

Draft Legislation

To return to the original Bank of the United States.

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

Section 1. Findings and Purposes

(a) The United States must return to a credit system, as under the original Bank of the United States as operated under the guidance of Alexander Hamilton, and successfully directed by Nicholas Biddle, and used by President John Quincy Adams. Hamilton's credit program became the key to the establishment of a sound United States, and the extraordinary development of continental infrastructure. The success of the Bank of the United States rested on its lending for the future advancement of productivity and production.

(b) Due to the lack of a Hamiltonian national bank, and the mismanagement of the economy since the repeal of the Glass-Steagall elements of the 1933 Bank Act, the Federal Reserve is no longer a viable operation in and of itself, but is carrying out a policy of hyperinflation, which is actually suppressing lending by the banking system.

(c) After the re-implementation of Glass-Steagall banking regulations, the establishment of a Bank of the United States, operating as a commercial bank, will restore the valid profit to the commercial banking system which arises from manufacturing, industry, the increasing productivity of lands and soils, and most importantly, the building of infrastructure which expands and provides for such processes.

(d) Subscribers to the capital stock of the Bank will be assured the success of their investments by direct credit to national purposes, which will create the greatest increase of economic productivity. Without the security given to the financial system by the adherence to these proposed mechanisms of national credit, nothing could assure the value of any valid assets currently remaining within the banking system.

Section 2. Responsibilities and Authorization

The Bank of the United States shall be authorized to: provide credit for major national projects of infrastructure including surface transportation and ports, water management and supply, drought, flood and storm protection, electrical energy production and distribution; to make loans to agencies of the United States created for such projects; enter joint ventures with agencies of other nations to provide credit for major international projects of new infrastructure; provide credit to state and municipal capital projects by purchase of municipal bonds as issued; provide loans to businesses and banks participating in such projects, and to cooperate with the United States Export-Import Bank to provide trade credits to businesses engaged in international infrastructure projects; to assist in the transition from a speculative to a production-based commercial banking system.

Section 3. Lending Priorities

The following restrictions and priorities on loans and discounts made by branches of the Bank of the United States shall apply:

(a) That industrial and agricultural production and construction related to the following shall take priority in the lending of the Bank: a) Construction and other such companies contracted by acts of Congress related to national drought and flood control infrastructure, including agreements made with Canada for this purpose, for the construction of plant capacity, construction of storage reservoirs, canals, aqueducts, pipelines, pumping stations, power stations, lock and barge transit corridors, and railroad construction. b) Manufacturers of excavators and large-capacity trucks and other earth-moving equipment, heavy-capacity cranes, tunnel-boring machines, and drilling machines; manufacturers of large motors, large-capacity pumps, valves, fittings, intake and discharge headers; mining companies which mine limestone, copper, or maintain rock quarries; mills which produce cement, steel, aluminum, and copper; foundries and smelters engaged in heavy rolling, forming, and production of metallurgy components; manufacturers of machine tools; manufacturers of forebay, penstocks, head

gates, turbine wheels, impellers, generating units, switchgear, transmission lines; manufacturers of double-steel mitre gates and other components for waterways; manufacturers of pressure vessels and other components of nuclear power plants; and manufacturers of locomotives and rail lines. c) Agricultural producers of food for domestic consumption.

(b) The Bank shall have access to information on the progress of entities to which it lends for the purposes of this section, and be kept informed of the schedule of contracts according to acts of Congress associated with national water regulation, in order to alter its loans, as appropriate for the schedule and progress of developed plant capacity, production, and construction.

(c) The Treasury Secretary may, with authorization of Congress, subscribe to the stock of specific companies related to the priorities of Sec. 3, to be paid for by the future dividends which may accrue upon United States bank stock in the Bank of the United States.

Section 4. Domestic Exchange

The Bank shall coordinate, regulate, and maintain a system of credit based on the inherent cycles of industry, agriculture, and trade.

(a) The Bank shall be authorized to discount any commercial, agricultural, or industrial notes, drafts, and domestic bills of exchange; shall make proper arrangements for all those who desire to adjust and set off debts without the use of cash; shall be authorized to correspond with institutions or individuals in foreign countries, in reference to the payment of balances, setting off debts, and to the export or import of dollars.

