

## *New Consensus*

# **Building Back Better With or Without a Senate Majority: Further Details**

## **Executive Summary**

Last month New Consensus published a white paper explaining what the incoming Biden/Harris Administration can do with existing federal instrumentalities to ‘Build Back Better’ upon taking office next month, with or without Senate support. The plan included four planks:

- A National Reconstruction & Development Council (NRDC), comprising all relevant Cabinet Members, to develop, regularly update, and pursue a continuous ‘National Development Strategy’ (NDS);
- A National Reconstruction & Development Financing Bank (NRDFB) within the Department of Treasury that would repurpose Treasury’s existing Federal Financing Bank (FFB) to finance public infrastructures prescribed by the aforementioned NDS;
- ‘Spreading the Fed’ to restore the Federal Reserve System’s original role as a network of regional development finance institutions, in order to foster the industries of tomorrow across the entire nation; and
- A system of Digital Taxpayer Wallets administered by the Fed or by Treasury to provide digital public banking to all citizens, businesses, and guests of the U.S., in order to end commercial and financial exclusion, make Fed lending and monetary policy transmission more efficient, and protect financial privacy.

This white paper provides further detail on all four planks of the plan. With respect to each component, it provides first the ‘core idea’ of that component, then the ‘*with Senate*’ and ‘*without Senate*’ ‘Plan A’ and ‘Plan B’ renditions of it, and finally a list of background readings pertinent to it. Each such reading list begins with links to specific statutory authorizations and Agency websites and concludes with links to recent publications, including other New Consensus white papers.

# The New Consensus Plan for Building Back Better

## I. National Reconstruction & Development Council (NRDC)

*Core Idea:* The President, Vice President, Secretary of the Treasury, Chair of the Fed, and Heads of all Cabinet-Level Agencies with jurisdiction over critical industry and infrastructure will (a) meet monthly, (b) craft and regularly update a comprehensive ‘National Development Strategy’ (NDS), and (c) broadly plan this NDS’s continuous execution over time. Constituent Cabinet-Level Agencies will then execute development projects assigned to them pursuant to the NDS, contracting with the US Army Corps of Engineers and such other agencies, instrumentalities and entities as might be necessary. The democratic accountability of the President and Cabinet will thus be transmitted to the process of national development strategy -determination and -execution themselves, which latter functions will be discharged in full consideration of the nation’s productive, environmental, racial, income-inequality, and other social repair imperatives in literally every Congressional District of the country.

### A. Legislated Version: An ‘FSOC/WIB/WPB for Continuous Development’

A ‘Financial Stability Oversight Council (FSOC) for Continuous Development,’ with project-selection and information-gathering authority analogous to those of FSOC, and a research arm analogous to FSOC’s coordinate Office of Financial Research (OFR), to facilitate full formulation and execution of the NDS. In this more ambitious rendition, the NRDC will also resemble the WWI era War Industries Board (WIB) and WWII era War Production Board (WPB) that oversaw the nation’s war economies during the 20<sup>th</sup> century, more on which below in Part I.C.

### B. Executive Fallback Version: A ‘PWG for Continuous Development’

A ‘President’s Working Group on Financial Markets (PWG) for Continuous Development,’ with capacity to collate and use information gleaned by all of its constituent Agencies in developing and executing the aforementioned NDS. In effect, a proto-NRDC much as President Reagan’s PWG was a proto-FSOC, but with larger ambition – in essence, to do all that the NRDC would do as consistent with existing legislation.

## C. Background Reading, Legislation, Executive Orders

1. FSOC Background:

<https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/about-fsoc>

2. 12 USC Part A – Financial Stability Oversight Council:

<https://www.law.cornell.edu/uscode/text/12/chapter-53/subchapter-I/part-A>

3. Dodd-Frank Title I (2010), establishing FSOC:

<https://www.law.cornell.edu/wex/dodd-frank-title-i-financial-stability>

4. PWG Background:

[https://en.wikipedia.org/wiki/Working\\_Group\\_on\\_Financial\\_Markets](https://en.wikipedia.org/wiki/Working_Group_on_Financial_Markets)

5. Executive Order 12631 (Reagan), establishing PWG:

<https://www.archives.gov/federal-register/codification/executive-order/12631.html>

