

Norburn Monetary Reform Act

Detailed White Paper

Executive Summary

The Norburn Monetary Reform Act proposes a post-fractional reserve monetary system that centralizes the creation of money under an independent Department of Money. It eliminates credit-driven economic cycles, promotes transparency, enhances fiscal stability, and ensures that the public benefits directly from monetary issuance.

1. Institutional Structure

1.1. Department of Money

The Department of Money (DoM), a.k.a. the Monetary Authority (MA), is created as an independent agency under the U.S. Department of the Treasury, subject to Congressional oversight. It replaces the current monetary creation functions of the Federal Reserve.

1.2. Governance

The MA is led by a Board of Governors appointed by the President and confirmed by the Senate for staggered, non-renewable 14-year terms; one term expiring every two years.

The governors must have expertise in economics, banking, or public finance, and the board must publicly report, quarterly, on the money stability index (MSI) calculations, its targets, and its actions.

The MA reports annually to Congress and the public. Direct discretionary actions by politicians are prohibited. The MA only follows economic rules and transparent guidelines that may be updated and refined to meet policy objectives.

1.3. Qualifications for MA Appointees and Decision Makers

Nominees to the Board of Governors and for other decision-making positions within the DoM, must have a public finance ethics certification and pass a Congressional ethics and conflict of interest review. Appointees must have relevant economic experience such as 10 years, or more, in central banking, large commercial banking, or sovereign finance. Ph.D. in Economics, Monetary Theory, Finance, or Public Administration can also be

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helpful. At least one-third of the governors must not have direct fiscal ties to Wall Street or large banks.

1.4. Removal of Governors

All Governors, including the Chairman, are immune from at-will removal by the President or Congress. They may only be removed for:

- Gross Incompetence
- Willful Violation of NMRA policies
- Negligent Actions causing material harm to the monetary system
- Criminal misconduct or conviction
- Conflict of interest or financial corruption
- Partisan participation in domestic politics
- Manipulation of data to achieve a pre-determined outcome that is detrimental to the United States economy

Material harm to the monetary system may be, but is not limited to, four consecutive quarters of the Money Stability Index out of statutory bounds due to governance mismanagement, excessive unapproved money creation, or repeated failure to meet reporting and transparency obligations.

Partisan participation in domestic politics includes overtly taking sides in domestic politics and applying different actions to similar circumstances under two different political administrations.

1.5. Independent Monetary Oversight Tribunal (IMOT)

The IMOT is an independent body that is empowered to investigate and, based on their findings, recommend removal of a member of the Board of Governors. The IMOT is composed of four members nominated by the President and confirmed by the Senate, and one independent expert chosen by bipartisan Congressional finance committees. Members of the IMOT serve staggered six-year terms.

1.6. Structured Removal and Appeal Process

Complaints may be filed by the: President, Congress (via supermajority vote), Monetary Tribunal, Treasury Inspector General, or by public petitions with at least 500,000 verified signatures.

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The IMOT conducts up to a 90-day investigation by reviewing economic data, internal DoM records, and testimony from experts. The IMOT must publish full public reports after each investigation regardless of their finding.

The Chairman, or other Governors, are entitled to a right to counsel, a public hearing, and the right to present evidence and cross-examine any witnesses or subject matter experts.

Removal of the Chairman, or other Governors, requires finding of cause based on facts and NMRA law, and a supermajority (4 out of 5) vote by the IMOT.

Removed Governors may appeal to a special panel of the U.S. Court of Appeals for the D.C. Circuit within 30 days of removal. The Court reviews to ensure that the IMOT's decision was not arbitrary, capricious, or unsupported by substantial evidence.

After a removal, the President is prohibited from nominating a replacement until a 60-day Congressional review period expires.

Any attempt, by elected officials, who threatens removal, in order to coerce monetary policy actions, is subject to five-years in prison and disqualification from federal office.

2. Principles of Money Creation

2.1. Prohibition of Fractional Reserve Lending

Commercial banks can only lend money borrowed from the DoM or raised via equity.

2.1.1. Private Equity Lending

In order to regulate private equity lending, the DoM has the following rules:

- All loans above \$5M require registration on blockchain.
- Source of funds tracked (debt vs. equity).
- No double-counting of equity and loans allowed.
- Automatic alerts for anomalies in balance sheets or reserve requirements.

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- Auditors empowered to immediately suspend bank operations for major violations.