(b) If the Treasury Secretary determines it necessary to facilitate payments on credit between industries specified in Sec. 3, and to ensure that credits from discounted bills of exchange or promissory notes, or other commercial securities, as specified in this section are not diverted from their proper application to payments of debts of the trade for which they were created, the Bank may issue special notes, with the authorization of the Secretary of Treasury to be used for said discounts and not monetizable or payable in cash until the maturity of the note. Such notes may be deposited in a separate credit account, or may be receivable by the Bank or other commercial banks for satisfaction of any other debt to be extinguished until

they are paid, during the period before they mature. Such notes issued for domestic bills of exchange shall not be counted as notes in circulation against the capital reserves of the Bank of the United States or other commercial banks.

Section 5. Commercial Banks

The Bank will have the following relations to commercial banks:

(a) Commercial banks shall not be eligible for loans or discounts or any other accommodation from the Bank of the United States and its branches, which are not operating under Glass-Steagall specifications.

(b) During the unwinding process which will be created by the Government's reimplementation of the elements of the 1933 Banking Act, related to the separation of banks by function into commercial and investment banks, and the associated prohibitions of underwriting investment securities and interlocking with security companies, etc., the Bank of the United States will be authorized to purchase preferred stock of commercial banks, in order to rehabilitate the capital structure of bank associations whose assets will have shrunk to such a degree, that their capital will be impaired.

Section 6. Capital

(a) The Bank will have a capital of four hundred billion dollars, of which 20% shall be subscribed by the United States Treasury in two equal new issues of Treasury securities in 2013 and 2014; the remaining capital to be subscribed by holders of United States Treasury Securities, and holders of municipal bonds of Federal states or cities, by exchanging those securities for preferred stock of the Bank of the United States, provided all securities have a maturity above three years, which shall be guaranteed by the United States Treasury.

(b) The guaranteed dividend on preferred stock named in (a) shall be equal to the prevailing interest rate of securities of equivalent maturities, for the first five years of issue.

(c) The Bank of the United States shall be authorized further to raise capital liabilities for its project investments from the public, from commercial banks and business corporations, and from investment funds,

by issuing debenture bonds up to a total of two and a half times the Bank's capital stock, or \$600 billion, bringing its total capital to \$1 trillion; the bonded borrowing of the Bank of the United States shall have a guarantee from the United States Treasury; and the bonds of the Bank shall be qualified for purchase by commercial banks under Glass-Steagall Act standards, and shall be discountable at Federal Reserve District Banks.

(i) The Secretary of the Treasury is authorized to purchase any obligations of the Bank, and for such purpose, the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any U.S. securities. The Secretary of the Treasury, at the request of the Bank, is authorized to market for the corporation its notes, debentures, bonds, and other such obligations, using therefore, all the facilities of the Treasury Department now authorized by law for the marketing of obligations of the United States.

(d) The rate of interest on the debenture bonds named in Sec. 6(c) shall be the rate of interest on 30-year U.S. Treasury securities for the first five years of issue. Their maturity shall be 30 years for the first five years of issue, unless a different maturity shall be determined by Congress.

The United States Treasury shall create a sinking fund for guarantee of the capital stock of the Bank of the United States, allocating \$10 billion annually for the purpose; and a sinking fund for guarantee of the bonded borrowing of the Bank of the United States, allocating \$10 billion annually for the purpose.

Section 7. Circulating Capital

The Bank of the United States shall:

(a) Be provided with an issue of interest-free U.S. Treasury notes for circulation, equal to the amount of its capital stock.

(b) Be authorized to receive U.S. government revenue deposits to its circulating capital:

(i) The National Transportation Trust Fund shall be authorized to deposit the revenues of the Federal gasoline tax into the Bank as they are received, and until such time as they are expended for surface transportation projects.

(ii) In the event that Congress will protect manufacturers of articles related to Sec. 3 from foreign laws, using the appropriate powers of Article 1, Section

8, of the Constitution, revenues from duties shall be deposited in the Bank of the United States.

(iii) All revenues from duties and other collected taxes deposited in the Bank shall be made available for lending purposes until drawn for appropriations by Congress; and other Federal fees, duties, and revenues may be deposited into the Bank as the Secretary of Treasury may determine.

(c) Be authorized to borrow from the discount windows of the Federal Reserve Banks for a period of up to 180 days against state and municipal capital bonds which it has purchased.

