Attachment 1(a)

European Central Bank Monetary Intermediation Cost

ECB Intermediation Cost Inefficiency Estimate

(with Wealth Transfer Effect)

I. Intermediation Cost using ECB Reserve Requirement System			
European Central Bank (ECB) Monetary Issuance System	**€ Amount**	**Efficiency of Monetary Increase**	
1. ECB acquires government issued debt	€ 1,000,000	1.0%	**People/Gov't Benefit**
2. ECB Reserve Requirement[1]	1.0%		
3. Money Stock Increase via ECB Commercial Bank Loans	€100,000,000	100.0%	
4. ECB Banks net Increased Loans (Intermediation Cost)	€ 99,000,000	99.0%	**Intermediation Cost**

Intermediation Cost Inefficiency Utilizing European Central Bank (ECB) Monetary System

With the European Central Bank's approximate 1% fractional reserve lending requirement, 99% of the money supply increase is in the form of new ECB member bank loans with 1% of the increase to the government from new debt issuance indicating that the cost of using the European Central Bank's monetary expansion system as an intermediary to increase the money supply is 99%. The money supply 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 supply increase. Money creation and first use, known as seigniorage, by the ECB is equivalent to 99% direct wealth transfer.

II. Direct Monetary Expansion System to People using National Entity			
Direct Monetary Issuance System(Possible Commerce Ministry)	**€ Amount**	**Efficiency of Monetary Increase**	
1. People issued bills directly from Government(Commerce Ministry)	€ 1,000,000	100.0%	**People/Gov't Benefit**
2. People/Government Portion of issued bills	100.0%		
3. Money Supply Increase to People via Direct Government Issue	€ 1,000,000	100.0%	
4. ECB Banks net Increased Loans (Intermediation Cost)	€ 0	0.0%	**Intermediation Cost**

Intermediation Efficiency Increase with Direct Issuance of Currency

With direct issuance of money supply increases to the Eurozone people and/or people holding Euro denominated demand deposit accounts, anticipated to most naturally be voted on by national governments based on a Eurozone GDP standard and administered by their Ministries of Commerce, 100% of the increase in the money supply goes direct to the European people with no intermediation loss. Direct issuance of money supply increases eliminating the intermediation cost of the ECB would be at least 98% more efficient than the current ECB system and eliminate the wealth transfer to the banking sector issue. If necessary states within the Eurozone could tax the new money seigniorage at issuance to the people, as a regular part of their income tax collection process or exempt since goes into economic system subject to regular taxation.

SOURCE:

1-European Central Bank (ECB) How to calculate the minimum reserve requirements as of date at
http://www.ecb.int/mopo/implement/mr/html/calc.en.html

1/18/2012	1.0%
1/1/1999	2.0%

Overnight deposits, deposits with agreed maturity or period of notice up to 2 years, debt securities issued with maturity up to 2 years, money market paper.
Statistics on the minimum reserves are regularly published in Table 1.4 of the "Euro area statistics" section of the Monthly Bulletin of the ECB.