

## THE FOURTH OPTION FOR A MASSIVE SURGE IN JOBS

Today, our political leaders are considering 3 options to create new jobs across America.

- Option One – Raise Taxes
- Option Two – Borrow More Money
- Option Three – Cut Existing Programs

We are proposing a Fourth Option for a massive surge in jobs. Let's use the authority given by the constitution to the Congress to create the necessary money to build and repair the nations desperately needed infrastructure. By Congress creating money, there is **no debt, nor interest** to be paid and **no increase in taxes or having to cut other programs to free up funds.**

There must be people working to earn money to buy products, needed services, own homes and pay necessary taxes. Sales and income taxes, along with real estate taxes are the life blood that supports state and local governments.

To generate the millions of jobs needed, I propose a massive infrastructure program because it is needed throughout the country. Also, every product that goes into the projects that are built must be manufactured thus producing even more jobs.

I recommend, in addition to federal projects, a formula be used in which every state, county, city and school district receives grant amounts based on their respective population or school enrollment. This assures the citizens that every community would receive its share for projects that they determine are needed and necessary. Every community would be able to see and use the project built or repaired and thus have confidence in the plan.

**The federal government can fund this program by creating the money, debt free and interest free.** President Abraham Lincoln used exactly this method in financing the Civil War for the North. He initially turned to the New York banks for loans but when they quoted interest rates at 26 to 34 per cent he had the Congress use its authority under the U.S. Constitution, Article I, Section 8, Clause 5, to create a separate currency which came to be known as "greenbacks". A total of \$449,338,902 of greenbacks were produced, debt free and interest free and used to pay soldiers, buy supplies and thus hold our country together. Greenbacks were legal tender and used by anyone for all debts, public or private. A new currency is not needed to create the money necessary to fund the infrastructure plan.

In 1999, I wrote the draft of a bill introduced in the U.S. House of Representatives by then Congressman Ray LaHood, Republican, from Peoria, Illinois. It was H.R.1452, a bill to have Congress create the money to fund an identical program

as suggested above but for "interest free loans" rather than "grants". Times have changed. We need the grants as very few, if any, state or local governments or school districts are in a position to borrow more and their taxpayers want no increase in their taxes.

My draft was given to the Legislative Council to put the bill into legal terminology and make sure it was constitutionally correct. Members of the Legislative Council are nonpolitical and extremely knowledgeable of the U.S. Constitution. I mention this especially because the Legislative Council used the following words in the bill (emphasis are mine)

"Title - A Bill to **create** United States money in the form of non interest bearing credit in accordance with the 1<sup>st</sup> and 5<sup>th</sup> clauses of section 8 of Article I of the Constitution of the United States, to provide non interest bearing loans of the **money so created** to State and local governments solely for the purpose of funding capital projects.

Section 2. FINDINGS. Paragraph (3) The constitutional authority to **create** and regulate money does not limit the Federal Government to **creating** money through the production of coins or currency or the process of debt creation but, except for a brief period during the administration of President Lincoln, the Federal Government has not exercised such authority more broadly.

Paragraph (4) The **creation of money by the banks** in conjunction with the Federal Reserve banks does **not limit** the constitutional authority of the Congress to **create** Government credit funds in the form of non- interest bearing credit to fund a legislatively approved program **or prevent** the Congress from **creating** such funds.

Section 3. **CREATION OF MONEY**, Paragraph (a) in GENERAL.-Pursuant to the exercise by the Congress of the authority contained in the 5<sup>th</sup> clause of section 8 of Article I of the Constitution, the Secretary of the Treasury **shall have money available for purposes of this act.**"

HR 1452 did not get a hearing in the subcommittee to which it was assigned. The chairman did host a meeting to which he invited the Federal Reserve, the Congressional Budget Office, the Library of Congress and staff members. After I presented the bill and answered questions, the Federal Reserve representative acknowledged that Congress could create the money for the bill but the decision to do so it would be up to a vote by members of Congress like any other bill. Then he said, "But members of Congress won't understand it and would be more comfortable doing it (funding the bill) like they always have, borrowing the money." Heads in the room nodded in agreement.

That astounding statement and response aside, I have proven the bill had irrefutable constitutional authority. Furthermore, we should never accept the

words, "do not understand it" to be the final words in an important discussion of a serious effort to solve a huge economic problem. The public is absorbing unnecessary suffering in this jobless time while having to carry an unsustainable debt.

With a suggested initial issue of \$945 billion created by the Congress, states would receive \$1,200 times their respective population, counties - \$800, cities - \$800, school districts - \$2,400 times their enrollment. With such grant money for infrastructure, taxes can be lowered and/or debts can be paid down and necessary programs saved.

Would \$945 billion created by the federal government cause inflation? The answer is clear when three questions are answered in the affirmative. (1) **Are you building needed wealth with this plan?** (or is every road and bridge safe, every water, sewer and waste disposal system adequate, every school have 21<sup>st</sup> century technology)? (2) **Is there available labor?** (or is everyone who wants a job already working)? (3) **Will there be available supplies?** (or are manufacturing plants all operating at full capacity)? Absolutely yes to all three. The program can continue each year at varying amounts with the monitoring of these three questions.

There must also be an understanding of the current banking system to realize there will be no necessary inflation. Banks do not loan depositors' money as savings and loans, mutual savings banks and credit unions did until the 1980s. These institutions were "middle men"- taking in savings deposits, paying depositors interest and lending the money to borrowers at a higher rate of interest primarily for home building loans and mortgages. Congress passed two acts - one in 1980 and another in 1982. The effect of these Acts was to enable some thrifts to make commercial loans - in other words, to create money just like banks. "Commercial banks, however, lend in a different way. They create new checkbook dollars and add them to a borrower's checking account." (The Story of Banks, Federal Reserve Bank of New York, page 4.)

Banks have money to lend but have two problems. They are under more restrictions and requirements, caused not all of their own doing. Also there are considerably fewer creditable borrowers due to the poor economy, unemployment and under employment. There is, therefore, a "knot" in the flow of money from banks to borrowers. The flow of money is a needed absolute for a healthy economy. No flow, then an economy is on life support.

Every check that the federal government writes for this program and sent to the states, counties, cities and school districts is deposited in their respective banks. Banks add up the total deposits from checking, savings, certified deposits etc. and use a formula that eventually generates ten times the total deposits even with their reserve requirements. With the increase in deposits from the government sponsored infrastructure program, the Federal Reserve might very well instruct

banks to lower their multiplier of created money from ten to nine or eight or whatever is still both safe but needed by the banks to cover the needs of borrowers.

In summary, with the federal government providing the **initial** creation of money, instead of banks, the desperately needed jobs will follow and needed spending will occur. Government created money used in this manner can untie the knot and allow banks to make more loans. It's a win for individuals, businesses, banks, state and local governments and school districts.

So, can such a program become a reality? President Lincoln and his Congress showed us that it can be done and successfully. Citizens should no longer lament that the federal government can only tax, borrow or cut needed services and manpower but fully realize now that there is a **fourth option**. With clearer knowledge of the U.S. Constitution and the wording in HR 1452, this proposal can definitely be put into action for the benefit of federal, state and local governments and all the citizens.

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