It does not prescribe a value for the dollar in terms of commodities, or labor or any other thing. The value of the currency unit is already known in the market in terms of its relation to assets and goods and services and existing obligations.

This value is not fixed but adjusts to continuous changes in supplies and desirability of goods and services and is also influenced by the existing supply of money. This is a valid use of the market mechanism.

If the money supply and economy are reasonably guided, such changes should be gradual and gentle and are a normal part of life. They help assure that the forces of production and consumption are rooted in economic realities, not frozen or dictated ideologically.

Sec 103: “Negative Fund Balances” is the Treasury term for how much money the government needs to come up with to balance its available funds with its immediate expense needs. At present this balance has to be obtained through taxation or borrowing. This process in effect allows the private banking system to create the money and loan it to the U.S. at interest. But under this Act, our government will create such money directly, and interest free.

Sec. 104 requires the Secretary of the Treasury to forecast these disbursements in a timely and effective way; and maintain enough research muscle to analyze and understand the impact of these disbursements both in the U.S. and internationally.

TITLE I – DISBURSEMENT OF U. S. MONEY

SEC. 101 AUTHORIZATION FOR DISBURSEMENT

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

SEC. 102 LEGAL TENDER

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

SEC. 103 NEGATIVE FUND BALANCES

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

Note: The fact that the Treasury will be able to make disbursements based on direct issuance of United States Money for negative fund balances reflects Congress’s Constitutional authority to “coin Money”, because Congress will then have the ability to adjust the amount of Money so created by regulating both appropriations as well as revenues from taxation and other sources. The focal point of power will be the House of Representatives as the initiator of revenue bills. Restoring to Congress its Constitutional authority will shift the ability to create Money and enter it into circulation from the private banking industry to our elected representatives, as the Constitution mandates.

SEC. 104 FORECASTING OF DISBURSEMENT REQUIREMENTS

The Secretary shall:

- (1) forecast disbursement requirements on a daily, monthly, and annual basis;
- (2) provide such forecasts to Congress and the public;
- (3) integrate forecasts with the Federal budget process;
- (4) maintain a sufficient research capability to continuously and effectively assess the impact of disbursement of United States Money on all aspects of the domestic and international economies;
- (5) report to Congress and the public regularly on the economic impact of disbursements of United States Money and the status of the monetary supply.

SEC. 105 MONETARY CONTROL

- (1) The Monetary Authority and the Secretary shall pursue the policy that the money supply should not become inflationary or

Section 105 instructs the Secretary to pursue a stable monetary policy and neither cause inflation nor deflation through monetary policy.

To oversee and assure that this policy is carried out, a 9 member Monetary Authority, is appointed by the President and confirmed by the Senate, to establish the monetary targets to accomplish this policy and any substantial discrepancies between the targets and actual results are quickly reported.

Section 106 specifies that instead of borrowing money created by the banking system, the U.S. will create the money directly.

However, the Congress continues to have the power to borrow money on behalf of the United States, should the Congress consider that advisable in a given situation.

Section 107 provides thorough, independent and timely accounting of this money creation process.

Section 201 provides that as U.S. debt instruments (bonds and notes) become due, they are to be paid with U.S. Money, not by rolling over more debt. This will be a gradual process as the debts extend decades into the future. Such payments will then be available for many other productive investments, and will tend to lower interest rates.

deflationary in itself but will be sufficient to allow goods and services to move freely in trade, in a balanced manner.

- (2) Monetary supply targets shall be established by a Monetary Authority consisting of a Board of nine public members appointed for staggered six-year terms by the President with the advice and consent of the Senate. The Board reports periodically to the U.S. Congress.
- (3) Administrative responsibility to regulate the monetary supply in reasonable accordance with targets established by the Monetary Authority shall rest with the Secretary of the Treasury.
- (4) The Secretary shall report to Congress any discrepancies between targets and supply in excess of one percent at the end of each quarter.

SEC. 106 DISBURSEMENT IN LIEU OF BORROWING

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

SEC. 107 ACCOUNTING

The Secretary shall account for the disbursement of United States Money and of current fund balances through accounting reports maintained and published by the Secretary and by departments and agencies of the Government. The General Accountability Office shall conduct an independent audit every second year.

