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## HOUSE JOINT RESOLUTION NO. 3

Offered January 10, 1996

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*Memorializing the Congress of the United States to make certain amendments to the Federal Reserve Act.*

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Patron—Marshall

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Referred to Committee on Rules

WHEREAS, the United States economy is today plagued by continuing erosion of security and quality of family life, a growing gap between the rich and the nonrich, inadequate growth alongside shackled technological potential, debilitating waste and underemployment of human talent, shrinking energy supplies, and mounting governmental debt being imposed on future generations; and

WHEREAS, the reindustrialization, waste management and energy self-sufficiency of the American economy will require trillions of dollars of new and improved industrial technology as American enters the twenty-first century; and

WHEREAS, the Joint Economic Committee of Congress has declared the broadening of ownership of new capital as an effective strategy for raising national productivity and this new national goal is being seriously frustrated by the monopolization of economic power and access to future capital credit; and

WHEREAS, the Federal Reserve System has crippled growth of America's productive capacity through counterproductive monetary policy, by monetizing public sector growth and mounting federal debt; by favoring Wall Street speculators over Main Street commercial bankers; by shortchanging the capital credit needs of entrepreneurs, inventors, farmers and workers; by increasing the dependency of families by burdening them with the wrong kinds of credit; and by perpetuating unjust capital credit barriers between rich and nonrich Americans; and

WHEREAS, there is a fundamental difference between credit for productive uses and credit for nonproductive uses or consumption, the first being critical for stimulating private sector investment, savings and the supply of new marketable wealth, the second being used to give people more inflated dollars to chase the same supply of existing wealth; and

WHEREAS, the Federal Reserve Board should use its existing powers to reform monetary policy to discourage nonproductive and speculative uses of credit, and to encourage accelerated rates of private sector growth linked to widespread individual access to productive credit among working Americans, thereby expanding future ownership opportunities; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Congress of the United States be requested to amend the Federal Reserve Act to require the Federal Reserve Board to immediately stop monetizing government debt through its buying and selling of U.S. Treasury securities, and to begin reactivating its discount mechanism to encourage private sector growth linked to expanded ownership opportunities for all Americans; and, be it

RESOLVED FURTHER, That the Federal Reserve Board should adopt a two-tiered money-creation and interest rate policy that sharply distinguishes between ownership-expanding productive capital credit, and ownership-concentrating and nonproductive uses of credit. The upper tier, reflecting the higher market costs of borrowing money from existing domestic and foreign savings pools and existing assets, should continue to be maintained as a source of market-rate credit to public sector borrowers, consumers, speculators, and for all other nonproductive purposes. The Federal Reserve discount rate for the lower tier should immediately be reduced to no higher than 0.5 percent, to cover the federal government's cost of administering the linkage between growth in the overall money supply with ownership-broadening, noninflationary productive growth in the U.S. economy; and, be it

RESOLVED FURTHER, That this new reservoir of Federal Reserve monetized credit should be reserved exclusively for commercial bank members of the Federal Reserve System to the extent they in turn make available widespread citizen access to capital credit at reasonable interest rates, with prime rates set by market forces above the 0.5 percent cost of money to the member banks. Such expanded bank credit should not be subsidized by the taxpayers and should be backed and collateralized by widely owned private sector assets and insured against the risk of default by commercial capital credit insurers and reinsurers; and, be it

RESOLVED FURTHER, That only ownership-broadening capital credit mechanisms such as employee stock ownership plans, consumer stock ownership plans, community investment corporations, individual stock ownership plans (special individual retirement accounts), production and marketing cooperatives, partnerships, and family-owned and -operated businesses and farms should qualify to

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60 borrow from their local banks to lower tier rates; and be it

61       RESOLVED FURTHER, That the Clerk of the House of Delegates transmit copies of this resolution  
62 to the President of the United States, the President of the United States Senate, the Speaker of the  
63 House of Representatives, and the members of the Virginia Congressional Delegation so that they may  
64 be apprised of the sense of the General Assembly of Virginia in this matter.