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HOUSE JOINT RESOLUTION NO. 590

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Establishing a joint subcommittee to study whether the Commonwealth should adopt an alternate medium of commerce or currency to serve as an alternative to the currency distributed by the Federal Reserve System in the event of a major breakdown of the Federal Reserve System. Report.

Patron—Marshall, R.G.

Referred to Committee on Rules

WHEREAS, the Supreme Court of the United States has ruled in *In re Rahrer*, 140 U.S. 545, 554 (1891), that "the police power" of a State "is a power originally and always belonging to the states, not surrendered by them to the general government, nor directly restrained by the Constitution of the United States, and essentially exclusive"; and

WHEREAS, the Supreme Court of the United States has ruled in *Beer Company v. Massachusetts*, 97 U.S. 25, 33 (1877), that the police power of the states "extend[s] to the protection of the lives, health, and property of the[ir] citizens, and to the preservation of good order"; and

WHEREAS, the protection of the lives, health, and property of Virginia's citizens and the preservation of good order in the Commonwealth depend upon the maintenance of both an adequate system of governmental finance and a sound and robust private economy; and

WHEREAS, an adequate system of governmental finance and a sound and robust private economy cannot be maintained in the absence of a sound currency; and

WHEREAS, from our nation's founding, there has been concern regarding the country's monetary and banking systems and their potential to harm the citizenry; and

WHEREAS, founding father Thomas Jefferson expressed deep concern about the social instability that may ultimately result from bank-issued paper money; in a letter to John Wayles Eppes dated June 24, 1813, Mr. Jefferson stated, "Bank-paper must be suppressed, and the circulating medium must be restored to the nation to whom it belongs"; and

WHEREAS, Mr. Jefferson also cautioned Americans regarding the role that banks play in fostering excessive public borrowing, stating in a letter to John Taylor dated May 28, 1816: "And I sincerely believe, with you, that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale"; and

WHEREAS, this concern has been voiced through the years by many people and was to a certain extent realized during a series of "bank panics" occurring throughout the country's history culminating in the Great Depression in the 1930s; and

WHEREAS, the closing of American banks during the Great Depression led to the issuance of scrip or emergency currency by both public and private institutions beginning in 1933; and

WHEREAS, efforts to establish strong and stable currency markets also proceeded at the international level; and

WHEREAS, to rebuild an international monetary system shattered by World War II, 44 Allied nations met in July 1944 to establish a system of rules, institutions, and procedures to regulate the international monetary system; and

WHEREAS, the resulting agreement, known as the Breton Woods Agreement, began operation in 1945 and established the International Monetary Fund with a key feature being the requirement for each country to adopt a monetary policy that maintained the exchange rate by tying its currency to the U.S. dollar, thereby making the dollar the reserve currency; and

WHEREAS, recent efforts have been made to remove the U.S. dollar as the reserve currency; and

WHEREAS, the present monetary and banking systems of the United States, centered around the Federal Reserve System, have come under ever-increasing strain during the last several years, and will be exposed to ever-increasing and predictably debilitating strain in the years to come; and

WHEREAS, the Federal Reserve System, in addition to the continuing strain it is under, continues to take actions that are questionable and simply not in the best interests of Virginia citizens, including in October 2011 authorizing the transfer of nearly \$76 trillion in credit default swap insurance investment instruments to be insured by the Federal Deposit Insurance Corporation (FDIC) over the FDIC's objection; and

WHEREAS, the legality of the extension of the Federal Reserve System's activities in recent years has been compounded by the role it has taken with respect to the Troubled Asset Relief Protection

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59 Program (TARP) and the distribution of federal stimulus funds; and

60 WHEREAS, officials of the Richmond Federal Reserve Bank have indicated to Delegate Robert
61 Marshall of the Virginia House of Delegates that federal officials had significant doubts regarding the
62 legality of the role of the Federal Reserve System with respect to TARP; and

63 WHEREAS, many widely recognized experts predict the inevitable destruction of the Federal Reserve
64 System's currency through hyperinflation in the foreseeable future; and

