

Attachment 1

Economic Recovery Plan for Japan

Monetary Intermediation Cost Inefficiency Estimate (with Wealth Transfer Effect)

I. Intermediation Cost using Current Bank of Japan Monetary System		
Bank of Japan Monetary Issuance System	\$ Amount	Efficiency of Monetary Increase
1. Bank of Japan acquires government issued debt	¥1,000,000	1.3%
2. Bank of Japan Reserve Requirement (est.) ¹	1.3%	
3. Money Supply Increase via Bank of Japan Loans	¥76,923,077	100.0%
4. Bank of Japan's net Increased Loans (Intermediation Cost)	¥75,923,077	98.7%

People/Gov't Benefit

Intermediation Cost

Intermediation Cost Inefficiency Utilizing Bank of Japan Monetary System

With the Bank of Japan's (BOJ) approximate 1.3% fractional reserve lending requirement, 98.7% of the money supply increase is in the form of new BOJ member bank loans with 1.3% of the increase to the government from new debt issuance indicating that the cost of using the Bank of Japan as an intermediary to increase the money stock is 98.7%. 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 BOJ is equivalent to 98.7% direct wealth transfer.

II. Direct Monetary Expansion System to People using Government Entity		
Direct Monetary Issuance System (Possible Ministry Economy, Trade&Ind)	\$ Amount	Efficiency of Monetary Increase
1. People issued bills directly from government (METI)	¥1,000,000	100.0%
2. Japanese people portion of issued bills	100.0%	
3. Money stock increase to people via direct government issue	¥1,000,000	100.0%
4. Bank of Japan's 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 Japanese people and/or people holding Yen denominated demand deposit accounts, anticipated to most naturally be voted on by Japanese Diet and administered by the Ministry of Economy, Trade and Industry, 100% of the increase in the money stock goes direct to the Japanese people with no intermediation loss. Direct issuance of money stock increases eliminating the intermediation cost of the Bank of Japan would be at least 98.7% 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.

Prepared By

William Haugen
7175 Gaston Ave Apt 2225
Dallas, TX 75214
214-321-7494
whaugen@flash.net
December 8, 2012

Deposit Reserve Requirement Ratios¹		Other Req'd Reserves Time Deposits (CDs)
As of	10/16/1991	
¥50-500 Billion Yen	0.10%	0.05%
¥500 Billion-1.2 Trillion Yen	0.80%	0.05%
¥1.2-2.5 Trillion Yen	1.30%	0.90%
More than ¥2.5 Trillion Yen	1.30%	1.20%

SOURCE:

1-Bank of Japan Reserve Requirement Ratios at
<http://www.boj.or.jp/en/statistics/boj/other/reservereg/index.htm/>