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26 August 2009

Open Letter

TO: Mr. Barack Obama
President of the United States of America
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

AND TO:

Mr. Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

AND TO:

Mr. Timothy F. Geithner
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20020

Dear Mr. President:

Re: Banking Reform 2010 – a proposal

I am forwarding my article entitled

US Banking Reform 2010
An accounting solution with the added benefit of paying off the National Debt

The article is attached as a PDF. It is also uploaded at the IICPA's website at
http://www.iicpa.com/articles/articles.HTML

Main points of the reform proposal:

1. The $11.7 trillion US National Debt is redeemed under Act of Congress (which has the money power under Art. 1 Sec. 8 of the US Constitution) in the following manner:
2. The Federal Reserve "monetizes" the national debt by crediting the US Treasury on the full faith and credit of the United States the nominal amount plus interest of the various tranches of the debt.

3. The US Treasury issues “Redemption Certificates” or such other receipts to the current owners of the US national debt, but the funds are placed into a governmental or privately (or both) administered “Redemption Fund”.
4. The Redemption Fund invests the proceeds in US commercial banks’ preferred or common capital stock on a highly competitive basis.
5. US banks are mandated under IICPA core principle No. 5(b) “Going concern” to carry customer deposits as a deduction from the banks’ balances at the Federal Reserve on the asset side of the balance sheet, the net amount of which may not be negative.
6. US bank deposits are then 100% backed by federal funds (Irving Fisher’s (1935) *100% Money*) and the FDIC becomes superfluous.
7. The Redemption Certificates are listed for trading on US stock exchanges to provide liquidity for their owners.
8. The Redemption Fund acts as a conduit for the receipt and payment of tax free dividends.
9. The IMF is requested to agree to lend to sovereigns against the publicly traded Redemption Certificates, issuing its own currency, the IMF’s Special Drawing Rights (SDRs).
10. Many small and vulnerable banks will not be able to attract the funds and be closed down or taken over by bigger and more stable banks. The US has too many small and vulnerable banks, and to close them down may be a welcome side effect of the reform.
11. The whole program is neutral as to the money supply in circulation, and therefore non-inflationary.

The US national debt is nearing the point of no return, and something ought to be done which is better than eventual repudiation.

I am sending this letter and article to the press for discussion in the media.

Please do not hesitate to email me at mschemmann@gmail.com, if you have any questions.

Sincerely,

Michael Schemmann