

Attachment 7

Economic Recovery Plan for the United States

Federal Reserve Compounded Monetary Intermediation Cost to Economy 1960 to 2011¹

M2M (M2 Less Small Time Deposits) Money Stock Basis

Assumptions

(a)-Net GDP Productivity Growth Rate to economy (GDP Growth Rate (c) minus Intermediation Cost (b)) - (r _i)	4.30%
(b)-Intermediation Cost Percentage ²	2.45%
(c)-GDP Growth Rate (Net GDP + Intermediation Percentage) ²	6.75%

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 ³ Yr(Begin) (\$ Billions)	Productivity Growth (Net) (\$ Billions)	Fed Intermediation Expense	Net GDP Year (End) (\$ Billions)	Compounded Intermediation Expense ⁴	%		
1 ³	1960	\$513.2	\$34.6	(\$12.6)	\$535.3	\$12.6	2.3%		
2	1961	\$535.3	\$36.1	(\$13.1)	\$558.2	\$26.6	4.5%		
3	1962	\$558.2	\$37.7	(\$13.7)	\$582.2	\$42.1	6.7%		
4	1963	\$582.2	\$39.3	(\$14.3)	\$607.3	\$59.2	8.9%		
5	1964	\$607.3	\$41.0	(\$14.9)	\$633.3	\$78.1	11.0%		
6	1965	\$633.3	\$42.7	(\$15.5)	\$660.6	\$98.9	13.0%		
7	1966	\$660.6	\$44.6	(\$16.2)	\$688.9	\$121.7	15.0%		
8	1967	\$688.9	\$46.5	(\$16.9)	\$718.5	\$146.8	17.0%		
9	1968	\$718.5	\$48.5	(\$17.6)	\$749.4	\$174.4	18.9%		
10	1969	\$749.4	\$50.6	(\$18.4)	\$781.6	\$204.5	20.7%		
11	1970	\$781.6	\$52.8	(\$19.2)	\$815.2	\$237.5	22.6%		
12	1971	\$815.2	\$55.0	(\$20.0)	\$850.2	\$273.5	24.3%		
13	1972	\$850.2	\$57.4	(\$20.9)	\$886.7	\$312.9	26.1%		
14	1973	\$886.7	\$59.9	(\$21.7)	\$924.9	\$355.7	27.8%		
15	1974	\$924.9	\$62.4	(\$22.7)	\$964.6	\$402.4	29.4%		
16	1975	\$964.6	\$65.1	(\$23.7)	\$1,006.0	\$453.2	31.1%		
17	1976	\$1,006.0	\$67.9	(\$24.7)	\$1,049.3	\$508.5	32.6%		
18	1977	\$1,049.3	\$70.8	(\$25.7)	\$1,094.3	\$568.5	34.2%		
19	1978	\$1,094.3	\$73.9	(\$26.8)	\$1,141.4	\$633.8	35.7%		
20	1979	\$1,141.4	\$77.0	(\$28.0)	\$1,190.4	\$704.5	37.2%		
21	1980	\$1,190.4	\$80.3	(\$29.2)	\$1,241.5	\$781.3	38.6%		
22	1981	\$1,241.5	\$83.8	(\$30.5)	\$1,294.9	\$864.5	40.0%		
23	1982	\$1,294.9	\$87.4	(\$31.8)	\$1,350.5	\$954.6	41.4%		
