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HOUSE JOINT RESOLUTION NO. 557

Offered January 12, 2011

Prefiled January 5, 2011

Establishing a joint subcommittee to study whether the Commonwealth should adopt a 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.

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

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

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

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

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

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

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

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

WHEREAS, pursuant to Article I, Section 10, Clause 1 of and the Tenth Amendment to the Constitution of the United States, each State must make gold and silver coin a Tender in Payment of Debts; and

WHEREAS, the Supreme Court of the United States in *Lane County v. Oregon*, 74 U.S. (7 Wallace) 71, 76-78 (1869), and *Hagar v. Reclamation District No. 108*, 111 U.S. 701, 706 (1884), has ruled that

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59 the States may adopt whatever currency they desire for the purposes of performing their sovereign
60 governmental functions, even to the extent of adopting gold and silver coin for those purposes while
61 refusing to employ a currency not redeemable in gold or silver coin that Congress has designated "legal
62 tender"; and

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

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

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

77 WHEREAS, in light of the possible instability of the Federal Reserve System, proposals for states
78 and their citizens to adopt an alternative currency consisting of gold or silver, or both, are receiving
79 increasing attention throughout the United States, as evidenced by bills that have been or are being
80 introduced in the legislatures of the States of Georgia, Indiana, Montana, New Hampshire, and South
81 Carolina; and

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

86 WHEREAS, the adoption of an alternative currency consisting of gold or silver, or both, would not
87 destabilize the present monetary and banking systems, the Commonwealth's governmental finances, or
88 Virginia's private economy, because it would not compel or commit the Commonwealth or her citizens
89 to employ such alternative currency to the exclusion of the Federal Reserve System's currency
90 immediately, but would merely make the alternative currency available, and enable it to be used in
91 competition with and preference to the Federal Reserve System's currency, to the degree that the need
92 for such use became apparent; and

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

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

106 RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be
107 appointed to study whether the Commonwealth should adopt a currency to serve as an alternative to the
108 currency distributed by the Federal Reserve System in the event of a major breakdown of the Federal
109 Reserve System.

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

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

118 Administrative staff support shall be provided by the Office of the Clerk of the House of Delegates.
119 Legal, research, policy analysis, and other services as requested by the joint subcommittee shall be
120 provided by the Division of Legislative Services. Technical assistance shall be provided by the Treasurer

121 of the Commonwealth of Virginia and the Bureau of Financial Institutions of the State Corporation
122 Commission. All other agencies of the Commonwealth shall provide assistance to the joint subcommittee
123 for this study, upon request.

124 The joint subcommittee shall be limited to six meetings for the 2011 interim, and the direct costs of
125 this study shall not exceed \$12,000 without approval as set out in this resolution. Approval for
126 unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the
127 joint subcommittee and the respective Clerk. If a companion joint resolution of the other chamber is
128 agreed to, written authorization of both Clerks shall be required.

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

133 The joint subcommittee shall complete its meetings by November 30, 2011, and the chairman shall
134 submit to the Division of Legislative Automated Systems an executive summary of its findings and
135 recommendations no later than the first day of the 2012 Regular Session of the General Assembly. The
136 executive summary shall state that the joint subcommittee intends to submit to the General Assembly
137 and the Governor a report of its findings and recommendations for publication as a House or Senate
138 document and shall specify the date by which the report shall be submitted. The executive summary and
139 the report shall be submitted as provided in the procedures of the Division of Legislative Automated
140 Systems for the processing of legislative documents and reports, and shall be posted on the General
141 Assembly's website.

142 Implementation of this resolution is subject to subsequent approval and certification by the Joint
143 Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or
144 delay the period for the conduct of the study, or authorize additional meetings during the 2011 interim.