TITLE II – RETIREMENT OF U.S. INSTRUMENTS OF INDEBTEDNESS

SEC. 201 COMMENCEMENT OF RETIREMENT

Not later than one 120 days from the effective date of this section, the Secretary shall commence to retire all outstanding instruments of indebtedness of the United States by payment in full of the amount legally due the bearer in United States Money, as such amounts become due.

Background: Publicly created money - the key ingredient needed to achieve human progress

*Two Important effects will result from our Government creating money directly instead of borrowing money the banks have created. **First we'll begin saving the interest costs** which in 2007 was \$465 billion; which was 17% of the U.S. federal budget that year. At present, the interest cost that is paid on infrastructure construction generally doubles to triples the cost of construction. Saving the interest will make it much easier to bring our crucial infrastructure up to acceptable 21st century safety levels. The American Society of Civil Engineers gives our present infrastructure an embarrassing grade of "D" and estimates that \$2.2 trillion is needed to make it safe once again.*

***More importantly, private lenders will have far less influence over public policy decisions.** The power to determine the fiscal course of our society will be in the hands of the Congress, where our Constitution places it. The difference is that a more reasonable and independent method of funding will be used. With Congress in charge, society's blood – its monetary circulation – is much more likely to go into vital infrastructure – for example building and repairing levees that protect major cities – instead of going into real estate speculation and destructive Wall Street games as banker control over money creation has traditionally misdirected society's money power.*

*Section 301 describes how Federal Reserve notes will be replaced by U.S. money. We won't call them notes because that could indicate debt, and they are not debt. Some Green backers of the 1870s knew this and called them "certificates of value." That's the best description we've heard, except for our own term – we just call it "**money**."*

Section 302 ends fractional reserve banking in the U.S. This is the mechanism which allows the banking system to create "money" out of thin air: When banks make loans, they simply "credit" the borrower's accounts at the bank, in exchange for the borrower signing over his finances to the bank as collateral. It's essentially all credit.

*Under the present fractional reserve of 10%, the banking system as a **whole** can loan about ten times the reserves; in effect creating money, or more accurately, the credit which serves as money in our system.*

"Seigniorage" is the principal and interest banks receive on their creation of such credit "money;" estimated now at far over \$100 billion per year interest; more in principal.

Seigniorage rightfully belongs to the nation, through our government, so at commencement, the Act, by an accounting adjustment, turns the credit that banks have already created, into real American money. This conversion will indebt the banks to the U.S. Government for those amounts they created.

Today, its argued when borrowers repay banks this credit money goes out of circulation. But the new accounting rules will direct that those client repayments, be used to repay the bank's new debt to the U.S. Such payments will then be available to the Monetary Authority for purposes under Title V of this Act. Virtually everybody wants those good Title V things but they wonder how to pay for them. Passage of the American Monetary Act makes that possible, without inflationary consequences.

TITLE III – CONVERSION TO U.S. MONEY SEC. 301 CONVERSION OF FEDERAL RESERVE NOTES

- (1) Not later than 90 days from the effective date of this section, the Secretary shall establish the rules and procedures for converting outstanding Federal Reserve Notes to United States Money of equal face value.
- (2) Not later than 120 days from the effective date of this section, as Federal Reserve Notes are converted to U.S. Money the Secretary shall provide a sufficient quantity of United States Money to the domestic banking system to allow for conversion of all cash-on-hand;
- (3) Not later than 180 days from the effective date of this section, all financial institutions within the United States shall disburse funds only in United States Money;
- (4) The Secretary shall promptly dispose of all Federal Reserve Notes as they are returned in exchange for U.S. Money.