24	1983	\$1,350.5	\$91.2	(\$33.1)	\$1,408.6	\$1,052.1	42.8%		
25	1984	\$1,408.6	\$95.1	(\$34.5)	\$1,469.1	\$1,157.7	44.1%		
26	1985	\$1,469.1	\$99.2	(\$36.0)	\$1,532.2	\$1,271.9	45.4%		
27	1986	\$1,532.2	\$103.4	(\$37.6)	\$1,598.0	\$1,395.3	46.6%		
28	1987	\$1,598.0	\$107.9	(\$39.2)	\$1,666.7	\$1,528.6	47.8%		
29	1988	\$1,666.7	\$112.5	(\$40.9)	\$1,738.3	\$1,672.7	49.0%		
30	1989	\$1,738.3	\$117.3	(\$42.6)	\$1,813.0	\$1,828.2	50.2%		
31	1990	\$1,813.0	\$122.4	(\$44.5)	\$1,890.9	\$1,996.1	51.4%		
32	1991	\$1,890.9	\$127.6	(\$46.4)	\$1,972.1	\$2,177.2	52.5%		
33	1992	\$1,972.1	\$133.1	(\$48.4)	\$2,056.9	\$2,372.5	53.6%		
34	1993	\$2,056.9	\$138.8	(\$50.4)	\$2,145.3	\$2,583.1	54.6%		
35	1994	\$2,145.3	\$144.8	(\$52.6)	\$2,237.4	\$2,810.1	55.7%		
36	1995	\$2,237.4	\$151.0	(\$54.9)	\$2,333.6	\$3,054.6	56.7%		
37	1996	\$2,333.6	\$157.5	(\$57.2)	\$2,433.8	\$3,318.0	57.7%		
38	1997	\$2,433.8	\$164.3	(\$59.7)	\$2,538.4	\$3,601.6	58.7%		
39	1998	\$2,538.4	\$171.3	(\$62.3)	\$2,647.5	\$3,907.0	59.6%		
40	1999	\$2,647.5	\$178.7	(\$64.9)	\$2,761.2	\$4,235.6	60.5%		
41	2000	\$2,761.2	\$186.4	(\$67.7)	\$2,879.9	\$4,589.2	61.4%		
42	2001	\$2,879.9	\$194.4	(\$70.6)	\$3,003.6	\$4,969.6	62.3%		
43	2002	\$3,003.6	\$202.7	(\$73.7)	\$3,132.6	\$5,378.7	63.2%		
44	2003	\$3,132.6	\$211.4	(\$76.8)	\$3,267.2	\$5,818.6	64.0%		
45	2004	\$3,267.2	\$220.5	(\$80.1)	\$3,407.6	\$6,291.4	64.9%		
46	2005	\$3,407.6	\$230.0	(\$83.6)	\$3,554.0	\$6,799.6	65.7%		
47	2006	\$3,554.0	\$239.9	(\$87.2)	\$3,706.7	\$7,345.7	66.5%		
48	2007	\$3,706.7	\$250.2	(\$90.9)	\$3,866.0	\$7,932.5	67.2%		
49	2008	\$3,866.0	\$260.9	(\$94.8)	\$4,032.1	\$8,562.7	68.0%		
50	2009	\$4,032.1	\$272.1	(\$98.9)	\$4,205.4	\$9,239.5	68.7%		
51	2010	\$4,205.4	\$283.8	(\$103.1)	\$4,386.1	\$9,966.2	69.4%		
64	2011	\$4,386.1	\$296.0	(\$107.6)	\$4,574.5	\$10,746.5	70.1%		
Compound Growth Rates		4.30%	4.30%	4.30%	4.30%	13.86%			
Count (Years)		52	52	52	52	52			

