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DRAFT LEGISLATION

To Create a Bank of the United States for Infrastructure and Manufacturing

SECTION I: FINDINGS AND PURPOSES

(a) To return to a policy of building modern economic infrastructure and productivity which it has lacked for half a century, the United States should return to a Hamiltonian credit and banking system as under the original Bank of the United States; the Second Bank of the United States; the 1841 Fiscal Bank of the United States; the Lincoln Administration Banking Acts of 1863 and 1864; and the Roosevelt Administration's Agricultural Adjustment Act and Reconstruction Finance Corporation. Alexander Hamilton's bank and credit policies were extremely successful whenever used in the advancement of productivity and production.

(b) Especially since the repeal of the Glass-Steagall Act and the emergence of interconnected "universal banks" of enormous size relative to the economy, the Federal Reserve Bank has pursued a policy balanced between the tendencies to suppress commercial bank lending and profits, and to trigger rapid inflation; producing almost a decade of near-zero interest rates with near-zero investment in infrastructure and negligible capital spending in industry.

(c) Under restored Glass-Steagall regulation, 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, increasing productivity of lands and soils, and the building of new, technologically advanced infrastructure which promotes these.

(d) It is a purpose of the United States Congress in creating a third Bank of the United States, to return to the level of progress of the United States "golden age of productivity," 1935-65, when multifactor productivity advanced by 3-4% annually, in contrast to less than 0.5% annually over the past decade and less than 1% annually throughout the 21st Century.

(e) Treasury Secretary Alexander Hamilton was correct in finding that a public debt is a public blessing when directed through a public bank into advancements in the productive power of the nation's economy, and when the means for ultimate extinguishment of the public debt are provided.

(f) The Bank of the United States shall be chartered under the legislated means for carrying out the powers of Congress related to the purposes specified in Article I, Section VIII of the Constitution of the United States.

SECTION II: RESPONSIBILITIES AND AUTHORIZATIONS

(a) By this legislation, the Congress authorizes the creation of a public corporation to be called the Bank of the United States, which is authorized to: provide credit for major national projects of infrastructure; including surface transportation and ports, national intercity high-speed rail transport; water management and supply, drought prevention, flood prevention and storm protection, electrical energy production and distribution, and space exploration; make loans to agencies of the United States authorized for such projects; enter joint ventures with agencies of other nations mutually 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; discount bank loans to businesses participating in such projects; and cooperate with the United States Export-Import Bank to provide trade credits to businesses engaged in international infrastructure projects.

SECTION III: CAPITALIZATION AND CIRCULATING FUNDS OF THE BANK

(a) The Bank of the United States will be capitalized up to a maximum of $1 trillion by public holders of

(1) outstanding Treasury securities of three (3) years or greater maturity, and (2) outstanding municipal bonds of Federal states or cities of five (5) years or greater maturity,

who shall subscribe these securities as stock in the Bank, and shall receive in exchange, preferred shares in the Bank, callable during a period of 20 years only by the Bank, bearing a fixed annual dividend to be determined by the Bank's Board of Directors, but not to be less than four (4)% per annum; dividend and redemption payments on the shares of the Bank to be guaranteed by the U.S. Treasury.

(b) The Treasury shall be an on-call subscriber to the Bank in an amount up to $100 billion in new issues of thirty (30)-year U.S. Treasury bonds, and shall receive the same preferred shares in exchange.

(c) As authorized by the Thomas Amendment to the Agricultural Extension Act, signed into law on May 12, 1933, following the subscription of the Bank's capital the Bank shall be provided with an issue of U.S. Treasury Notes (Greenbacks), equal to the capital subscribed to the Bank in the form of outstanding Treasury securities under SECTION III (a) (1) above, for use as circulating capital, for lending and investment in the productive purposes of the Bank.

[Precedents: The Thomas Amendment above (never repealed) established the principle that if holders of U.S. Treasury securities subscribe or sell them to a United States government bank (the Federal Reserve in that case), the Treasury may issue the equivalent in Treasury notes ("Greenbacks").