65 WHEREAS, in the event of hyperinflation, depression, or other economic calamity related to the
66 breakdown of the Federal Reserve System, for which the Commonwealth is not prepared, the
67 Commonwealth's governmental finances and the Commonwealth's private economy will be thrown into
68 chaos, with gravely detrimental effects upon the lives, health, and property of Virginia's citizens, and
69 with consequences fatal to the preservation of good order throughout the Commonwealth; and

70 WHEREAS, Virginia can avoid or at least mitigate many of the economic, social, and political
71 shocks to be expected to arise from hyperinflation, depression, or other economic calamity related to the
72 breakdown of the Federal Reserve System only through the timely adoption of an alternative sound
73 currency that the Commonwealth's government and citizens may employ without delay in the event of
74 the destruction of the Federal Reserve System's currency; and

75 WHEREAS, "legal tender" denotes a currency that must be accepted in payment of a debt
76 denominated in United States "dollars" if the parties have not stipulated that some alternative currency is
77 to be used as their medium of payment or are not otherwise required to use such alternative currency;
78 and

79 WHEREAS, the Federal Reserve System's currency has been designated "legal tender" under color of
80 Title 31, United States Code, Section 5103; and

81 WHEREAS, under Title 12, United States Code, § 411 and Title 31, United States Code, § 5118(b)
82 and (c), the Federal Reserve System's currency is not redeemable in gold or silver coin or the equivalent
83 in bullion; and

84 WHEREAS, that the Federal Reserve System's currency is not redeemable in gold or silver coin or
85 the equivalent in bullion is being identified by more and more experts as a, if not the, major reason for
86 the ever-increasing instability of the Federal Reserve System; and

87 WHEREAS, all gold and silver coins of the United States are designated "legal tender" under the
88 aegis of Title 31, United States Code, §§ 5103 and 5112(h) and must be so designated perforce of
89 Article I, Section 8, Clause 5 and Article I, Section 10, Clause 1 of the United States Constitution; and

90 WHEREAS, pursuant to Article I, Section 10, Clause 1 of and the Tenth Amendment to the United
91 States Constitution, each state must make gold and silver coin a tender in payment of debts; and

92 WHEREAS, the Supreme Court of the United States in *Lane County v. Oregon*, 74 U.S. (7 Wallace)
93 71, 76-78 (1869), and *Hagar v. Reclamation District No. 108*, 111 U.S. 701, 706 (1884), has ruled that
94 the states may adopt whatever currency they desire for the purposes of performing their sovereign
95 governmental functions, even to the extent of adopting gold and silver coin for those purposes while
96 refusing to employ a currency not redeemable in gold or silver coin that Congress has designated "legal
97 tender"; and

98 WHEREAS, "the police power" being the primary sovereign governmental function of every state,
99 under *Lane County* and *Hagar* every state may adopt its own currency, consisting of gold or silver, or
100 both, whenever necessary and proper to facilitate exercises of that power in aid of the general welfare of
101 the state and its citizens; and

102 WHEREAS, under the aegis of Title 31, United States Code, § 5118(d)(2), and perforce of Article I,
103 Section 8, Clause 5 and Article I, Section 10, Clause 1 of, and the Ninth and Tenth Amendments to, the
104 Constitution of the United States, Americans may employ whatever currency they choose to stipulate as
105 the medium for payment of their private debts, including gold or silver, or both, to the exclusion of a
106 currency not redeemable in gold or silver that Congress may have designated "legal tender"; and

107 WHEREAS, under the aegis of Title 31, United States Code, § 5118(d)(2), and perforce of Article I,
108 Section 8, Clause 5 and Article I, Section 10, Clause 1 of, and the Ninth and Tenth Amendments to, the
109 Constitution of the United States, the citizens of Virginia may choose to employ as the medium for
110 payment of their private debts whatever alternative currency, consisting of gold or silver, or both, that
111 the Commonwealth may adopt in the exercise of "the police power"; and

