Attachment 1

Economic Recovery Plan for the United States

Monetary Intermediation Cost Inefficiency Estimate (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	10.0%	**People/Gov't Benefit**
2. Federal Reserve Bank Reserve Requirement (est.)[1]	10.0%		
3. Money Supply 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%	**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 supply 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 supply is 90%. 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 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%	**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. Fed Reserve 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 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 supply goes direct to the American people with no intermediation loss. Direct issuance of money supply 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.

Prepared By

William Haugen
7175 Gaston Ave Apt 2225
Dallas, TX 75214
214-321-7494
whaugen@flash.net
September 3, 2012

SOURCES:

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