6. New Consensus, *How to Mobilize the Military to Produce the Supplies America Needs to Fight the Coronavirus* (White Paper, 2020), available at

<https://newconsensus.com/files/pandemic-production.pdf>

7. New Consensus, *Immediate Coronavirus-Related Economic Mitigation Measures* (White Paper, 2020), available at

<https://newconsensus.com/files/pandemic-economic-mitigation.pdf>

8. Hockett, *An FSOC for Continuous Public Investment: The National Reconstruction & Development Council*. 10 MICHIGAN BUSINESS &

ENTREPRENEURIAL LAW REVIEW \_\_ (2020) (forthcoming), available at

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3697282](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3697282)

9. Hockett, *FINANCING THE GREEN NEW DEAL: A PLAN OF ACTION AND RENEWAL* (2020) (London: Palgrave-Macmillan), available at

<https://www.palgrave.com/gp/book/9783030484491>

10. Hockett, 'The *InvestAmerica Plan* – Reconstruction with or without Senate Approval,' *Forbes*, November 9, 2020, available at

<https://www.forbes.com/sites/rhockett/2020/11/09/the-investamerica-planreconstruction-with-or-without-senate-help/>

11. Hockett, 'National Investment in National Renewal – Three “Why’s” and Three “How’s,”' *Forbes*, October 14, 2020, available at

<https://www.forbes.com/sites/rhockett/2020/10/14/national-investment-in-national-renewal--three-whys-and-three-hows/?sh=58cd5d714fc3>

12. Hockett, 'U.S. Must Take Equity Stakes in the Companies It Rescues,' *Financial Times*, March 28, 2020, available at <https://www.ft.com/content/86a333d0-6dc3-11ea-89df-41bea055720b>

13. Hockett, 'The US Must Ramp Up Production by the World Wars I & II Playbook, Not the 2008 Playbook,' *Business Insider*, March 29, 2020, available at <https://www.businessinsider.com/coronavirus-pandemic-us-should-ramp-up-ventilator-mask-manufacturing-2020-3>

14. Hockett, 'We Are at War and Need Wartime Institutions to Keep Our Economy Afloat,' *The Hill*, April 4, 2020, available at <https://thehill.com/opinion/white-house/491166-were-at-war-and-need-wartime-institutions-to-keep-our-economy-producing>

## **II. National Reconstruction & Development Financing Bank (NRDFB)**

*Core Idea:* Treasury's already-operative Federal Financing Bank (FFB) is either replicated or repurposed to supply the aforementioned NRDC with a financing arm. As the current FFB does, it will at the very least purchase obligations 'issued,' 'sold,' or 'guaranteed' by NRDC Member-Agencies, and borrow from Treasury at statutorily prescribed rates to finance the purchases. Ideally, it will augment these functions to finance and take financing from more than just federal agencies, as described in Part II.A immediately below.

### **A. Legislated Version: A 'WFC/RFC for Continuous Development'**

Ideally, the NRDFB would not only be endowed with the FFB's existing authority, but would also be authorized to purchase obligations issued, sold, or guaranteed by *sub-federal* units of government too, including public banks and financing agencies. It would also be authorized similarly to invest – including through equity stakes – in private sector or mixed public-private entities, subject to strict conditionalities ensuring that only the NRDC and NRDFB control the disposition of NDS-associated strategic investments. It would also be authorized to issue new classes of securities, offering variable kinds and streams of returns in connection with particular portfolios of particular kinds of projects, to investors as well. This would be to update, to present needs, the roles of the War Finance Corporation (WFC) and the Reconstruction Finance Corporation (RFC) as

financing arms of the WIB, WPB, and New Deal planning authorities noted above in Part I.

## **B. Executive Fallback Version: An ‘FFB for Continuous Development’**

Until such time as the full-bore NRDFB can be legislated, the existing FFB will be partly repurposed to fund the NRDC’s constituent Agencies in pursuit of their assigned roles under the National Development Strategy (NDS) described above in Part I. As the FFB already plays this role in financing our Executive Agencies in pursuit of their current tasks, this more modest version of the NRDFB would simply be the financing counterpart of Agency mission-reconfigurations prescribed by the National Development Strategy (NDS) described in Part I.B above.

