Proposed Text of the Bill

A BILL

To restore the authority of Congress to create and regulate money; to provide for public investment, and for reducing the cost of such investment; to retire public debt, and to provide a secure means of saving to the people; to redress the United States' foreign account balance; and, for other public purposes.

SECTION 1. SHORT TITLE

This Act may be cited as "The Money-Sovereignty Recovery Act of 2013"

SECTION 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 1, Section 8 of the Constitution;

(2) The Federal Reserve Banks System (Fed) allows unacceptable participation of private interests into its constitution and operating processes.

(3) The private financial system, through lending, creates most of the money used in the US, in direct violation of the US Constitution;

(4) 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 government debt;

(C) Drastic increase in the cost of public infrastructure investment;

(D) Record levels of unemployment and underemployment; and

(E) Persistent erosion of the ability of Congress to exercise its Constitutional responsibilities to provide resources for the general welfare of the American people.

(5) The creation of US money by private financial institutions occurs unrestrained also in foreign countries, undermining the value and stability of our currency.

(6) Abolishing private money creation can be achieved with minimal disruption to current financial operations, regulation and supervision;

(7) By supplying the financial system with the lending funds it requires, the Fed' earning will increase substantially, constituting a new source of non-tax revenue for Federal and State governments.

(8) The American Society of Civil Engineers has estimated that there is $2.2 trillion in unmet infrastructure investment needs.

(9) Congress is stymied by competing forces: a desire to put people to work and an aversion to borrowing money at market rates of interests to create programs to do so.

(10) The US trade deficit has reached an annual level of near half a trillion dollars per year; and the accumulated deficit has surpassed the $6 trillion mark. That enormous dollar overhang is intolerable, and constitutes a clear and present danger to our nation.

(11) After several decades of trade deficits, it is quite clear that currency exchange rates changes have little or no effect on US trade deficits; a more effective approach is definitely required.

(12) A close examination of the causes of the existing political gridlock in Washington D.C. shows that it is the lack of a coherent set of economic principles, especially those related to money and taxes, which preclude any reasonable agreement on policies.

(13) Left on their own, the disarray among economists will not be fixed; perhaps ever. Therefore, Congress must, with the help of experts in several different fields including, but not dominated by, economists, elaborate its own set of standard economic principles on which to base current and future legislation.

(b) Purposes- The purposes of this Act are as follows:

(1) To restore the authority of Congress to create and regulate money;

(2) To Regulate the Flow of US Currency Abroad;

(3) To provide for a substantial increase in non-tax public revenues;

(4) To provide for public investment, and for reducing the cost of such investment;

(5) To retire public debt; and to provide a secure means of saving for the people;

(6) To balance the United States' foreign trade;

(7) To make other necessary provisions related to this Act.

SEC. 3. DEFINITIONS.

(a) In General- For the purposes of this Act, the following definitions shall apply:

(1) Currency – Refers to the Fed-notes and coins, which are the official physical representations of money. They are interchangeable with Fed deposits—entries in Fed-accounts.

(2) Deposit – An amount of money given to a financial firm to open or add to a particular account in that firm. E.g.: a checking account deposit, a savings deposit, an insurance premium, a pension contribution, and investment shares with a financial firm.

(3) Fed – Short for Federal Reserve Banks System.

(4) High-Yield Securities- Securities that pay interest rates higher than the current average inflation rate.

(5) Lending – Consists in the exchange of money for a debt document—or repayment contract—between a creditor and a borrower.

(6) Money – An accepted means to make a payment. E.g.: Fed-notes, bank deposit, any liquid financial asset. Also, purchasing power or capacity to purchase.

(7) Money creation – A financial institutions, including the Fed, creates money by crediting the account of a borrower or by lending.

(8) Money Flow – A) It is the movement of money in the economy; it starts as a loan, enters the economy, enables economic activities, and ends up as deposit in a financial firm. This flow grows continuously—except in times of crisis—and it is associated with creation of money. B) A smaller part of the money flow consists of the movement of checking deposits and Fed notes. This flow grows very slowly, and little money creation is associated with it.

(9) Public Debt – Consists of securities issued by federal and state governments, which pay interests higher than the inflation rate.