2.2. Money Creation

Unlike the Federal Reserve, the DoM cannot arbitrarily expand or contract bank credit via a fractional reserve system. Instead, it directly manages money creation against objective indicators.

The MA is only authorized to create money for the following three purposes:

- To fund federal government operations,
- To lend to commercial banks for public and private sector borrowing,
- To purchase public-purpose municipal bonds.

The three primary goals for the MA's money creation are:

- Maintain monetary stability (price stability and purchasing power consistency)
- Ensure full employment without overheating the economy
- Provide stable, non-cyclical expansion of the money supply aligned with real economic output.

2.3. Public Benefit from Money Creation

All interest collected by the DoM is deposited in the U.S. General Fund and becomes a special Money Creation Surplus Fund, which is for exclusive use for debt reduction and physical infrastructure investments.

2.3.1. Money Creation Surplus Fund

The purpose of the Money Creation Surplus Fund (MCSF) is to capture surplus money created (seigniorage) after loans are repaid with interest.

It is structured as a locked sovereign wealth fund. Congress is only authorized to allocate it for national infrastructure maintenance or improvements, debt repayment, and disaster relief — not social spending or entitlements.

In order to allocate funds from the MCSF it requires:

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- A supermajority of Congress (e.g., 2/3 vote).
- Strict constitutional amendment-style constraints.
- Independent annual audit published publicly.
- Multi-year spending plans approved by the Citizens Oversight Board.

2.4. Money Creation Channels

The DoM creates money by collateralizing, loaning, or purchasing debt from three sources:

- Federal budget financing.
- Loans to commercial banks.
- Municipal bond purchases.

2.4.1. Federal Government Financing

Weekly, the Treasury Department submits funding needs to the MA. The MA reconciles request against the Congressionally authorized budget, and if it is an authorized expenditure, it transfers funds directly to the Treasury operation accounts. These amounts are treated like sovereign credit and recorded as federal liabilities to be retired through taxes and bond repayments. The Federal government does not pay interest on funds for government expenditures.

Federal government financing is limited to the amount of money estimated to receive in taxes every year. The exception to its funding limit is when the nation is in a Congressionally declared war, Congressionally declared natural disaster, or other Congressionally declared national emergency.

MA can expand money supply no more than 0.5% per quarter unless overridden during war or national emergency (Congressional Declaration). Emergency overrides are limited to up to 1.5% per quarter, but requires supermajority vote (2/3rds Congress).

The limitation on federal financing is necessary to:

- Build long-term stability and prosperity for the general public.
- Protect the nation's money and economy.

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- Make politicians accountable to taxpayers.
- Guard against inflation caused by political over-spending.
- Force the federal government to live within its economic means during normal times.
- Prevent political corruption of monetary policy.
- Keep the borrowing power preserved for actual crises.

2.4.1.1. Hard Monetary Creation Cap Based on MSI and Tax Capacity

The DoM computes the maximum permissible money issuance using:
Maximum New Money Issuance (MNMI)= f(Projected Tax Revenue, Debt Repayment Schedule, MSI, GDP Growth).

Statutorily, the DoM cannot issue more than a percentage (e.g., 90%) of projected federal tax revenues for the coming fiscal year unless Congress explicitly authorizes excess issuance during a national emergency.

2.4.1.2. Authorized Expenditure Tracking System (AETS)

The DoM will institute a blockchain-based smart contract platform that links every dollar of newly issued currency to:

- A legislatively-approved budget line item, tagged with a unique identifier (e.g., HR2025-FED-HEALTH-0021).
- A timestamped issuance hash tied to a corresponding department or agency.
- Auditable metadata: user, purpose, monetary amount, and legal authority.

2.4.1.3. Two-Key Authentication for Monetary Release

The DoM employs a double approval requirement for every money release. The DoM and the Government Accountability Office (GAO) must co-sign digital issuance authorizations.

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Double approval ensures monetary issuance is not unilateral, but triggered only by matching an approved appropriation with MSI-compliant issuance.

2.4.1.4. Integrated Real-Time Tax and Expenditure Dashboard

The DoM will use a public-facing fiscal and monetary tracker, updated daily, showing:

- Total money issued YTD
- Tax revenue collected
- Authorized vs. actual disbursements
- MSI trend line and issuance thresholds

The exception to the public-facing fiscal tracker is the DoD and IC community budgets, which will be reported as one lump sum and requires special oversight to ensure fiscal integrity and adherence to the Executive Branch.