SEC. 302 REPLACING FRACTIONAL RESERVE BANKING WITH THE LENDING OF U.S. MONEY

- (1) Not later than 60 days from the effective date of this section, The Secretary, the Monetary Authority, and its team of specialists (including the FDIC; Comptroller of the Currency; SEC; Congressional Budget Office, and other agencies designated by the Monetary Authority) shall establish and publish the accounting rules, pricing and processes which converts the then existing bank credit in circulation into U.S. legal tender money, so that all money in all accounts in the U.S. banking system shall be declared to be U.S. legal tender money, without exception.
- (2) In consideration for converting the existing bank credit into U.S. legal tender money, each bank shall become indebted to the U.S. Treasury for the amount of credit so converted.
- (3) U.S. Treasury securities held by each bank will be cancelled and credited to the bank's position of indebtedness to the U.S.
- (4) The accounting rule changes will direct that as customers repay the principal on their bank loans, a proportion will be paid over to the U.S. Treasury. Such repayments will continue until the bank's indebtedness to the U.S. Treasury is paid off. This debt may also be settled through transfers from additional capitalization and retained earnings. These repayments will go into a revolving fund available for disbursement under Title V of this Act, at the Monetary Authority's direction, and the still necessary Congressional appropriations for spending.
- (5) The effect of (1) thru (4) above is to after the fact, make the banks intermediaries between the government which properly creates money, and the clients who have borrowed it, and private banks in America can properly lend it and earn a profit.

Banks will be encouraged to act as intermediaries between clients seeking a return on funds they deposit and clients ready to pay for the use of those funds. They will not be allowed to create any new money in this process.

This becomes possible under new bank accounting rules, not under present rules, the key being that checking accounts become a warehousing service.

Banks will not be able to create new money through savings accounts because those accounts will represent real money that depositors have saved.

Where will such real money continue to come from? From all types of payments by government: for education, infrastructure and health care; for social security, and government bond repayments. From the trillions of dollars of government money that replaces the trillions in old Federal Reserve notes and bank deposits.

*Sect. 303(1) establishes a rule used by several ancient money systems (Hammurabi, Hindustan, Rome and others) that the amount of interest shall never exceed the principal amount of the loan; **effectively ending the worst effects of compound interest.** We adopt this provision out of respect for its frequent historical appearance.*

An interest rate ceiling of 8% is established throughout the United States. The howls of concern that will arise over this provision will ignore that until 1980-81 forty nine states had such limits, without the predicted dire consequences!

- (6) Not later than 90 days from the effective date of this section the Secretary shall publish new lending and accounting regulations for various types of accounts including:
 - a) Checking type accounts (i.e. demand deposit accounts) which become a warehousing and transferring service for which banks charge fees, but may not loan or invest those funds.
 - b) Savings and Time Deposit type accounts, whereby CDs are issued and loans are made with maturities related to the duration of deposits.
 - c) Money Market and Mutual Fund type investment accounts.
- (7) The regulations and actions in parts (1) thru (5) above will encourage private, profit making money lending activity by banks, but prohibit private money creation, through lending credit.

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

SEC. 303 INTEREST CEILINGS

- (1) The total amount of interest charged by a financial institution to any natural person borrower through amortization, including all fees and service charges, shall not exceed the original principal of any loan, except mortgages;
- (2) The maximum interest rate of 8% per year will apply throughout the U.S. inclusive of all fees;

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

SEC. 401 RECONSTITUTION OF THE FEDERAL RESERVE

- (1) No later than 90 days from the effective date of this section, the Secretary shall purchase on behalf of the United States all outstanding Federal Reserve Stock at current market value denominated in United States Money.

Background: the concept of money was being removed from the English language, so that when one spoke of money, one was substituting ideas of debt, for example calling bank notes money or calling U.S. notes debt. Economists have blurred the crucial distinction between money and credit, by referring to real money as **“high powered money,”** and referring to bank credit as **“lower powered money.”** This greatly empowered those dealing in credits – the banks. AMI ends this error of confusing money with credit, and vice versa. That falsehood has led to the present unethical situation. We must carefully distinguish between **money** and **credit**.

Section 401 describes how the Federal Reserve System shall be incorporated into the U.S. Treasury.

The Fed will continue to be the nation's check-clearing house, but will do so as a bureau within the U.S. Treasury.

It will administer the U.S. monetary policy to the banking system, assuring that banks are in compliance. But the Federal Reserve will no longer determine monetary policy. That will be guided by the new Monetary Authority, which will establish monetary target levels, and manage the system for practical results rather than for theoretical or ideological reasons. To "promote the general welfare" will become the guiding light of monetary policy.