112 WHEREAS, in light of the possible instability of the Federal Reserve System, proposals for states
113 and their citizens to adopt an alternative currency consisting of gold or silver, or both, are receiving
114 increasing attention throughout the United States, as evidenced by bills that have been or are being
115 introduced in the legislatures of the other states; and

116 WHEREAS, various systems of alternative currency employing gold or silver, or both, in the form of
117 coin or its equivalent in bullion have already proved themselves in the free market and could either be
118 employed by the Commonwealth directly or be used as models for a new system created by the
119 Commonwealth to meet Virginia's unique needs; and

120 WHEREAS, the adoption of an alternative currency consisting of gold or silver, or both, would not

destabilize the present monetary and banking systems, the Commonwealth's governmental finances, or Virginia's private economy because it would not compel or commit the Commonwealth or her citizens to employ such alternative currency to the exclusion of the Federal Reserve System's currency immediately, but would merely make the alternative currency available, and enable it to be used in competition with and preference to the Federal Reserve System's currency, to the degree that the need for such use became apparent; and

WHEREAS, the United States Congress, the U.S. Department of the Treasury, and the Federal Reserve System have taken and are preparing to take no action to provide the United States with an alternative to the Federal Reserve System's currency, in the likely event that the latter would be destroyed through hyperinflation; and

WHEREAS, because legislators in Virginia know or should know all of these facts; and because the General Assembly has the authority, the ability, and the duty to take timely action to deal with this situation without first seeking the approval of or assistance from Congress or any other state; and because the Constitution of Virginia provides, "That all power is vested in, and consequently derived from, the people, that magistrates are their trustees and servants, and at all times amenable to them" - for these reasons, the citizens of the Commonwealth will properly conclude that the members of the General Assembly will be primarily responsible if the Commonwealth is found to be without an alternative medium of commerce or currency when the Federal Reserve System's currency collapses in hyperinflation, or some other related economic calamity supervenes; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to study whether the Commonwealth should adopt an alternate medium of commerce or currency to serve as an alternative to the currency distributed by the Federal Reserve System in the event of a major breakdown of the Federal Reserve System.

The joint subcommittee shall consist of eight legislative members who shall be appointed as follows: five members of the House of Delegates to be appointed by the Speaker of the House of Delegates in accordance with the principles of proportional representation contained in the Rules of the House of Delegates and three members of the Senate to be appointed by the Senate Committee on Rules. The joint subcommittee shall elect a chairman and vice-chairman from among its membership.

In conducting its study, the joint subcommittee shall call or hear from such witnesses and take such other evidence as it deems appropriate and shall consider recommendations for legislation, with respect to the need, means, and schedule for establishing such an alternative currency.

Administrative staff support shall be provided by the Office of the Clerk of the House of Delegates. Legal, research, policy analysis, and other services as requested by the joint subcommittee shall be provided by the Division of Legislative Services. Technical assistance shall be provided by the Treasurer of the Commonwealth of Virginia and the Bureau of Financial Institutions of the State Corporation Commission. All other agencies of the Commonwealth shall provide assistance to the joint subcommittee for this study, upon request.

The joint subcommittee shall be limited to six meetings for the 2013 interim, and the direct costs of this study shall not exceed \$22,560 without approval as set out in this resolution. Approval for unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the joint subcommittee and the respective Clerk. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required.

No recommendation of the joint subcommittee shall be adopted if a majority of the House members or a majority of the Senate members appointed to the joint subcommittee (i) vote against the recommendation and (ii) vote for the recommendation to fail notwithstanding the majority vote of the joint subcommittee.

The joint subcommittee shall complete its meetings by November 30, 2013, and the chairman shall submit to the Division of Legislative Automated Systems an executive summary of its findings and recommendations no later than the first day of the 2014 Regular Session of the General Assembly. The executive summary shall state whether the joint subcommittee intends to submit to the General Assembly and the Governor a report of its findings and recommendations for publication as a House or Senate document and shall specify the date by which the report shall be submitted. The executive summary and the report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports, and shall be posted on the General Assembly's website.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or delay the period for the conduct of the study, or authorize additional meetings during the 2013 interim.