(10) Secretary – Refers to the Secretary of the Treasury.

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.

TITLE I—RECONSTITUTION OF THE FEDERAL RESERVE

SEC. 101. ELIMINATION OF PRIVATE PARTICIPATION IN THE FEDERAL RESERVE.

(a) Government Acquisition Of All Net Assets- 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) Disposition of Private Directors- Class A and Class B directors of the district banks shall cease in their functions.

(c) Disposition of Private Employees- Private employees within the Fed shall become federal employees, with equivalent ranks and salaries.

TITLE II—ORIGINATION OF UNITED STATES MONEY

SEC. 201. FULL RESERVE REQUIREMENT ON DEPOSITS

(a) In General- All deposits at any financial institution shall be kept in reserve at the Fed.

(b) Interest on deposits- The Fed shall pay interest at a 0.5% rate on the new reserves to the respective financial institutions.

(c) Transitional Clause-

(1) The Fed is hereby authorized to lend to each financial institution, interest free for one time only, funds equal to its existing deposit liabilities, which shall be also kept in reserve at the Fed, accruing no interests. Payment of this interest-free loan shall have priority over any other debt with the Fed.

(2) Financial Institutions shall continue paying the contracted interests on the original deposits to their rightful owners.

SEC. 202. UNLAWFUL FOR FINANCIAL FIRMS TO LEND MONEY FROM DEPOSITS OR OTHER PRIVATE FUNDS.

(a) Prohibition- All financial institutions are hereby prohibited from lending from deposits or from any fund not originated directly from the Fed.

SEC. 203. ORIGINATION OF LENDING FUNDS.

(a) Supply of Lending funds- The Fed shall supply each financial institution with lending funds in proportion to the reserves it holds for such institution.

(b) Flow of Lending Funds- The annual amount of funds to be lent to each institution shall be proportional to the projected reserve it would hold by year’s end, with a uniform loan-to-reserve ratio.

(c) Interest Setting- The Fed shall specify the interest rate that financial institutions shall pay for the lending funds.

SEC. 204. DISPOSITION OF THE FDIC.

(a) Formulation of Plan- The Office of the Controller of the Currency (OCC) is hereby charged with the formulation of a plan for the orderly disposition of the Federal Deposit Insurance Corporation (FDIC).

(b) Presentation to Congress- The Plan shall be presented for Congressional Action no later than 30 days after the enactment of this Bill

SEC. 205. PROHIBITION ON FOREIGN FINANCIAL INSTITUTIONS IN THE US TO RECEIVE DEPOSITS AND TO LEND US-MONEY.

(a) Prohibition to Receive Deposits- Foreign financial firms operating in the US are hereby prohibited from receiving deposits and lending US-money.

TITLE III. A SUBSTANTIAL NEW SOURCE OF NON-TAX GOVERNMENT REVENUE.

SEC. 301. DISTRIBUTION OF FED'S EARNINGS.

(a) Distribution to Federal and States Governments- The earnings from the Fed's operations shall be distributed as revenue to the Federal government and to the States governments. Seventy five percent of those earnings shall go to the Federal government; and the remaining twenty five percent shall be distributed to each of the states in proportion to their respective tax revenues.

(b) Deduction of Payments Due- The Fed is hereby authorized to deduct from these distributions all payments due to the Fed by the respective governments.

TITLE IV. REGULATION OF US-MONEY FLOW ABROAD.

SEC. 401. THE UNITED STATES INTERNATIONAL RESERVE BANK.

(a) Establishment- There is hereby established the United States International Bank (hereafter to be referred to as the 'IRB') an agency of the United States of America.

(b) Organization- The IRB shall consist of a seven-member Board of Governors, and a number of Regional International Reserve Banks, located abroad, each headed by a regional Director and Sub-Director. Governors are appointed by the president, by and with the advice and consent of the Senate; Directors and Sub-Directors shall be appointed by the Board of Governors.

(1) Terms- Governors shall be appointed for a term of six (6) years; except for the first time such appointments are made, when three (3) of the Governors shall be appointed to serve for only half of the normal term.

(2) Chairperson- One of the Governors shall be designated by the president as the Chairperson of the IRB.