2.4.1.5. Feedback Loop Enforcement

If the Money Stability Index (MSI) crosses a danger threshold (e.g., > 5.5):

- All money issuance is automatically paused.
- Counter-cyclical fiscal levers are activated (e.g., tax credits, issuance rebates).
- Congress is alerted to initiate automatic audits of ongoing spending programs.

2.4.1.6. Independent Monetary Integrity Tribunal (IMIT)

Congress appoints an Independent Monetary Integrity Tribunal composed of rotating economists and forensic auditors. The IMIT audits issuance programs, and, quarterly, publishes findings in public reports. The IMIT has authority to halt or freeze disbursements that breach compliance thresholds.

2.4.1.7. End-to-End Audit Trails on all Monetary Issuances

The DoM ensures that every Treasury Note (TN) is:

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- Digitally signed and traceable through all government spending systems.
- Hash-matched to its legal authorization, logged in immutable ledger records.
- Accessible for instant forensic audit by oversight bodies and the public.

2.4.2. Loans to Commercial Banks

The MA issues loans to commercial banks, dollar-for-dollar, for reloaning to households and businesses. Banks must meet credit standards and maintain risk reserves from their own capital. These funds may not be mixed with depositor funds for the purpose of credit creation. Additionally, banks cannot lend more than their capital base plus authorized Treasury loans. To discourage risky overnight lending spikes, aggregate unsettled liabilities between banks must not exceed 2% of combined Tier 1 capital.

2.4.2.1. Borrower Specific Credit Spreads

Banks and institutions applying for funds from the DoM are assigned credit spreads based on:

- **Risk-Weighted Assets:** Higher risks profiles pay higher interest margins.
- **Historical Default Rates:** Poor performing lenders pay higher spreads.
- **Compliance Records:** Institutions with past violations pay surcharges.

Example Spread Table:

Bank Risk Rating	Credit Spread Over Base Rate
AAA	+0.25%
AA	+0.5%
A	+0.75%
BBB	+1.0%
BB and below	+1.5% or denied access

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2.4.3. Municipal Bond Purchases

The MA can fund state and local governments via direct bond purchase or loan programs. Interest rates for these loans are indexed to inflation and subject to a cap (e.g., 2%) to reduce taxpayer burden. All municipal obligations must pass standard risk assessments and be fully disclosed to the public.

2.4.4. Interest Repayment

No interest is charged by the MA until funds are disbursed to the end borrowers. Banks repay loans to the MA with principle plus agreed interest. Interest revenue from banks is deposited in the U.S. General Fund.

2.5. Money Supply Targeting

The MA uses a rules-based formula and real-time economic data to adjust issuance. Emergency increases to the money supply require temporary Congressional authorization. Ostensibly, the MA needs to maintain the money supply to be equivalent to the nation's GDP growth plus inflation targets, yet GDP is a lagging indicator that can also be misleading, so the MA will direct money creation using the Money Stability Index (MSI), which is composed of GDP growth, inflation rate, unemployment rate, and business sentiment.

Indicator	Weight	Why It Matters
GDP Growth	40%	Measures real production and services output
Inflation Rate	20%	Ensures money supply matches goods and services growth
Unemployment Rate	20%	Signals labor market slack or overheating
Business Sentiment	20%	Forward-looking confidence in the economy

The MSI quantifies how stable the economy is:

- Low MSI → Underheated economy → Need to inject cash
- High MSI → Overheated economy → Limit new cash
- MSI < 2.0 → Expansion mode (inject more cash)
- MSI 2.0–5.0 → Stable mode (modest injections)

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- $MSI > 5.0 \rightarrow$ Tightening mode (no injection or slight withdrawal)

2.5.1. Money Creation Rules

The growth rate of the money supply must equal nonfinancial GDP growth rate of +/-0.5% adjustment for inflation target deviations. The MA is prohibited from creating money unless MSI signals a necessity, or core inflation is below or near its target. The Congress requires a supermajority and presidential approval to override the money creation rules, which is subject to a twelve-month rollback unless renewed in the same manner.

2.6. Calculating Injection Volume

Money Supply Growth Target = Real GDP Growth Rate + Inflation Target

Example:

- If GDP growth is 2.5% and Inflation target is 2%, then Money Supply should grow by $\approx 4.5\%$ that year.