## **C. Background Reading, Legislation, Executive Orders**

1. FFB Background: <https://ffb.treasury.gov/about/>
2. More FFB Background: [https://en.wikipedia.org/wiki/Federal\\_Financing\\_Bank](https://en.wikipedia.org/wiki/Federal_Financing_Bank)
3. 12 USC Chapter 24 – Federal Financing Bank: <https://www.law.cornell.edu/uscode/text/12/chapter-24>
4. New Consensus, *How to Mobilize the Military to Produce the Supplies America Needs to Fight the Coronavirus* (White Paper, 2020), available at <https://newconsensus.com/files/pandemic-production.pdf>
5. New Consensus, *Immediate Coronavirus-Related Economic Mitigation Measures* (White Paper, 2020), available at <https://newconsensus.com/files/pandemic-economic-mitigation.pdf>
6. Hockett, *An FSOC for Continuous Public Investment: The National Reconstruction & Development Council*. 10 MICHIGAN BUSINESS & ENTREPRENEURIAL LAW REVIEW \_\_ (2020) (forthcoming), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3697282](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3697282)
7. Hockett, *FINANCING THE GREEN NEW DEAL: A PLAN OF ACTION AND RENEWAL* (2020) (London: Palgrave-Macmillan), available at <https://www.palgrave.com/gp/book/9783030484491>
8. Hockett, ‘The *InvestAmerica Plan* – Reconstruction with or without Senate Approval,’ *Forbes*, November 9, 2020, available at

<https://www.forbes.com/sites/rhockett/2020/11/09/the-investamerica-planreconstruction-with-or-without-senate-help/>

9. Hockett, 'National Investment in National Renewal – Three “Why’s” and Three “How’s,”’ *Forbes*, October 14, 2020, available at

<https://www.forbes.com/sites/rhockett/2020/10/14/national-investment-in-national-renewal--three-whys-and-three-hows/?sh=58cd5d714fc3>

10. Hockett, 'U.S. Must Take Equity Stakes in the Companies It Rescues,' *Financial Times*, March 28, 2020, available at

<https://www.ft.com/content/86a333d0-6dc3-11ea-89df-41bea055720b>

11. Hockett, 'The US Must Ramp Up Production by the World Wars I & II Playbook, Not the 2008 Playbook,' *Business Insider*, March 29, 2020, available at

<https://www.businessinsider.com/coronavirus-pandemic-us-should-ramp-up-ventilator-mask-manufacturing-2020-3>

12. Hockett, 'We Are at War and Need Wartime Institutions to Keep Our Economy Afloat,' *The Hill*, April 4, 2020, available at

<https://thehill.com/opinion/white-house/491166-were-at-war-and-need-wartime-institutions-to-keep-our-economy-producing>

### III. 'Spread the Fed' (Community QE)

*Core Idea:* The Regional Federal Reserve Banks ('Regional Feds') reassume their original role as a network of regional development finance assistance entities overseen and coordinated by the Federal Reserve Board (FRB). This they do through (a) Federal Reserve Act (FRA) Section 10B discount lending to community banks; (b) FRA Section 14 discounting and re-discounting of bankers' acceptances, bills of exchange, and other forms of commercial paper issued by small businesses and startup companies; and (c) FRA Section 14 discounting of issuances made by US States and their Subdivisions. Criteria for discount eligibility will be formulated by reference not to anticipated profitability alone, but to anticipated contribution to 'productivity' and 'development,' the latter terms understood by reference to the National Development Strategy (NDS) described above in Part I.

#### A. Legislated Version: *Mandating* a Once Again 'Spread' Fed

Ideally, amendments to the Federal Reserve Act would *mandate* the adjustments just described, and would provide for longer maturities on

the part of at least some eligible paper beyond the current 4- and 6-month maturities. (One-, three-, and five-year options might provide for an adequate menu of options.) In addition, provision for and limitations on ‘rollover’ of maturing obligations would be explicitly made as well. The idea would be to assure inexpensive and continuously available short-to-medium-term financing, in all regions of the country, for sound small business plans promising productive development as recognized by the National Development Strategy (NDS) described in Part I.

