

Economic Recovery Plan for the United States

Federal Reserve Compounded Monetary Intermediation Cost to Economy 1984 to 2011 (Estimated)⁴

M2M (M2 Less Small Time Deposits) Money Stock Basis

(a)-Net GDP Productivity Growth Rate to economy (GDP Growth Rate (c) minus Intermediation Cost (b))

(b)-Intermediation Cost Percentage²

(c)-GDP Growth Rate (Net GDP + Intermediation Percentage)²

Assumptions

(a)	2.74%
(b)	2.48%
(c)	5.22%

GDP EARNINGS WITH FED INTERMEDIATION EXPENSE INCLUDED

(N)	(A)	(B) = (A) x (c)	(C) = (A) x (b)	(D) = (A)+(B)+(C)	(E)=Σ (C) Compounded		
Period	Year	Net GDP ¹ Year(Begin) (\$ Billions)	Productivity Growth (Net) (\$ Billions)	Fed Intermediation Expense ²	Net GDP ¹ Year (End) (\$ Billions)	Compounded Intermediation Expense ³	%
1	1984	\$3,688.1	\$192.4	(\$91.5)	\$3,789.0	\$91.5	2.4%
2	1985	\$3,789.0	\$197.7	(\$94.0)	\$3,892.7	\$190.3	4.7%
3	1986	\$3,892.7	\$203.1	(\$96.6)	\$3,999.2	\$296.8	6.9%
4	1987	\$3,999.2	\$208.7	(\$99.2)	\$4,108.7	\$411.5	9.1%
5	1988	\$4,108.7	\$214.4	(\$101.9)	\$4,221.1	\$535.0	11.2%
6	1989	\$4,221.1	\$220.2	(\$104.7)	\$4,336.6	\$667.6	13.3%
7	1990	\$4,336.6	\$226.3	(\$107.6)	\$4,455.3	\$810.0	15.4%
8	1991	\$4,455.3	\$232.5	(\$110.5)	\$4,577.2	\$962.9	17.4%
9	1992	\$4,577.2	\$238.8	(\$113.6)	\$4,702.4	\$1,126.7	19.3%
10	1993	\$4,702.4	\$245.4	(\$116.7)	\$4,831.1	\$1,302.1	21.2%
11	1994	\$4,831.1	\$252.1	(\$119.9)	\$4,963.3	\$1,489.9	23.1%
12	1995	\$4,963.3	\$259.0	(\$123.2)	\$5,099.1	\$1,690.8	24.9%
13	1996	\$5,099.1	\$266.1	(\$126.5)	\$5,238.7	\$1,905.6	26.7%
14	1997	\$5,238.7	\$273.3	(\$130.0)	\$5,382.0	\$2,135.0	28.4%
15	1998	\$5,382.0	\$280.8	(\$133.5)	\$5,529.3	\$2,379.9	30.1%
16	1999	\$5,529.3	\$288.5	(\$137.2)	\$5,680.6	\$2,641.3	31.7%
17	2000	\$5,680.6	\$296.4	(\$141.0)	\$5,836.0	\$2,920.1	33.3%
18	2001	\$5,836.0	\$304.5	(\$144.8)	\$5,995.7	\$3,217.2	34.9%
19	2002	\$5,995.7	\$312.8	(\$148.8)	\$6,159.8	\$3,533.9	36.5%
20	2003	\$6,159.8	\$321.4	(\$152.8)	\$6,328.4	\$3,871.1	38.0%
21	2004	\$6,328.4	\$330.2	(\$157.0)	\$6,501.5	\$4,230.1	39.4%
22	2005	\$6,501.5	\$339.2	(\$161.3)	\$6,679.4	\$4,612.1	40.8%
23	2006	\$6,679.4	\$348.5	(\$165.7)	\$6,862.2	\$5,018.5	42.2%
24	2007	\$6,862.2	\$358.0	(\$170.3)	\$7,050.0	\$5,450.6	43.6%
25	2008	\$7,050.0	\$367.8	(\$174.9)	\$7,242.9	\$5,910.0	44.9%
26	2009	\$7,242.9	\$377.9	(\$179.7)	\$7,441.1	\$6,398.1	46.2%
27	2010	\$7,441.1	\$388.3	(\$184.6)	\$7,644.7	\$6,916.5	47.5%
28	2011	\$7,644.7	\$398.9	(\$189.7)	\$7,853.9	\$7,467.1	48.7%
Growth Rates		2.74%	2.74%	2.74%	17.02%		
Count (Years)		28	28	28	28		