(d) Require state and municipal agencies, which receive capital project support through purchase by the Bank of municipal capital bonds, to keep on deposit 5% of the proceeds of such bond purchases in the Bank of the United States, until the completion and final inspection and commissioning of the project involved.

(e) Be authorized to receive deposits of municipal project funds raised until such time as their expenditure is required by the states or municipalities for the projects involved.

(f) Provide the necessary facilities for transferring public funds deposited in the Bank from place to place, within the United States, whenever required by the Secretary of the Treasury, and for distributing the same in payment of the public creditors, without charge.

Section 8. Branches

The directors of the said corporation shall establish an office of lending, discount, and deposit in each of the Federal Reserve Districts and in any other state where Congress may, by law, require the same.

Section 9. Directors

There shall be twenty-five directors, annually appointed by the President of the United States, by and with the advice and consent of the Senate, the majority of whom shall be actively engaged in some industrial pursuit, or shall have had at least twenty years experience in industry or infrastructure. And the board of directors, annually, at the first meeting after their election in each and every year, shall proceed to elect one of the directors to be president of the corporation, who shall hold the said office during the same period for

which the directors are appointed and elected. The president shall be required to assemble a staff with experience in the commercial banking, engineering, heavy construction, and scientific fields, which he or she shall direct to assess the feasibility, productivity, and cost of investments; the Bank shall receive an annual authorization from Congress of \$1 billion for such purposes.

Section 10. Loans Specifications and Restrictions

The Bank shall refer to the following provisions for a framework making loans:

(a) Maturity of loans and discounts should coincide with time periods of anticipated profitability and projected useful life of the facilities financed with such loans and discounts.

(b) The Bank may make loans for companies involved in manufacturing related to Sec. 3, for additional needs of capital expansion.

(c) The Bank may also extend the time of payment of a loan, through renewal, substitution of new obligations, or otherwise, with a maximum time for such renewal to be established by the Board. The Bank may make such further loans and contracts for the completion of projects or additions, improvements, and extensions necessary for proper functioning of the project and which will increase assurance of the borrower to repay the entire loan or loans.

(d) In addition to direct loans, it may make loans in cooperation with other lending institutions. The Bank may participate in such loans up to 50%.

(i) The Bank may discount for, or purchase from, any bank, trust company, mortgage company, credit corporation for industry, or other financing institution operating in its district; it may make loans directly to any such financing institution on the security of such obligations; and make commitments with regard to such discount or purchase of obligations or with respect to such loans or advances on the security thereof.

(e) In exceptional circumstances, when it appears to the satisfaction of the Bank that an established industrial or commercial business located in its district is unable to obtain requisite financial assistance on a reasonable basis from the usual sources, the Bank may make advances to, or purchase obligations of, such business, or may make commitments with respect

thereto, for the purpose of providing it with working capital. The Bank may assist in developing and effectuating plans for the reorganization or refinancing of any such business, and in connection therewith, may act under proper appointment as receiver therefor, or in any capacity similar thereto.

Section 11. Restrictions

The following rules and restrictions shall apply:

(a) The total amount of the debts, which the Bank shall at any time owe, whether by bond, bill, note, or other contract, shall not exceed the sum of the capital stock of the bank and its deposits, unless the contracting of any greater debt shall have been previously authorized by a law of the United States.

(b) The Bank may sell and transfer for U.S. dollars any part of the public debt subscribed to the capital of the Bank, after a period of three years from its incorporation, but shall not be at liberty to purchase any public debt whatsoever, nor make any loan upon the pledge thereof; provided, that it shall not sell more thereof than a sum equaling one-fifteenth of the capital stock in any one year; nor sell any part thereof, without previously giving notice of its intention to the Secretary of the Treasury, and offering the same to the United States for the period of fifteen days, at least, at the current price, not exceeding the normal rates.

(c) Interest on the public debt portion of the capital stock paid to the Bank, beyond the dividends for the stockholders, shall be made available on deposit for lending purposes of the Bank.

(d) None but a resident citizen of the United States, shall be a director.

(e) Foreign stockholders shall have no influence over the decisions of the board of directors.

Section 12.

The Bank of the United States is chartered as the agency of government, and the legislated means of carrying out powers of Congress in relation to the ends specified in Article 1, Section 8, of the Constitution, and nothing in this Act is to be construed for other purposes.

—Paul Gallagher and Michael Kirsch wrote this legislation.