## **B. Executive Fallback Version: *Facilitating* a Once Again ‘Spread’ Fed**

In the absence of legislation, the President, the Treasury Secretary, and indeed the full NRDC described above in Part I can work with the FRB, which has significant discretionary authority under existing law, to do spontaneously what the new legislation referenced in Part III.A above would mandate. The President can also, of course, nominate to the FRB would-be Governors who understand the need both of an NDS and of a restoration of the ‘Spread Fed.’

## **C. Background Reading, Legislation, Executive Orders**

1. 12 USC Chapter 3 – Federal Reserve System:  
<https://www.law.cornell.edu/uscode/text/12/chapter-3>
2. FRA Section 10B:  
<https://www.federalreserve.gov/aboutthefed/section10b.htm>
3. FRA Section 14:  
<https://www.federalreserve.gov/aboutthefed/section14.htm>
4. Hockett, *Spread the Fed: Distributed Central Banking in Pandemic and Beyond*, 14 UNIVERSITY OF VIRGINIA LAW & BUSINESS REVIEW \_\_ (2020) (forthcoming), available at  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3597724](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3597724)
5. Hockett, *FINANCING THE GREEN NEW DEAL: A PLAN OF ACTION AND RENEWAL* (2020) (London: Palgrave-Macmillan), available at  
<https://www.palgrave.com/gp/book/9783030484491>
6. Hockett, ‘The Fed is a Development Bank – Make It *Our* Development Bank Again,’ *Forbes*, September 30, 2020, available at  
<https://www.forbes.com/sites/rhockett/2020/09/30/the-fed-is-a-development-bank--make-it-our-development-bank-again/?sh=798c606b6ab4>

7. Hockett, 'Spread the Fed,' *Forbes*, May 17, 2020, available at <https://www.forbes.com/sites/rhockett/2020/05/17/spread-the-fed/?sh=521ce99fc274>
8. Hockett, 'Optimize Community QE – An Open Letter to Fed Chairman Powell,' *Forbes*, June 14, 2020, available at <https://www.forbes.com/sites/rhockett/2020/06/14/optimize-community-qe-an-open-letter-to-fed-chairman-powell/?sh=446f1cbe24d2>
9. Hockett, 'What to Make of Community QE – Look Now to New York,' *Forbes*, May 24, 2020, available at <https://www.forbes.com/sites/rhockett/2020/05/24/what-now-to-make-of-community-qe-look-to-new-york/?sh=3c05f72ae466>
10. Hockett, 'Welcome to Community QE – Now Let Us Put It to Use,' *Forbes*, April 9, 2020, available at <https://www.forbes.com/sites/rhockett/2020/04/09/welcome-to-community-qe/?sh=1dc88309c415>
11. Hockett, 'The *InvestAmerica Plan* – Reconstruction with or without Senate Approval,' *Forbes*, November 9, 2020, available at <https://www.forbes.com/sites/rhockett/2020/11/09/the-investamerica-plan-reconstruction-with-or-without-senate-help/>
12. Hockett, 'National Investment in National Renewal – Three “Why’s” and Three “How’s,”' *Forbes*, October 14, 2020, available at <https://www.forbes.com/sites/rhockett/2020/10/14/national-investment-in-national-renewal--three-whys-and-three-hows/?sh=58cd5d714fc3>

#### **IV. Digital Fed or Treasury ‘Taxpayer Wallets’**

*Core Idea:* The incremental reforms elaborated in Parts II and III will add assets to the NRDFB/FBB and Fed balance sheets. Because not all of these will proceed from loans made to *banking* institutions, not all *liabilities* corresponding to the new assets will find expression in bank reserve accounts maintained with the Fed. An excellent form for these new liabilities to take would be a system of digital peer-to-peer (P2P) ‘Taxpayer Wallets’ administered by the Treasury or the Fed. Such Wallets then could form the nucleus of a new system of universal digital banking available to literally all citizens, businesses, and approved residents of the US. This would in turn end commercial and financial exclusion, upgrade the national payments infrastructure and improve money circulation, allow for ‘direct’ monetary



policy (through variable interest on wallet accounts and/or digital relief payments or ‘helicopter drops’), and protect consumer banking and commercial policy. The NRDFB/FBB and Regional Feds could also extend credit as described in Parts II and III simply by crediting these Wallets.