(c) Duties- The IRB shall:

(1) Hold reserves in US-money from US financial firms operating abroad.

(2) Provide lending funds to those financial firms, at the set IRB-rates.

(3) Provide loans to foreign governments as instructed by the president.

(4) Supply US currency in the form of IRB-notes, for use abroad.

(5) Exchange foreign currency for IRB-notes, at established rates.

(6) Serve as conduit for US-money, into and out of the US.

(d) Meetings- the Board of Governors shall meet on a regular basis, subject to the call of the Chairperson or a majority of the Governors.

(e) Pay- Governors shall receive salaries at annual rates equal to that determined under section 5 of title 28, United States Code, for an associate justice.

(f) Staff- The Board of Governors may appoint and establish the pay of such employees as deemed necessary.

(g) On IRB-Notes-

(1) IRB-notes are fully equivalent in value to Fed-notes of equal denomination.

(2) IRB-Notes are exchangeable for Fed-notes at any IRB sites, or authorized business locations.

(3) IRB-Notes are not legal tender within the US and its territories.

(h) Restrictions on Fed-Notes-

(1) Effective at the end of the 150-day period beginning on the day of opening of the regional IRB office, the circulation of Fed-notes within the corresponding IRB region shall be declared illegal; and exchanges of Fed-notes with IRB-notes shall be restricted in the manner established by the IRB.

SEC. 402. UNLAWFUL FOR US FINANCIAL INSTITUTIONS OPERATING ABROAD TO CREATE US-MONEY.

(a) Full Reserve Requirement on US-Money Deposits- US financial institutions operating abroad are hereby required to maintain all their deposits in US-money in reserve with the Regional IRB.

(b) Interest on deposits- The IRB shall pay interest at a 0.5% rate on the new reserves to the respective financial institutions.

(c) Transitional Clause-

(1) The IRB is hereby authorized to lend to each financial institution, interest free for one time only, funds equal to its existing deposit liabilities, which shall be also kept in reserve at the IRB, accruing no interests. Payment of this interest-free loan shall have priority over any other debt with the IRB.

(2) Financial institutions shall continue paying the contracted interests on the original deposits to their rightful owners.

(d) Prohibition on Lending US-Money- US financial institutions are hereby prohibited from lending US-money from deposits or from any fund not directly originating from the Regional IRB.

TITLE V. THE PROVISION OF PUBLIC INVESTMENT FUNDS

SEC. 501. AUTHORIZING THE FED TO PROVIDE DIRECT PUBLIC LOANS TO FEDERAL AND STATE GOVERNMENTS.

(a) Fed-Public Loans- The Fed is hereby authorized to provide Fed-public loans (FPLs) to Federal and State governments, up to an annual amount not to exceed 30% of their respective revenues, and up to accumulated totals below three times their yearly revenues.

(b) Interest Charged on FPLs – Loans to the Federal government shall be provided interest free; however, FPLs to State governments shall accrue an interest rate of 2%. Unless the president, in extraordinary circumstances, determines that a waiver of such interests is in order.

- **(c)** Return of Interests to States- The total amount of money collected in interest payments by the States shall be distributed among all the States in proportion to their annual revenues.
- **(d)** Repayment- FPLs shall be repaid fully in no more than 50 equal yearly installments.

TITLE VI. RETIRING PUBLIC DEBT, AND PROVIDING A SECURE MEANS OF SAVING FOR THE PEOPLE.

SEC. 601. FEDERAL SAVINGS CERTIFICATES

- **(a)** Creation of Savings Certificates- The Fed is hereby authorized to issue Federal Savings Certificates (FSCs) that each year shall pay an interest rate equal to the rate of inflation of the year before, but not to exceed 4%.
- **(b)** Conditions- The FSCs shall be non-negotiable, non-expiring, and readily redeemable after one year of purchase.
- **(c)** Application Of Proceedings- The Fed shall use the proceeds of the FSCs to purchase high-yield government securities issued by federal and state governments, as they mature, or earlier.

SEC. 602. GOVERNMENT SECURITIES OWNED BY THE FED.

