



Rep. Dennis Kucinich: Replace the Fed with a New Monetary Authority

Rep. Dennis Kucinich's (left) recent offering of his "National Emergency Employment Defense Act" (NEED Act) is designed to remove all money creation powers from the Fed to a newly established congressional agency, the Monetary Authority. According to Kucinich, the bill "would reassert congressional sovereignty and regain control of monetary policy from private banks [the Federal Reserve]" by placing that control into the hands of "a separate Monetary Authority made up of experts" responsible for managing monetary policy. That Monetary Authority would advise the



Treasury how much money is needed in the economy. Treasury [would advise] Congress how much recycled or new money is required to pay off debt (as it comes due) and supplement existing revenues to fund infrastructure renewal, grants and loans to state and local governments, education and other priorities, as appropriated by Congress.

From the [actual language](#) of the bill, it promises everything: to create full employment, to retire the national debt, to stabilize Social Security, to restore the authority of Congress to create and regulate money, to modernize and provide stability for the monetary system, and for other public purposes. In the body of the bill it reiterates that the authority to create money is a sovereign power vested in the Congress under Article I, Section 8 of the Constitution, and that the purpose of the act is as follows:

... [T]o create a Monetary Authority which shall pursue a monetary policy based on the governing principle that the supply of money in circulation should not become inflationary nor deflationary in and of itself, but will be sufficient to allow goods and services to move freely in trade in a balanced manner. The Monetary Authority shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.

The problems with such legislation are many and varied, not the least of which is Kucinich's misreading of what the Constitution actually says about creating money. The language from Article I Section 8 is simple: The Congress shall have the power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures. The word create is missing. In a careful analysis of the matter, constitutional lawyer Edwin Viera [noted](#) that the constitutional dollar is a specific silver coin and nothing else. The dollar consists of 371.25 grains (troy) of fine silver. And the power to print paper money was specifically excluded from the enumerated powers under that Article. He concludes that the emission of every form of paper currency by the General Government is as utterly unconstitutional as the emission of paper currency by the states.



In a [similar critique](#) of Kucinich's bill, [Don Swenson](#) points out that the Act fails to resolve the major flaw in all paper or fiat currencies: namely, the core purpose of money. To serve as a monetary unit, money must be a standard of value, a store of value, and a medium of exchange. What that means is that, according to Swenson, any type of fiat money cannot work as it is subjectively administered by basically one or a few select policymakers who have their [own] subjective limitations. In other words, the new Monetary Authority would simply be a replacement of the existing Federal Open Market Committee (FOMC) of the Federal Reserve, and not an improvement.

Anthony Wile, [writing for *The Daily Bell*](#), was even more direct:

To advance the idea that this financial syndrome would be halted by taking the Fed's mandate and placing it in the hands of Barney Frank and Nancy Pelosi is nonsensical.

Those who print paper money delinked from assets will never know how much to print. It is simply impossible to tell how much money the economy needs and therefore paper money would continue to be over-printed no matter who printed it. Wall Street abuses would therefore continue, main street insolvency would rise. And most likely, the power elite would therefore continue to exercise the power of the purse through the elected officials it controls.

If Kucinich were serious and not just interested in promoting another iteration of the ills which currently plague the citizenry, he would propose the following ([courtesy Ed Viera](#)):

1. Reinstate the real constitutional dollar consisting of 371.25 grains of fine silver
2. Reestablish free coinage whereby anyone may bring gold or silver to the mint to be coined into real money
3. Eliminate all legal tender laws foisting required acceptance of unsound or unbacked paper currency onto the citizenry
4. Prohibit all forms of paper currency by the federal or state governments, and most importantly
5. Separate banks from the government so that no private bank can claim to exercise any special privilege [from the government].

When we asked John Birch Society President John F. McManus his thoughts concerning Rep. Kucinich's proposal to reform the Federal Reserve by transferring its authority to create money to a Monetary Authority, he replied succinctly: You can't reform a cancer; you have to root it out!



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