Refinements based on MSI:

- If $MSI < 2$, add +0.5% to 1% extra stimulus
- If $MSI > 5$, subtract 0.5% to 1% from growth target

Actual Money Volume to Inject:

Injection Amount = (Target Money Supply Growth) \times (Existing Total Money Supply)

Suppose the U.S. total money supply is \$20 trillion:

- 4.5% target = \$900 billion needed.
- If MSI shows a need for extra stimulus \rightarrow inject \$1.0 trillion instead.

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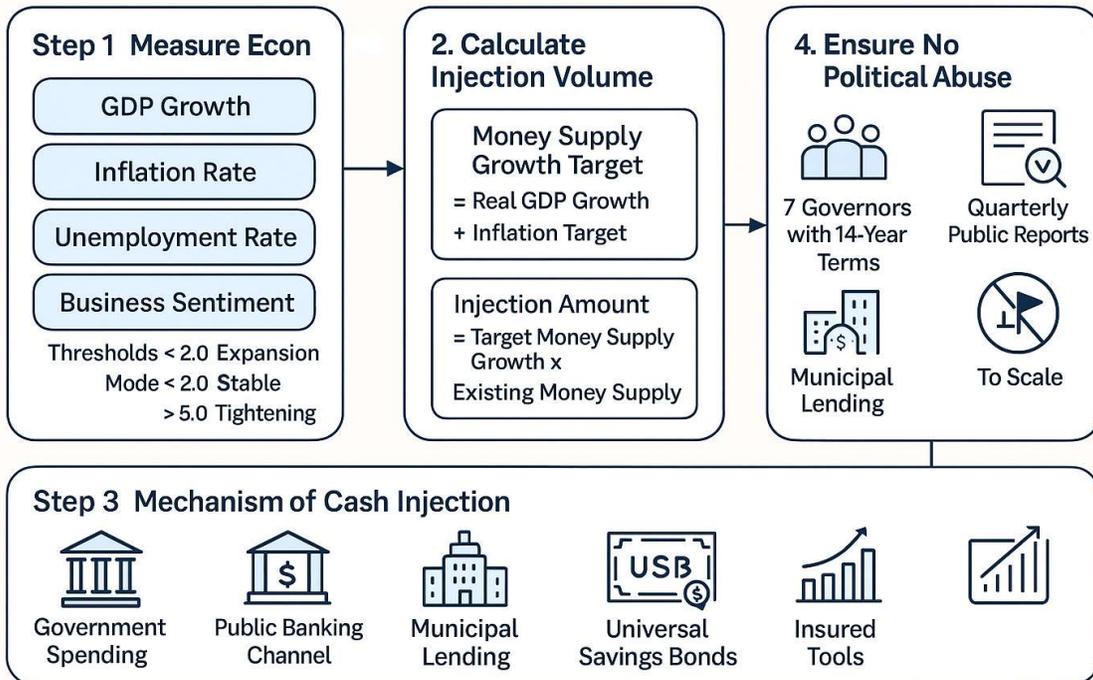
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2.7. Mechanism of Cash Injection

The DoM uses direct and transparent methods to introduce cash into the economy. All created money is backed by real economic activity: goods, services, production — not speculative financial assets.

Tool	How It Works	Impact
Government Spending	Funds newly created money by DoM to pay for government contracts and programs	Direct injection into the real economy
Public Banking Channel	Loans provided to commercial banks for reloan to businesses and consumers	Credit expansion without private money creation
Municipal Lending	Loans to cities, counties, states to fund infrastructure, housing, etc.	Local job creation and service improvements
Universal Savings Bonds	Offer low-risk public bonds to citizens, directly funded by new money	Encourage personal savings while stabilizing money velocity

Department of Money: Cash Injection Process



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2.8. Currency to Money Supply Ratio

The MA targets between 10% to 15% of the total money supply to exist as physical Treasury Notes (TN), which matches modern cash demand ratios.

The MA distributes TNs direct to banks via the DoM, or cash requests by commercial banks logged on a blockchain ledger.

Businesses receive TNs through normal banking operations.

Citizens receive TNs via bank cash withdrawals or direct disbursement (e.g., government payments).

There are no private printing rights – all physical cash is directly authorized and traceable by the DoM.

3. Monetary Policy Measures

3.1. Money Stability Index (MSI)

Proprietary composite index guiding issuance and throttling of new money.

$$\text{MSI} = 0.4 * (\text{GDP Nowcast Variance}) + 0.2 * (\text{Inflation Expectation Deviation}) + 0.2 * (\text{Unemployment Gap}) + 0.2 * (\text{Business Sentiment Index Deviation})$$

3.2. Composite Economic Indicators

The MSI is composed of Real-Time Nominal GDP Nowcasts integrating asynchronous data, inflation Expectations, Labor Market Pulse Metrics, business sentiment.