- **(a)** Accruing of Interests- Federal government Securities owned by the Fed shall become interest free debt of the Federal government; State government securities, in contrast, shall continue accruing interests to be paid by the authorities that issued them.
- **(b)** Return to States of Interests paid- the total of all interests paid by the States on securities held by the Fed shall be returned to the States in proportion to their annual revenues.
- **(c)** Retirement Of Fed Owned Securities- The retirement of Federal government issued securities shall start no later than the date when the last of the corresponding high-yield securities is retired; and shall be completed no later than 50-years after such date.

SEC. 603. TEMPORARY TAX ON FINANCIAL ASSETS.

- **(a)** Specifications- A temporary tax, no greater than 1%, shall be applied to the net financial assets, over $1 million in value, of individual citizens and residents of the US.
- **(b)** Exclusive Use of Such Tax- All the proceeds from the temporary tax on financial assets shall be applied to retire the high-yield securities of the Federal government.

TITLE VII—BALANCING THE FOREIGN TRADE OF THE UNITED STATES OF AMERICA.

SEC. 701. CREATION OF COUNTRY ESPECIFIC TARIFF.

- **(a)** Authorization- The Secretary of Commerce is hereby authorized to create and put into effect an especial tariff, to be known as Country Specific Tariff (CST), to be applied to any foreign country with which the US has a trade deficit larger than 10% of bilateral trade amount, for most of the last 10-years.
- **(b)** Application- The CST shall be applied to all import products originating from the excess exporting country; unless the president, for reasons of State, determines otherwise.
- **(c)** Tariff Rates- Each CST shall start at 10% ad valorem in addition to existing tariffs, after a prudential time from its announcement; and increase by one percentage point every month, until the bilateral trade is reversed.

(d) Duration- Each CST shall continue in place, at the highest tariff attained, until the accumulated bilateral trade, starting ten years before the enactment of this Bill, is finally balanced.

TITLE VIII—ADDITIONAL PROVISIONS.

SEC. 801. TAX ON FINANCIAL MARKETS TRANSACTIONS.

(a) Extent of Tax- The Security and Exchange Commission is hereby authorized to collect a tax no larger than 1% on financial market transactions made in the US.

SEC. 802. THE COMMISION FOR ECONOMICS SCIENCES.

(a) Establishment- There is hereby established the United States Commission for Economics Sciences (CES), as an advisory body to the US Congress.

(b) Membership- The CES shall be consist of eleven members; five of which are appointed by the each of the two Houses of Congress, and one, to serve as the Commissioner, to be appointed by the president; one of the five members appointed by the Lower House shall also serve as the Deputy Commissioner.

(c) Membership Restrictions- No more than two of each group of five-members shall be professional economists, and not more than two shall belong to the same political party; the Commissioner shall always be a non-economist; and no member of Congress shall be appointed to the Commission.

(d) Terms- each of the members are appointed for a term of six years; except, for the first time the appointments are made, two of each group of five-members, as specified by the appointing authority, shall serve for half the established term.

(e) Duties-

(1) The CES shall prepare, within one year from the enactment of this Bill, and for the consideration of Congress the Official Economic Standards of the United States of America (OES); and, periodically, shall propose any required update.

(2) The CES shall follow and document all Congressional Acts where the Official Economic Standards are referenced; evaluate the overall effects of such Acts; and periodically publish its findings.

(3) The CES shall make periodic recommendations regarding the teaching of economics at all levels of public education.

(f) Meetings- the CES shall meet on a regular basis, subject to the call of the Commissioner or a majority of the members.

SEC. 803. THE OFFICIAL ECONOMIC STANDARDS

(a) Establishment- There is hereby established the Official Economic Standards of the United States of America (OES), as a list of standard economic principles to which any new legislation, as well as any modification to existing legislation, must conform to.

(b) Contents of the List- The list of Standard Principles shall be fully coherent and contain concise, policy-relevant, and falsifiable statements related to the following topics:

(1) The economic activity

(2) Money and monetary flows;

(3) Banks and other financial institutions;

(4) Economic role of financial markets;

(5) Poverty;

(6) Unemployment;
(7) Disproportionate accumulation of wealth;
(8) Economic role of government;
(9) Taxation;
(10) Balanced trade;
(11) Economic growth;
(12) Any others deemed important by the CES.

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