GDP EARNINGS WITH FED INTERMEDIATION EXPENSE REMOVED

(N)	(A)	(B) = (A) x (c)	(C) = (A) x (b)	(D) = (A)+(B)+(C)	
Period	Year	GDP ¹ Year(Begin) (\$ Billions)	Productivity Growth(Total) (\$ Billions)	Fed Intermediation Expense ²	GDP ¹ Year (End) (\$ Billions)
1	1984	\$3,688.1	\$192.4	\$0.0	\$3,880.5
2	1985	\$3,880.5	\$202.5	\$0.0	\$4,083.0
3	1986	\$4,083.0	\$213.0	\$0.0	\$4,296.0
4	1987	\$4,296.0	\$224.2	\$0.0	\$4,520.2
5	1988	\$4,520.2	\$235.8	\$0.0	\$4,756.0
6	1989	\$4,756.0	\$248.2	\$0.0	\$5,004.2
7	1990	\$5,004.2	\$261.1	\$0.0	\$5,265.3
8	1991	\$5,265.3	\$274.7	\$0.0	\$5,540.0
9	1992	\$5,540.0	\$289.1	\$0.0	\$5,829.1
10	1993	\$5,829.1	\$304.1	\$0.0	\$6,133.2
11	1994	\$6,133.2	\$320.0	\$0.0	\$6,453.3
12	1995	\$6,453.3	\$336.7	\$0.0	\$6,790.0
13	1996	\$6,790.0	\$354.3	\$0.0	\$7,144.2
14	1997	\$7,144.2	\$372.8	\$0.0	\$7,517.0
15	1998	\$7,517.0	\$392.2	\$0.0	\$7,909.2
16	1999	\$7,909.2	\$412.7	\$0.0	\$8,321.9
17	2000	\$8,321.9	\$434.2	\$0.0	\$8,756.1
18	2001	\$8,756.1	\$456.9	\$0.0	\$9,213.0
19	2002	\$9,213.0	\$480.7	\$0.0	\$9,693.7
20	2003	\$9,693.7	\$505.8	\$0.0	\$10,199.5
21	2004	\$10,199.5	\$532.2	\$0.0	\$10,731.6
22	2005	\$10,731.6	\$559.9	\$0.0	\$11,291.6
23	2006	\$11,291.6	\$589.2	\$0.0	\$11,880.7
24	2007	\$11,880.7	\$619.9	\$0.0	\$12,500.6
25	2008	\$12,500.6	\$652.2	\$0.0	\$13,152.9
26	2009	\$13,152.9	\$686.3	\$0.0	\$13,839.2
27	2010	\$13,839.2	\$722.1	\$0.0	\$14,561.2
28	2011	\$14,561.2	\$759.8	\$0.0	\$15,321.0
Growth Rates		5.22%	5.22%	N.A.	5.22%
Count (Years)		28	28	28	28

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Notes

- 1-GDP numbers from St. Louis Fed economic data at <http://research.stlouisfed.org/fred2/series/GDP>
- 2-Fed M2M Intermediation expense estimates from attachment 4.
- 3-Fed M2M Intermediation expenses compounded at total growth rate.
- 4-Format adapted from "The Tyranny of Compounding Costs" at <http://www.pbs.org/wgbh/pages/frontline/retirement/etc/tyranny.html>

Fed Monetary Intermediation Cost 1984-2011

	\$ Billions	% Percent
Economic (GDP) earnings 2011 w/o Fed intermediation expense	\$15,321.0	100.0%
<u>Economy earnings with Fed Intermediation expense deducted</u>	<u>\$7,853.9</u>	<u>51.3%</u>
Fed Intermediation Expense from Non Bank Economy since 1984	\$7,467.1	48.7%

Fed Intermediation costs, primarily monetary expansion inflation, estimated to have wealth transferred approximately 48.7% of economic system returns to banking sector from 1984 to 2011.