- (2) The Federal Reserve in its role as a central bank of issue, a national fund processing clearinghouse, and a fiscal agent for the Government shall be reconstituted as the Federal Reserve Bureau within the United States Department of the Treasury, where it will assist the Monetary Authority in administering various functions of banking oversight, such as assuring the banks debts to the U.S. (from 301 sec 3) are accurately calculated and repaid.
- (3) The Federal Reserve Bureau shall assist to administer on behalf of the Secretary the monetary targets established and authorized by the Monetary Authority and shall act to assure that money creation is a function of the United States and fractional reserves lending is ended.

TITLE V – INFRASTRUCTURE MODERNIZATION

SEC. 501 DIRECT FUNDING OF INFRASTRUCTURE IMPROVEMENTS

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

Not later than 90 days from the effective date of this section, the Secretary shall report to Congress on opportunities to utilize Money in the Revolving Fund to modernize, improve, and

Background: Adam Smith institutionalized a mythology of money pretending that government can't properly administer the MONEY POWER, that private money is better. Better for whom?

Thanks to centuries of propaganda there is a widespread attitude against government that really constitutes an attack on society. But government is the only organizational form that can potentially protect the people from the thieving "Enrons" of the world. And theft is not the end of it, it's often a matter of life and death.

We found the "smoking gun" where Adam Smith, a normally cautious professor, launched the vicious attack on the English Government, smearing it as "slothful" and "negligent" and "thoughtless(ly) extravagant" (see LSM, Ch. 12). Smith inadvertently laid bare the reason for his attack: to keep the MONEY POWER in the hands of the then privately owned Bank of England, when serious proposals were being made to nationalize this power back into the British Government. He also bitterly attacked the American Colonies for issuing our own money.

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 Britain, then the world's strongest military power.

The Continentals have been smeared as inflation money, and while British counterfeiting eventually destroyed them, still they carried us over 5 ½ years of warfare to within 6 months of final victory. The Continentals gave us a nation. Later the Greenbacks allowed us to keep it. Examining the real facts (that we summarize below) surrounding government money creation, a very different picture emerges, from the propaganda about them.

Consider that if this Act stopped here, it would probably cause a deflation because it removes the privilege of the banking system to create new money. But a growing society requires that new money be added continuously, just to maintain existing financial relations. Most past monetary reforms have actually been deflationary.

Therefore explicit provision is made for the Government to spend new money into circulation without creating new debt or interest payments. This takes the place of bank credit circulating as money. While Congressional approval is still required for expenditures, these provisions will facilitate that.

Everyone agrees we need the best infrastructure. They have disagreed on where the money could come from. The Act now provides a way to fund it in a fair, non-inflationary manner. Per capita spending rules minimizes playing politics over expenditures.

The Act recognizes the necessity of considering the ethical, ecological, and sustainability implications of the monetary system and policies.

In addition to direct Federal Infrastructure expenditures, Sec. 502 allows local government bodies from states to school boards more discretion to borrow newly created money interest free to create and repair infrastructure of their choice. Per capita formulas will restrict the loan amounts and since the funds have to be repaid, great care would be taken in these local decisions.

Sec. 503 provides much needed state funding and a strong local empowerment feature to the Act. The fiscal starving out of local governmental bodies from school boards to villages to states will become a thing of the past.

upgrade the physical economy of the U. S. as described in the provisions under Title V, to promote the general welfare. This will be done with very substantial intrinsic ecological sustainability and quality of life considerations.

This program shall promote throughout the U.S. a harmonious and balanced development of economic activities, sustainable and non-inflationary development respecting the environment, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion. Per Capita and local cost factors will apply.

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

SEC. 502 MONETARY GRANTS TO STATES

Each year the Monetary Authority will instruct the U.S. Treasury to disperse per capita grants evenly over a 12 month period to the 50 states equal to 15% of the money created under TITLE V in the prior year. The states will use these funds in broadly designated areas of public infrastructure, education, health care and rehabilitation, and paying for unfunded Federal mandates. Per Capita and local cost factors will apply.