3.2.1. Real-Time Nominal GDP Nowcasts integrating asynchronous data

Model Structure:

- Real-time updating models (Kalman filters or Bayesian updates).
- Priority weighting for most timely indicators (e.g., unemployment claims, credit conditions).

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- Backfilled data updated dynamically without altering historical policy decisions (non-revisionist).

Example: Weekly unemployment claims update the Labor Market Score instantly; GDP growth updates when available but is smoothed across past periods.

3.2.2. Inflation Expectation Surveys

- Model-based and survey-based measures of expected inflation

3.2.3. Labor Market Pulse Metrics

- Nonfarm payroll growth.
- U-6 unemployment rate (includes underemployed).
- Labor force participation rate.
- Job openings-to-unemployed ratio (JOLTS data).
- Wage growth adjusted for inflation.

3.2.4. Consumer and Business Sentiment Indices

- Consumer Confidence Index (CCI)
- Michigan Consumer Sentiment Index (MCSI)
- Business Confidence Index (BCI)

Specific Indicators Feeding the Monetary Stability Index (MSI)

Metric	Source	Method	Purpose in NMSA
U6 Unemployment Rate	DOL (BLS + CIDP adjustment)	Real-time weekly moving average	Detect hidden underemployment
Labor Force Participation Rate (LFPR)	DOL + IRS data	Rolling monthly updates, faster validation	Workforce health gauge
Job Quits Rate	CIDP-JOLTS Expanded	Weekly snapshot via HR platforms	Worker confidence sentiment
Hourly Earnings Growth	IRS payroll taxes + Surveys	Bi-weekly trend line	Early inflation detector
New Job Openings Rate	JOLTS + Private HR feeds	7-day rolling average	Labor demand measure

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3.2.5. Centralized and Integrated Data Platform (CIDP)

In order to maintain data input integrity, the DoM has a sub-department called the Department of Money's Bureau of Economic Indicators (DoM-BEI), which centralizes all key economic data sources into a single digital clearinghouse. All data will be open-access but certified for accuracy, published via blockchain timestamping for transparency.

The DoM-BEI integrates data streams from:

- Department of Labor (official workforce statistics)
- Internal Revenue Service (real-time wage and employment filings)
- State Labor Agencies (regional/local employment conditions)
- Regional Economic Research Units (restructured from the current Fed Banks' research divisions)
- University Economic Research Centers (grants-based partnerships)
- Certified Private Data Vendors (e.g., ADP, ZipRecruiter, Indeed)

Under the DoM-BEI, universities and corporations become certified contributors rather than free-floating data publishers. They are required to have standardized methodologies approved by DoM-BEI.

3.2.6. Collection Improvements

In order to increase data efficacy, the DoM-BEI implements the following changes:

- Real-time E-Filing Mandates: Employers must file weekly or bi-weekly wage and employment information securely (anonymized) to DoM's system.
- Expanded JOLTS Survey: Private-sector HR and hiring platforms are legally obligated to submit job openings, quits, and hiring data in a standardized format.

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- Academic Partnerships: Universities would receive federal research grants for developing improved methodologies, now linked contractually to the CIDP system for consistency.
- Quits Rate and Worker Confidence Index: Combined with direct survey technology and anonymized employment data to create instant pulse metrics.
- Nowcast Models: Designed to absorb asynchronous data — meaning incoming data would weight differently depending on how fresh and reliable it is.

3.3. Interest Rate Determination

3.3.1. Base Rate

The interest base rate is calculated on a formula that is a modified Taylor Rule, which is adjusted quarterly based on real-time data. To overcome the Taylor Rule's shortcomings, the DoM incorporates:

- Financial Stability Adjustment (FSA):
 - Increase target interest rates if financial stress indicators rise sharply.
- Exchange Rate Buffer (ERB):
 - Adjustment if sharp dollar appreciation/depreciation affects trade stability.
- Structural Shift Acknowledgement (SSA):
 - Adjustment for long-term shifts (e.g., demographics, automation).

Modified Rule:

Policy Rate = Natural Rate + Inflation + 0.5*(Inflation Gap) + 0.5*(Output Gap) + FSA + ERB + SSA

The modified Taylor Rule used for determining interest rate eliminates political and other bias from setting interest rates and more accurately sets the “natural” or equilibrium real rate of interest.