#### **A. Legislated Version: A ‘Democratic Digital Dollar’ (3D)**

Ideally, new legislation would instruct the Treasury to add P2P capacity and device-accessibility to its existing system of ‘TreasuryDirect’ accounts, which accounts any American already can open online within minutes, and through which s/he can then immediately transact in all current Treasury issuances (bills, bonds, notes, etc.) with the Treasury. United States Digital Service (USDS) reports that it could work this conversion within months. The same legislation would instruct Treasury to enable the receipt, holding, and transfer of digital Federal Reserve Notes (‘dollar bills’) in and from Treasury Wallets; and would instruct the Fed to develop plans to ‘migrate’ the Treasury Wallets over to Fed administration within a reasonable number of years, in order ultimately to integrate the Treasury Wallets into the Fed’s monetary policy apparatus.

#### **B. Executive Fallback Version: Facilitating a Once Again ‘Spread’ Fed**

In the absence of legislation, the Treasury can make most of the changes just described under its existing authority. All it need do is contract with USDS to work the technical upgrade, and permit use of the Wallets as just described. Similarly, the Fed can commence the process of preparing for full migration of Treasury Wallets over to Fed administration under existing authority, and can work with the Treasury and NRDC in so doing. The President can also, of course, nominate to the FRB would-be Governors who understand the desirability of integrating a full system of Taxpayer Wallets into its monetary policy apparatus.

#### **C. Background Reading, Legislation, Executive Orders**

1. 31 USC Chapter 3 – Department of the Treasury: <https://www.law.cornell.edu/uscode/text/31/subtitle-I/chapter-3>
2. TreasuryDirect Background: <https://www.treasurydirect.gov/>
3. US Digital Service Background: <https://www.usds.gov/>

4. Hockett, *Digital Greenbacks: A Sequenced 'TreasuryDirect' and 'FedWallet' Plan for The Democratic Digital Dollar*, 18 JOURNAL OF LAW & TECHNOLOGY \_\_ (2020) (forthcoming), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3599419](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3599419)
5. Hockett, *The Treasury Dollar Act of 2020* (Draft Bill, 2020), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3563007](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3563007)
6. Hockett, *The Democratic Digital Dollar: A Peer-to-Peer Savings and Payments Platform for Inclusive State, Local, and National Money and Banking Systems*, 10 HARVARD BUSINESS LAW REVIEW 1 (2020), available at [https://www.hblr.org/wp-content/uploads/sites/18/2020/02/The-Democratic-Digital-Dollar\\_HBLR\\_FINAL.pdf](https://www.hblr.org/wp-content/uploads/sites/18/2020/02/The-Democratic-Digital-Dollar_HBLR_FINAL.pdf)
7. Hockett, *Money's Past is Fintech's Future: Wildcat Crypto, the Digital Dollar, and Citizen Central Banking*, 2 STANFORD JOURNAL OF BLOCKCHAIN LAW & POLICY 1 (2019), available at <https://stanford-jblp.pubpub.org/pub/wildcat-crypto-fintech-future/release/1>
8. Hockett, *Treasury Growth Dividends*, 3 STANFORD JOURNAL OF BLOCKCHAIN LAW & POLICY 1 (2020), available at <https://stanford-jblp.pubpub.org/pub/treasury-growth-dividends/release/1>
9. Hockett, *FINANCING THE GREEN NEW DEAL: A PLAN OF ACTION AND RENEWAL* (2020) (London: Palgrave-Macmillan), available at <https://www.palgrave.com/gp/book/9783030484491>
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11. Hockett, 'How to Keep the Digital Dollar Democratic – A "Treasury Dollar" Plan,' *Forbes*, March 24, 2020, available at <https://www.forbes.com/sites/rhockett/2020/03/24/how-to-keep-the-digital-dollar-democratic-a-treasury-dollar-bill--treasury-direct-plan/?sh=409e5dcc37c8>
12. Hockett & Rufrano, 'Digital Dollars for All,' *Wall Street Journal*, April 6, 2020, available at <https://www.wsj.com/articles/digital-dollars-for-all-11586215100>