SEC. 509 INTEREST FREE LENDING TO LOCAL GOVERNMENTAL BODIES

Not later than 120 days from the effective date of this section, the Secretary shall provide recommendations to Congress for a program of interest-free lending of United States Money to state and local governmental entities including school boards and emergency fire services for infrastructure improvements under their control and within their jurisdictions, based on per capita amounts and other criteria to assure equity as determined by the Monetary Authority.

SEC. 503 FARMING PARITY PROGRAM

Not later than 120 days from the effective date of this section, the Secretary, in cooperation with the Secretary of Agriculture, shall propose to Congress a program to regulate the markets of farm commodities as in Title 7 USC Sect. 602, to establish a good parity base period and provide for 90% parity loans (for which the crop shall be the sole security) on basic storable commodities; callable at a market price of 100% parity, not a date certain.

SEC. 504 EDUCATION FUNDING PROGRAM

Not later than 120 days from the effective date of this section, the Secretary, in cooperation with the Secretary of Education, shall provide recommendations to Congress for a program to help fund our educational system that will *at least* put the United States on par with other highly developed nations, and create a learning environment so that every child has an opportunity to reach their full educational potential

Sec. 504 helps assure that smaller scale family farming operations will continue and avoid losing their lands to financial operators; and improves our food security situation. It will also test how a multiplier effect based on farming finance could assist the Monetary Authority in its decision making processes.

Sec. 505 recognizes the need for very substantial federal funding of education. Presently a little federal help goes mainly for Special Ed for kids with special problems. Broader assistance could include expanding pre-kindergarten programs, and creating community centers, including apprenticeship programs, a program to reimburse for higher education and drug treatment and counseling programs.

We shouldn't rely on local property taxes to solve a problem that has for so long been a national short-coming. This is about the future of our culture.

Section 506 establishes a one time monetary dividend payment to all citizens in the U.S. of all ages and income levels. It makes needed money available from consumers before the infrastructure parts of the Act get into gear. The effects on production, prices, worker morale and other economic factors will be carefully noted, where it could provide evidence regarding laws to establish such a dividend as a more permanent, repeatable feature.

Section 507 will be written in consultation with specialists in this area, perhaps complimentary to legislation for universal health care.

Sections 507-509 ...

You get the idea; and no it won't be inflationary. See below.

Here we thank some of the people who have helped in big or little ways to get the American Monetary Act developed to this point.

SEC. 505 INITIAL MONETARY DIVIDEND TO CITIZENS
Not later than 60 days from the effective date of this section, the Secretary, in cooperation with the Monetary Authority shall provide recommendations to Congress for payment of a Citizens Dividend as a tax-free grant to all U.S. citizens residing in the U.S. in order to provide liquidity to the banking system at the commencement of this Act, before governmental infrastructure expenditures have had a chance to work into circulation. The Secretary will maintain a thorough study of the effects of this Dividend observing its effects on production, prices, morale and other economic and fiscal factors.

SEC. 506 UNIVERSAL HEALTH CARE

[This section will be written following consultation with people in the medical field who are working on this problem.]

SEC. 507 RESOLVING THE MORTGAGE CRISIS

Specific congressional proposals for resolving aspects of the current mortgage crisis shall be inserted here. (alternatively these could be presented in a TITLE VI of this Act.

SEC. 508 RECOVERING THE STOLEN FUNDS

The Monetary Authority in consultation with the U.S. Attorney General will move to recover funds obtained through systemic financial fraud, from 2000 thru 2012, before, during and after the crisis; as determined by Congressional investigation. Triple penalties may apply, where fraud doers are not cooperative, and criminal penalties will also be recommended.

END OF THE ACT

(note: this is an abbreviated summary of the proposed act.

The American Monetary Institute thanks several persons in developing the drafts of this Act: Richard Distlehorst; Robert Poteat; Jamie Walton; Prof. Nic Tideman; Charles Walters; David Hershey; Randy Cook; Ben Gisin; Prof. Glen Martin; Ken Bohnsack; Prof. Michael Hudson; and James Robertson, Alistair McConnachie and Ben Dyson of the UK; and Prof. Joseph Huber of Germany. We especially thank the public spirited Civil Servant Richard Cook for applying his decades of experience within the U.S. Treasury in Washington, DC, to help in formulating Chapter 24 of The Lost Science of Money book into developing this Act. Responsibility for the program as a whole rests with the American Monetary Institute Charitable Trust, a 501(c)3 organization founded in 1996 for the independent study of monetary history, theory and reform.