GDP EARNINGS WITH FED INTERMEDIATION EXPENSE REMOVED									
(N)	(A)	(B) = (A) x (c)	(C) = (A) x (b)	(D) = (A)+(B)+(C)					
Period	Year	GDP ³ Year(Begin) (\$ Billions)	Productivity Growth(Total) (\$ Billions)	Fed Intermediation Expense	GDP Year (End) (\$ Billions)				
1 ³	1960	\$513.2	\$34.6	\$0.0	\$547.8				
2	1961	\$547.8	\$37.0	\$0.0	\$584.8				
3	1962	\$584.8	\$39.5	\$0.0	\$624.3				
4	1963	\$624.3	\$42.1	\$0.0	\$666.4				
5	1964	\$666.4	\$45.0	\$0.0	\$711.4				
6	1965	\$711.4	\$48.0	\$0.0	\$759.4				
7	1966	\$759.4	\$51.3	\$0.0	\$810.7				
8	1967	\$810.7	\$54.7	\$0.0	\$865.4				
9	1968	\$865.4	\$58.4	\$0.0	\$923.8				
10	1969	\$923.8	\$62.4	\$0.0	\$986.1				
11	1970	\$986.1	\$66.6	\$0.0	\$1,052.7				
12	1971	\$1,052.7	\$71.1	\$0.0	\$1,123.8				
13	1972	\$1,123.8	\$75.8	\$0.0	\$1,199.6				
14	1973	\$1,199.6	\$81.0	\$0.0	\$1,280.6				
15	1974	\$1,280.6	\$86.4	\$0.0	\$1,367.0				
16	1975	\$1,367.0	\$92.3	\$0.0	\$1,459.3				
17	1976	\$1,459.3	\$98.5	\$0.0	\$1,557.8				
18	1977	\$1,557.8	\$105.1	\$0.0	\$1,662.9				
19	1978	\$1,662.9	\$112.2	\$0.0	\$1,775.1				
20	1979	\$1,775.1	\$119.8	\$0.0	\$1,894.9				
21	1980	\$1,894.9	\$127.9	\$0.0	\$2,022.8				
22	1981	\$2,022.8	\$136.5	\$0.0	\$2,159.4				
23	1982	\$2,159.4	\$145.7	\$0.0	\$2,305.1				
24	1983	\$2,305.1	\$155.6	\$0.0	\$2,460.7				
25	1984	\$2,460.7	\$166.1	\$0.0	\$2,626.8				
26	1985	\$2,626.8	\$177.3	\$0.0	\$2,804.1				
27	1986	\$2,804.1	\$189.3	\$0.0	\$2,993.3				
28	1987	\$2,993.3	\$202.0	\$0.0	\$3,195.3				
29	1988	\$3,195.3	\$215.7	\$0.0	\$3,411.0				
30	1989	\$3,411.0	\$230.2	\$0.0	\$3,641.2				
31	1990	\$3,641.2	\$245.8	\$0.0	\$3,887.0				
32	1991	\$3,887.0	\$262.3	\$0.0	\$4,149.3				
33	1992	\$4,149.3	\$280.1	\$0.0	\$4,429.4				
34	1993	\$4,429.4	\$299.0	\$0.0	\$4,728.4				
35	1994	\$4,728.4	\$319.1	\$0.0	\$5,047.5				
36	1995	\$5,047.5	\$340.7	\$0.0	\$5,388.2				
37	1996	\$5,388.2	\$363.7	\$0.0	\$5,751.8				
38	1997	\$5,751.8	\$388.2	\$0.0	\$6,140.0				
39	1998	\$6,140.0	\$414.4	\$0.0	\$6,554.5				
40	1999	\$6,554.5	\$442.4	\$0.0	\$6,996.8				
41	2000	\$6,996.8	\$472.2	\$0.0	\$7,469.1				
42	2001	\$7,469.1	\$504.1	\$0.0	\$7,973.2				
43	2002	\$7,973.2	\$538.1	\$0.0	\$8,511.4				
44	2003	\$8,511.4	\$574.5	\$0.0	\$9,085.8				
45	2004	\$9,085.8	\$613.2	\$0.0	\$9,699.1				
46	2005	\$9,699.1	\$654.6	\$0.0	\$10,353.7				
47	2006	\$10,353.7	\$698.8	\$0.0	\$11,052.5				
48	2007	\$11,052.5	\$746.0	\$0.0	\$11,798.5				
49	2008	\$11,798.5	\$796.3	\$0.0	\$12,594.8				
50	2009	\$12,594.8	\$850.1	\$0.0	\$13,444.9				
51	2010	\$13,444.9	\$907.4	\$0.0	\$14,352.3				
64	2011	\$14,352.3	\$968.7	\$0.0	\$15,321.0				
Growth Rates		6.75%	6.75%	N.A.	6.75%				
Count (Years)		52	52	52	52				

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Notes/Sources:

- 1-Format adapted from "The Tyranny of Compounding Costs" at <http://www.pbs.org/wgbh/pages/frontline/retirement/etc/tyranny.html>
- 2-Intermediation and GDP growth rate estimates from Attachment 6.
- 3-Initial GDP from Attachment 6 via St. Louis Fed economic data at <http://research.stlouisfed.org/fred2/series/GDP>
- 4-Fed M2M Intermediation expenses compounded at total growth rate.

Fed Monetary Intermediation Cost 1960-2011	\$ Billions	% Percent
Economic (GDP) earnings 2011 w/o Fed intermediation expense	\$15,321.0	100.0%
Economy earnings with Fed Intermediation expense deducted	\$4,574.5	29.9%
Fed Intermediation Expense from Non Bank Economy since 1960	\$10,746.5	70.1%

Fed Intermediation costs estimated to have wealth transferred approximately 70.1% of economic system returns to banking sector from 1960 to 2011.