

The Federal Reserve/Payment Gateway Plan

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In order to tackle the staggering \$14.3 Trillion U.S. National Debt some changes and a little sacrifice have to be made. I came up with this idea last week. Because it seems the VAT (Value Added Tax-Federal Sales Tax) is inevitable, I have come up with a way to increase Federal revenue and make it as painless as possible. It's a relatively simple plan that benefits the Federal Government as well as the states. Here it is;

The Federal Reserve would acquire, consolidate, standardize, and operate all the various Payment Gateways..... The Payment Gateway system, being a critical key component of the Nation's Monetary System, should be a function of the Federal Reserve. In an Internet environment where purchases are moving away from cash and plastic is dramatically increasing, it seems a matter of National Security and even Eminent Domain that the Fed should operate this critical infrastructure. The future is upon us and it's time we adapt and meet it head on. Here's my plan;

Consider this; The Payment Gateways get on average, \$.30/transaction plus 3% (of the transaction) of every credit/debit card transaction that takes place on earth. Every time someone swipes a card, boom, \$.30 and 3%. Merchants pay it. That's why they hate plastic. That's why when you go to the gas station and use your card, it's \$.10/ gal more than if you pay cash. The \$.10/gal covers the \$.30/3% Payment Gateway fee. I'm not sure this is exactly legal but who's to enforce it if it isn't.

So, where does that \$.30 and 3% go? The Payment Gateways are not the banks. They're just a bunch of fully automated computer networks owned by private investors and listed on NYSE. There were well over 20 Billion card transactions/year in the U.S. in 2006. There are no other numbers available for the period since then. One can assume it has grown. I know old people who were always cash only that now have debit cards. Cash is cumbersome.

The Federal Reserve is fully capable of performing the Payment Gateway function. As it stands, just about all ACH (Automated Clearing House) payments (Direct Deposit, bank transfers, etc) already go through the Federal Reserve now. The biggest problem with that is that the Fed is closed on weekends and holidays. I can't imagine why they have to close, it's just a bunch of computers. (It's not called Automated Clearing House because there's a lot of people involved.)

It never fails. You're sitting there with no money in you're checking account and you're waiting for your direct deposit or ACH transfer and the bank sends it Friday afternoon! Now you have to sit there with no money all weekend and wait for the Fed to open Monday morning. (This is a problem Ben Bernanke doesn't have, but many do.) It slows the economy down. The rest of the world doesn't

stop on weekends and holidays. So, they and we are going to have to buck up and think about this plan.

Now, here's where the VAT come in. Let's face it, if you can afford to buy it, you can afford to pay a little VAT. Yachts, fancy cars and clothes, etc. VAT would have exemptions like food, low end and green autos, etc. There would be much debate and maybe a sliding scale.

If the Fed operates the payment gateways, they can take in all the \$.30/3%/transaction fee proceeds. At the same time a 1-3% VAT can be added as a swipe fee to the card transaction. This results in a 4-6% real time **(no waiting for returns to be filed)** increase in revenue to the Federal Government. The merchants still pay the \$.30/3% and the customer pays the 1-3% swipe fee. The need for the merchant to keep records and file cumbersome VAT returns are eliminated for any card purchases.

As an added and critically important bonus to merchants and applicable states, **the Fed could automatically apply, collect and re-route all transaction Sales Taxes directly to the purchaser's (if applicable) state, no matter where the point of sale is. This would result in real time Sales and Use Tax revenue for the applicable state**, bypassing the merchant and relieving the merchant of having to retain and remit the usual large sum for the quarterly Sales and Use Tax return. Out of state merchants would not have to obtain Sales and Use Tax permits in all the different applicable states.

This is the gray area with Internet sales. Some merchants collect sales tax and some don't. For example; I bought a coffee cup online for \$15. The website boasted "Outside CA, No Sales Tax" I live in CT and would have been happy to pay the \$.90 in CT Sales Tax because CT just raised it's Sales Tax rate from 6% to 6.35%. With online purchases steadily increasing, this is a tremendous loss of revenue to struggling states with Sales Tax revenues.

If the Fed operates the Payment Gateways, Sales and Use Taxes as well as a variable VAT could be automatically programmed into the system and distributed in real time to the States and Treasury. The Fed could also retain a portion of the States' Sales and Use Tax as a service fee if necessary.

Therefore, it seems logical that the Payment Gateway system, being a critical key component of the Nation's Monetary System, should be a function of the Federal Reserve and not left to a group of private investors. Acquiring the Payment Gateways would be the sticking point.

So, the Fed sends the payment gateway profits (which could exceed \$500 Billion to a Trillion/year) to Treasury to be applied to the National Debt. It's standard procedure. The Fed had to pay \$79 Billion to Treasury in 2010 because the Central Bank made too much money on TARP..... No need to cut Social

Security and Medicare. If you're worried about "big brother", you can forget it. "They" already have every aspect of your life on record. What you buy, what you watch on TV, how much you make, who you call, where you travel, on and on....

The Payment Gateway process, for first time merchants, is a nightmare. First you have to open a Merchant Account with a bank. Then the bank tells you to shop around for a Payment Gateway..... PayPal and Google Checkout have made it very easy to get in the game and are to be commended. Here's some of the Payment Gateway mess the Fed would have standardize and clean up;

Name	Intuit	Pimius	Paypal (Standard)	Paypal (Pay Flow)	2 Check Out	Authorize.net	Alert Pay	E-Path	Google Checkout
One Time Setup Fee	\$59.95	None	None	\$249	\$49	\$99	None	\$22.00	None
Additional Fees	\$19.95/month +\$0-\$20 (based on monthly processing volume)	None	None	\$69.95/Month	Payment Option Fees:\$4/Check, CAD Wire:\$6, USD Wire:\$15,	\$20/month	None	\$264.00/year	None
Usage Fees	\$0.27/transaction	Depends on Product Price Range, 4.5% - 15%	2.4% - 3.4% + \$0.30 USD	Free for 1000/month, Extra : \$0.10/transaction	5.5% Plus \$0.45/transaction	\$0.10/transaction	2.5% + 0.25 per transaction	No Fees	1.9% + \$0.30 to 2.9% + \$0.30
Payment Methods	All major credit cards, POS, Terminal,Phone, E-Check	Credit/Debit Cards, Paypal, Bank Transfers, Wire Transfers, Purchase Orders, Fax Orders, Phone Orders	Major Credit Card, E-Check, Paypal	Major Credit Card, E-Check, Paypal, Virtual Terminal	Major Credit Card, Paypal, Debit Card	Major Credit Card, Telephone, Echeck	Credit card payments, Alert Pay	Credit Card	Credit Cards
Subscription System	Yes	Yes	Yes	Yes	N/A	\$10/month	N/A	N/A	Yes
Customer Support	Yes	Yes	Yes	Yes	N/A	Yes	N/A	N/A	N/A
Fraud Prevention	Card security fraud prevention	Copy Protection	N/A	Yes	Yes	Yes	N/A	Yes	Yes, Guaranteed Payment
Withdrawal Method	N/A	Check, Direct Deposit, Wire Transfer, Paypal, Pimius MasterCard	Credit Card, Bank A/C, Check	Credit Card, Bank A/C, Check	Wire Transfer, Cheques	N/A	Check, Credit Card, Bank Transfer, Bank Wire	N/A	Bank Withdrawals, Check

The future is upon us and it's time we adapt and meet it head on.

It must be noted that if a VAT is implemented, that a reduction in income tax should be implemented at the same time. We have to get more money in the pockets of the people to spend. When they make purchases, the VAT revenues will more than make up the difference while stimulating the economy at the same time.