

Re: The Money-Sovereignty Recovery Act (A Proposal)

February 11, 2013

Dear Sir:

The political infighting in Washington D.C. has added a fiscal component to the serious financial crisis that has already devastated millions of American lives. We don't seem to be able to find a way out of our 'national malaise', which most certainly precedes the recent crises. And all the while, the solution to those immediate problems, as well as the first step towards a brighter future, can be found by heeding the wisdom of some of the greatest leaders in our proud history:

*All the perplexities, confusion and distresses in America arise not from defects in the constitution or confederation, nor from want of honor or virtue, as much from downright ignorance of the nature of coin, credit, and circulation. - **John Adams, letter to Thomas Jefferson.***

The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest. Money will cease to be master and become the servant of humanity.

*The privilege of creating and issuing money is not only the supreme prerogative of government, but, it is the government's greatest creative opportunity. - **Abraham Lincoln.***

We have, for too long, allowed the private financial sector to usurp the Constitutional power of government to create the money of the land. Every normal year, the U.S. private financial system creates about \$3 trillion in new loans—money that increases the total circulating debt of the nation, about \$50 trillion (i.e. \$50 thousand billion). The new money is not actually created 'out of thin air' as many believe; it is 'backed' by an equal amount of deposits—liabilities—into the financial system (savings, money market, pension, insurance, and others); thus, the circulating or outstanding debt of the nation—the flow of credit that sustains the economic activity of the nation—will continue to grow indefinitely, as long as the liabilities do.

The base interests on just the private outstanding debt is about \$1.6 trillion per year—assuming a 4% Fed-rate; while the federal government pays about \$400 billion, and the state governments a combined total of about \$100 billion, in interests per year; all that money goes now to private individuals and institutions, within and without the country.

If the U.S. government (through the Federal Reserve, or Fed) were to recover the exclusive power to create money, it will gradually be able to collect the \$1.6 trillion per year—to be divided between the federal and states governments—and also to save on the payment of the combined \$500 billion of interests on government debt. In addition, The Fed would be authorized to lend, to both the Federal and state governments, investment funds at zero interest, thus reducing substantially the overall cost of public investments.

Given the great advantages for the government to reclaim its exclusive constitutional power to create money, why hasn't it done so already? For two main reasons: first, because of what John Adams said, a persistent and "downright ignorance of the nature of coin, credit, and circulation"; and second, because of the 'gold standard'. The second obstacle was eliminated in 1971, when President Nixon set the U.S. on a fiat money regime—gold ceased to be the backing for the U.S. currency, and the dollar's value was guaranteed only by the 'say-so' of the U.S. government; while recent advances in monetary economy (see for example J. H. Moromisato, "The Coming Age of Freed Money", 2010) have given us a better understanding of the circulation of money.

The attached proposed legislation includes several other important provisions, such as: the establishment of the 100% reserve on financial deposits; the creation of the U.S. International Reserve Bank (USIRB) to control the circulation of U.S. dollars abroad; the establishment of the Country Specific Tariff (CST) to reverse the dangerous U.S. trade deficits and the resulting huge dollar overhang (over \$6 trillion); the establishment of a temporary 1% annual tax on financial assets over \$1 million; the establishment of a small tax (not to exceed 1%) on financial transactions; and the creation of a scientific commission to standardize our knowledge of economics.

The enactment of the proposed Bill is not only necessary for the solution of our immediate fiscal and financial problems; in fact, its potential effects may transcend them and could point the way towards a new plateau of prosperity, peace, and enlightenment for humankind: I believe it would be no exaggeration to label the proposed Bill 'A Civilization-Changing Legislation'.

If you need additional details, please don't hesitate to contact me.

Respectfully yours,

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