

Attachment 1

Federal Reserve Monetary Intermediation Cost to the American Economy Monetary Intermediation Cost Inefficiency (with Wealth Transfer Effect)

I. Intermediation Cost using Current Federal Reserve Monetary System		
Federal Reserve Monetary Issuance System	\$ Amount	Efficiency of Monetary Increase
1. Federal Reserve acquires government issued debt	\$1,000,000	100.0%
2. Federal Reserve Bank Reserve Requirement ¹	10.0%	
3. Money Stock Increase via Federal Reserve Bank Loans	\$10,000,000	100.0%
4. Fed Reserve Banks net Increased Loans (Intermediation Cost)	\$9,000,000	90.0%

People/Gov't Benefit

Intermediation Cost

Intermediation Cost Inefficiency Utilizing Federal Reserve Banking Monetary System

With the Federal Reserve System's approximate 10% fractional reserve lending requirement, 90% of the money stock increase is in the form of new Fed Reserve member bank loans with 10% of the increase to the government from new debt issuance indicating that the cost of using the Federal Reserve System as an intermediary to increase the money stock is 90%. The money stock increase dilutes the existing money stock and transfers wealth from the other sectors of the economy to the banking sector by the amount of the money stock increase. Money creation and first use, known as seigniorage, by the Fed is equivalent to 90% direct wealth transfer.

II. Direct Monetary Expansion System to People using Government Entity		
Direct Monetary Issuance System (Possible Commerce Dept)	\$ Amount	Beneficiaries of Monetary Increase
1. People issued bills directly from Government (Commerce Dept)	\$1,000,000	100.0%
2. People/Government Portion of issued bills	100.0%	
3. Money Stock Increase to People via Direct Government Issue	\$1,000,000	100.0%
4. Fed Reserve Banks net Increased Loans (Intermediation Cost)	\$0	0.0%

People/Gov't Benefit

Intermediation Cost

Intermediation Efficiency Increase with Direct Issuance of Currency

With direct issuance of money stock increases to the American people and/or people holding dollar denominated demand deposit accounts, anticipated to most naturally be voted on by Congress and administered by the Department of Commerce, 100% of the increase in the money stock goes direct to the American people with no intermediation loss. Direct issuance of money stock increases eliminating the intermediation cost of the Federal Reserve System would be at least 90% more efficient than the current system and eliminate the wealth transfer to the banking sector issue. The government could tax the new money seigniorage at issuance to the people if necessary or as a regular part of the income tax collection process.

Deposit Reserve Requirement Ratios¹		
	Effective Date	% of liabilities
\$0 to \$16.0 Million	1/18/2018	0.00%
\$16.0 to \$122.3 Million	1/18/2018	3.00%
More than \$122.3 Million	1/18/2018	10.00%
Nonpersonal time deposits	12/27/1990	0.00%

SOURCE:

1-Reserve Requirement from Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/monetarypolicy/reservereg.htm>