See <http://www.monetary.org> to e-mail suggestions as well as donations to assist in its continued development at: ami@taconic.net

Background: The actual history of government control over money shows a far superior record to private 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 private money gang 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.

The specter of inflation will be raised against any proposal that our government fulfill its responsibility to provide the nation's currency. 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. Banking has already destroyed itself! The Savings and Loan industry operated for many decades on principles close to what this Act advocates. We are not out to destroy banking – it's a necessary part of modern society. 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. Perhaps even more importantly, 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 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 for so long.

Here is how you can help the AMI do this:

- *Purchase and read *The Lost Science of Money* book.
- *Become a supporting member of the AMI, by pledging to donate \$48 or \$75 (or more) per year.
- *Attend the next annual AMI Monetary Reform Conference in Chicago.
- *Join or help set up a local chapter of the American Monetary Institute in your area.
- *Order and help distribute additional copies of this pamphlet, and stay in touch!

You Can Help Enact Monetary Reform at the National Level

There *Will* Be a National Currency – we’d better fix it!

Money is a national matter in America. We enjoy being able to interact economically with Americans in other communities – to buy and sell to them without exchanging California money into Illinois or Dallas money, etc. The problem arises when the citizenship has not paid enough attention and that national money system has been privatized, corrupted and abused as it is now — even turned against humanity.

Our present viciously structured monetary system came about over nearly a century, through the granting of uncalled for privileges to corrupt interests through bad Federal laws. It’s not the result of laws of nature or “economics.” Its theories and justifications are not supported by evidence or historical experience. Therefore the situation can be corrected by an awareness of history, and thoughtful activity in replacing those poorly conceived laws with good statutes that affirm our democratic system of equal rights. That means educating voters and representatives and pressuring them through the ballot box to re-structure our money system and place it under our constitutional system of checks and balances.

Since this process must involve Federal laws, legislative activity at the national level is necessary. Lawmakers at the national level must be made to understand how this crisis is within their power to solve through monetary reform. This is achieved at the national level when enough of our 535 Representatives and Senators support it, for example by passing the American Monetary Act.

But Much of our Reform Activity Must be Directed Also at the Local Level

As important as it is to reach Congress, it is just as crucial to reach state and local lawmakers. We must make them aware how national monetary reform, opens the way for real world solutions to the “insoluble” local money problems they face each day, operating at their respective level of government.

Local governmental bodies are in deep fiscal trouble at every level from School Board, to Village, to Town and City, to County, to State.

Therefore in conjunction with the national approach, state focused campaigns must be organized and focused at each of these levels. 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.

How You Can Help Achieve Reform

Local elected officials are much more reachable and open to citizen input. You probably know some now. You also know people who are active in public spirited groups. Make up a list of such contacts you now have or of your friends who have such contacts. Become familiar with this pamphlet. If you need more info, read *The Lost Science of Money* book. Talk with your contacts about monetary reform, and give them a copy of the 32 page brochure at our homepage. They’re available at low cost – 5 for \$20; ten for \$30, postpaid. With all such orders we’ll send a detailed suggestion kit and free CDs on how to proceed.

Local representatives can and will put much pressure on the Congress to act, once they know it’s the only way to solve their local fiscal problems.

The AMI will help you organize a free seminar in your area, and provide expert speakers. The AMI is organizing local chapters around the country to help educate our fellow citizens and representatives in the area of monetary history and reform. We do this in a way that’s 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 drive to achieve a just money system – to right this wrong that has plagued our nation and humanity for so long.

Here is how you can help to do this:

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- *Become a supporting member of the AMI, by pledging to donate \$48 or \$75 (or more) per year.
- *Attend the next annual AMI Monetary Reform Conference in Chicago and stay in touch!

Friends, we can make this happen – lets do it! Please forward this brochure now to your email list.