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3.3.2. Market Adjustment

Banks add borrower-specific credit to spreads, i.e. a borrower's specific creditworthiness (like its credit rating, leverage, or default probability) determines the size of the spread demanded by investors.

4. Inflation and Deflation Control Mechanisms

Inflation and deflation are controlled by tying the money supply to the MSI, and counter-cyclical lending incentives, with hard debt ceilings at all levels of government and lending institutions.

4.1. Counter-Cyclical Lending

During downturns:

- Reduce the credit spread banks pay to access DoM funds.
- Offer longer repayment terms.
- Temporary forgiveness of minimal interest if lending to certain sectors (e.g., manufacturing, infrastructure, tech startups).

During booms:

- Increase spreads to tighten credit.
- Shorten loan maturities to reduce speculative expansion.

5. Public Transparency Measures

To provide public transparency, the Norburn Monetary System (NMS) has an open-access digital ledger tracking monetary creation and retirement. The DoM will issue monthly public reports on all its decisions and actions and maintain a citizen dashboard for economic metrics.

5.1. Blockchain

Initially, the NMS uses the same systems that are in place with the Federal Reserve. Overtime, the NMS will transition to blockchain digital currency transfers from the DoM to commercial banks. The DoM digital currency will only be for direct transactions with commercial banks as a tracking and transparency mechanism. The blockchain digital currency will directly feed, in real-time, the citizen dashboard for economic metrics.

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The DoM and commercial banks are prohibited from passing digital currency to retail banks, businesses, or individuals. Transfers and loans to retail banks, businesses, and individuals must use traditional digital ledgers or TNs.

6. Oversight, Compliance, and Transition

6.1. Compliance and Audit

All banks and financial institutions are subject to DoM regulation and audit. For independent review, the Federal government creates a new regulatory body, the Office of Public Money Oversight (OPMO), in the GAO.

6.2. Transition Period

Initially, the DoM will co-exist alongside the Federal Reserve System in a 5-year phased transition from fractional reserve lending to allow banks to adjust balance sheets and lending models. During this 5-year period, the Federal Reserve will gradually wind down specific monetary functions.

During the transition, the Federal Reserve Banks' Research Divisions will become independent economic observatories under the DoM.

The DoM will provide educational and technical support to financial institutions and regulators with a dedicated hotline and regional centers for financial institutions.

6.3. Public Education

The DoM will create a national public information campaign: "Money Reimagined: Understanding your New Monetary System". It will also create free online courses taught by DoM-certified educators. The DoM will create and maintain a public-facing dashboard showing real-time updates on money supply and interest rates.

6.4. Transition Plan

Step 1: Freeze further expansion of FRNs.

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Step 2: Valuation Freeze: No devaluation of existing cash savings or bank accounts.

Step 3: Over 24 months, 1-for-1 exchange of Federal Reserve Notes (FRNs) for Treasury Notes (TNs).

Step 4: Gradual wind-down of the Federal Reserve and absorption of responsibilities into the DoM.

Step 5: Private banks hold Treasury Notes as reserves rather than FRNs.

6.5. Legislative Protections

Hardcoded monetary creations rules. Emergency override clauses with Congressional supermajority.

7. Public Transparency and Reporting

7.1. Data Access

The MA must publish real-time data on money issuance, interest rates, and bond holding. A blockchain ledger will post the following information:

- Total money supply.
- Interest rates by sector.
- Outstanding municipal and public sector loans.
- Weekly money stability index updates.

The citizen dashboard will provide simplified, visualized insights into monetary flows and economic indicators, which is audited quarterly by independent civilian and Congressional Oversight Boards.

7.2. Cybersecurity Protocols

To defend against cyber-attacks and hackers, the DoM will institute the following protocols:

- End-to-end encryption on all blockchain nodes.
- Use of quantum-resistant cryptography.
- Decentralized, redundant node architecture to prevent single point failure.
- Regular penetration testing by both internal and third-party firms.
- Cybersecurity Defense Group within the DoM with authority to coordinate with DoD cyber units in case of nation-state attacks.

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- Emergency fallback systems using offline, air-gapped ledgers in catastrophic breach scenarios.

Conclusion

The Norburn Monetary Reform Act offers a visionary, yet achievable, alternative to current monetary practices. It builds a resilient, transparent, and fair financial system that benefits all citizens while maintaining economic dynamism and market discipline.