Summary of Draft Legislation

The following draft legislation acts as a guide, which qualified directors and a Secretary of Treasury can utilize to carry out the preceding principles.

As with Hamilton's original bank, a portion of valid public debt of the government will be consolidated as capital of the Bank of the United States, with the addition of a subscription by the United States. The capital of the Bank thus will tie the making-good of the debt, to the future productivity of the economy. A portion of the capital will also be opened for subscription by state and municipal debt. Additional lending capital can be concentrated by selling obligations of the Bank, which are convertible into stock, the obligations being an investment backed by the United States with the guarantee of increased productivity, for a total of one trillion dollars capital of the Bank.

The Bank will serve as a place to concentrate all idle money, and to make it available as credit in the most efficient way possible. The Bank will receive deposits of the National Transportation Fund, circulating the fund as credit until needed for appropriation. Revenues for import duties applied on goods which crucial domestic industries currently produce, or which will be needed to be produced for new infrastructure within the United States, will be similarly circulated as credit through the various branches of the Bank.

As an institution especially formed for the purposes of credit, and whose role it will be to interface with the various credit cycles existent in the United States, these and other Federal revenues currently utilized by the Federal Reserve may be more wisely made use of by the discretion of the Treasury Secretary, by depositing them in the branches of the Bank of the United States. This amount will be substantial, both by what it achieves, and by the cancellation of the evil of speculation, which creates a society of bad morals.

The Bank will also accept deposits of funds that have been raised by states and municipalities for their own projects, making them available in the interim before they are expended in the states and municipalities, as an addition to the general credit fund of the Bank of the United States. Rather than operating under the failed model of speculative investment houses, states and municipalities will be able to make a valid profit while securing their funds. The Bank will use its capital to purchase state and municipal bonds related to their own projects, and if necessary, the Bank will borrow from the Federal Reserve discount window against the bonds for six months. Idle revenues will no longer be used for speculative purposes which end in disaster for cities, states, and the Federal government.

The Bank will lend for industries and manufactures which build the components of a new infrastructural system around the country. Various spin-off industries and orders related to Section 3 of the draft legislation will be facilitated by those commercial banks working with the Bank of the United States, and commercial banks will profit from discounting commercial securities related to the debt of industries and companies which will produce and circulate needed commodities. Large companies and corporations will no longer need to sell bonds and raise money from the shadow banking system, but will obtain reasonable accommodation from the Bank and other commercial banks with which the Bank cooperates.

The Bank will take up responsibility for large agricultural cycles, making loans to producers to finance the carrying and orderly marketing of agricultural commodities. With increasing industrial and agricultural exports creating new demand for raw materials and agricultural products, made possible by loans and discounts from the Bank, the board of directors of the Bank will track the cycles and circuits of domestic commerce, which will create profits for the Bank and other commercial banks. Debts will be balanced with the credits arriving in the Bank from the products of industry related to the initial debt; the time and terms of the original debt will be closely tied to the time of the commercial cycle. A vast circulating currency can be formed, as in Hamilton's original creation of the public credit system, as the securities of industry themselves will circulate as a means of payment to extinguish the various debts among parties, since the credit due to one party can be transferred to another.

The commercial banking system will be aided by the Bank through its bankruptcy reorganization procedures, under a reinstatement of the Glass-Steagall Act and related 1933 Banking Act provisions, raising capital stock of banks as necessary.

Unlike the Federal Reserve and other central banks, the Bank of the United States, in accordance with its original design, will not be at liberty to continuously purchase debt of the United States, but only to sell an amount included in its original capital stock in due amounts and at appropriate times. It will therefore not be a machine of idle indebtedness, but will operate in accordance with Hamilton's original maxim of public credit related to the creation and extinguishment of debts.

The Effects of the Legislation

After an estimate of needed industry and labor for completion of new infrastructure, voted on by the representatives of the people, the first investment cycle and credit emission for new projects will be organized to accomplish those tasks which will increase the potential of the economy for the next investment, such as plant and labor capacity. The boost of the economy created by that investment will alter the appropriate loans for the next cycle.

Millions of productive jobs will increase tax revenue from new tax receipts of newly employed workers. A much greater increasing revenue will come from the taxes on earnings of industrial corporations within the United States. The income of the nation shall shift from consumer income to business income, and therefore the currency will be tied more closely to private industry. Similarly, consumer spending of the non-industrial sector of the population will account for a decreasing proportion of the financial system of the United States.

Numerous Treasury commitments which have been sunk to stave off attrition, or which are disbursed for infrastructure investment out of the annual budget, will be freed up, now serviced by loans from the Bank.

As a result of available credit, new infrastructure will increase national income from industry and agriculture. There will be gains reaped in foreign exchange by the yield of increased exports of agricultural, mineral, and manufacturing products.

Within the context of the Bank of the United States providing credit, a proper system of commercial banking will make profit, not on mutual funds and other risky ventures, but on loans and the discounts between new industries and industrial and agricultural consumers in the United States.

The interest paid to banks will correspond to a portion of the surplus earned by productive citizens from the employment of loans. Loans issued by banks will be strictly tied to the production cycle for which loans and discounts are made. Banks will conduct loans that depend upon the profitable operation of the borrower, where employment will be provided and the security will reasonably assure ultimate liquidation of the loan.

Banks will become intermediaries to the agro-industrial economy and share in the profit made from converting raw materials into finished goods and increasing the output of the land. Commercial banks will profit from increased industrial orders within the national economy and for purposes of increasing its productive output. Investment and pension funds will redirect valid savings into these new productive enterprises, rather than the formerly speculative, derivative-related funds.

Those who produce goods for industry, those who labor to build infrastructure, and those who produce goods for consumption, will receive legal priority over those who buy and sell goods in commerce and trade. Speculation, including on foreign exchange and interest rates, will be reduced as rapidly as regulations can be put in place. Tax-paying domestic manufacturers will receive those privileges currently granted to foreign nations and supranational cartels.