The Legal Tender Act of 1862, under conditions where neither national bank nor central bank existed, established the issuance of up to $430 million Greenbacks when backed by new Treasury issues purchased by, and forming the mandated reserves of, commercial banks, held at the Office of Controller of the Currency created for that purpose by Congress.

The State and Local Government Economic Empowerment Act of 1999 (HR 1452) by Rep. Ray LaHood of Illinois and 19 others, would have authorized Treasury to print $360 billion in Greenbacks ($72 billion/year for five years) for interest-free loans to municipalities for capital investments in infrastructure projects. This Act provided for increasing the statutory limit of Greenbacks in circulation ($360 million) by 1,000 times, to $360 billion.]

(d) The Bank shall be authorized to receive U.S. government revenue deposits, specifically of the proceeds of the Federal tax on gasoline (the National Transportation Trust Fund), as a fund with which to pay the interest on its preferred stock.

(e) The Bank shall receive into its circulating deposits, regular interest payments from state and municipal agencies whose bonds have been subscribed by their holders as capital in the Bank.

(f) State and municipal agencies which receive capital project support through purchase by the Bank of municipal capital bonds, shall be required to keep on deposit at the Bank, five (5)% of the proceeds of such bond purchases, until the completion and final commissioning of the project involved.

(g) The Bank shall be authorized to borrow from the discount windows of the Federal Reserve Banks for periods of up to one year, against state and municipal capital bonds which it has purchased.

(h) The Bank shall be authorized further to raise borrowed capital for its project investments from the public, from commercial banks and business corporations, and from investment funds, by issuing additional debenture bonds up to a total not greater than its subscribed capital; these liabilities of the Bank shall have a guarantee from the United States Treasury; the bonds of the Bank shall be qualified for purchase by commercial banks operating under Glass-Steagall standards, and shall be discountable at Federal Reserve Banks.

(i) Subscribers to the capital of the Bank who are not U.S. citizens or U.S.-based institutions shall be non-voting shareholders.

SECTION IV. PRIVATE COMMERCIAL BANKS

(a) The Bank of the United States shall discount loans, made by commercial banks operating under Glass-Steagall standards of regulation, to participants in approved projects of economic infrastructure. The rate of discounting of loans shall be determined by the Bank's Board of Directors, but shall not be less than 50%.

SECTION V: LOAN SPECIFICATIONS AND RESTRICTIONS

(a) The majority of loans and discounts made by the Bank should coincide in maturities with the time periods of anticipated profitability and projected useful life of the projects and new facilities financed with such loans and discounts.

(b) The Bank may make loans to companies involved in manufacturing related to the purposes of SECTION II for such companies' additional needs of capital expansion, where those companies can show that the additional capital cannot be obtained from local or regional private commercial banks.

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

(d) The Bank may make new loans for approved projects in cooperation with other lending institutions, participating in such loans by up to 50%.

SECTION VI: BRANCHES

The Directors of the Bank shall establish an office of lending, discount, and deposit in each of the Federal Reserve Districts, and in any other state where Congress may require it by law.

SECTION VII: DIRECTORS

(a) There shall be 25 Directors of the Bank, appointed for terms of five (5) years by the President, subject to approval by the next annual general shareholders' meeting. The majority of the Directors shall be actively engaged in industrial or engineering activity or have had at least 15 years' experience in industry and/or infrastructure, to include at least two (2) representatives from the United States Army Corps of Engineers and at least two (2) representatives from the National Aeronautics and Space Administration and aerospace industry. The Board of Directors shall elect one of the Directors to be President of the Bank for a term of five (5) years and as necessary thereafter. 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 project investments.

(b) The Directors of the Bank, at their first meeting, shall decide on the schedule of their periodic meetings, and on a rotating Executive Committee which shall have authority to approve infrastructure projects, including international agreements for projects of particular importance, between regular meetings of the Board.

(c) The Bank shall receive from Congress an authorization of $100 million for the initial organization of the Bank's Directors and staff.

SECTION VIII: RESTRICTIONS

(a) The Bank shall not purchase public debt of the United States as issued, nor make any loan on the pledge thereof.

(b) The total amount of the debts which the Bank shall owe at any time may not exceed the capital stock of the Bank plus its deposits, unless the contracting of a greater debt shall have been authorized by an Act of Congress.