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Re Greek Bailout, European Monetary Reform, National Debt Redemptions

TO:
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Vice-President of the ECB

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Yves Mersch
Member of the Executive Board of the ECB

Peter Praet
Member of the Executive Board of the ECB

Luc Coene
Governor, Nationale Bank van België/
Banque Nationale de Belgique

Jens Weidmann
President, Deutsche Bundesbank

Ardo Hansson
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Patrick Honohan
Governor, Central Bank of Ireland

Yannis Stournaras
Governor, Bank of Greece

Luis María Linde
Governor, Banco de España

COPY TO:
- Ministers of Finance of the Euro Area
- EFSF Luxembourg
- IMF, Washington, DC

Christian Noyer
Governor, Banque de France

Ignazio Visco
Governor, Banca d'Italia

Chrystalla Georghadji
Governor, Central Bank of Cyprus

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Chairman of the Board, Lietuvos bankas

Ilmārs Rimšēvičs
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Gaston Reinesch
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Josef Bonnici
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Klaas Knot
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Carlos Costa
Governor, Banco de Portugal

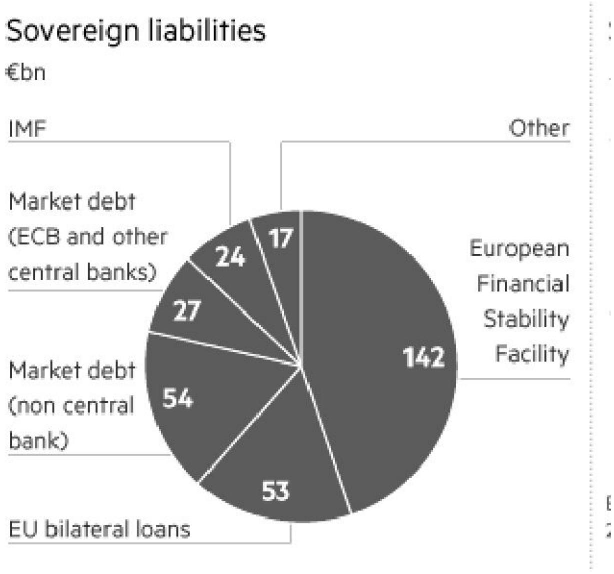
Boštjan Jazbec
Governor, Banka Slovenije

Jozef Makúch
Governor, Národná banka Slovenska

Erkki Liikanen
Governor, Suomen Pankki - Finlands Bank

Dear Sirs, dear Madams:

Around three-quarters of Greek public debt — or around €270 billion out of a total of €317 billion — is held by the official sector — the EFSF eurozone rescue fund, the European Central Bank as well as the IMF, according to IMF figures, writes the *Financial Times* 13 January 2015, "Size of Greece's debt limits scope for solutions."



At first I read into the line that €270 billion of Greece's national debt has been monetized by the European monetary agencies, and paying it off would only reduce the European money supply, adding to deflation that is already plaguing Europe.

Therefore, I figured, that Greece is doing fine, and NOTHING needs to be done on her part to pay back the bailout money. "Let the central banks, the IMF, and their agencies keep on holding the Greek national debt which they have monetized forever," if there wasn't a hitch.

In fact, Yale Professor Irving Fisher in his 1935 book "!00% Money" would have applauded the outcome that Greece has created by effectively spending the European monetary agencies' legal tender into circulation instead of bank-created fiat money. But then I saw this hitch, although in the end Professor Fisher will still be right.

The hitch is that the EFSF European Financial Stability Facility's €142 billion bailout money is not in central bank money but bank-created deposit or fiat money. The EFSF is the Eurozone's Finance Ministers' vehicle in Luxembourg set up in 2010 to run the bailouts off their balance sheets or budgets by issuing their combined €800 billion guarantees, and let the EFSF borrow the bailout money in the primary and secondary capital markets, Germany, France, Italy and Spain being on the hook with the lions' shares; the irony being, however, that France, Italy and Spain are themselves bailout candidates; Spain already is.

Greece is the cradle of Western rational thinking and analysis. Greece has been welcome to the hard currency club of the Eurozone, and has outsmarted us by making good use of the new hard currency by fully enjoying a deficit spending spree, leading her economy to unparalleled growth… and in the end is leaving the rest of Europe holding the bag of unredeemable debt; if there was not Irving Fisher's plan.

Irving Fisher would argue, "serves the Germans right" for stubbornly depriving themselves of the *100% Money Plan* (also known as "Vollgeld"), depriving themselves of creating their own money supply by the nation's own central bank and spending it into circulation thereby eliminating any need to borrow that fiat-money created by the private banks' in the so called money markets.

My advice to Greece is, therefore, "hold the line, don't openly renege on the bailout made by the previous right wing government, but do set an example by forcing Germany's lawyer posing as finance minister to read the 100% Money plan and adopting it for his own debt-ridden country and the rest of Europe. Greece has the duty in history.

For the first time, Greece has an economics professor at the helm of the Ministry of Finance, not a lawyer of the likes of Germany and the IMF. Professor Yanis Varoufakis, the emerging *rock-star* of Europe's anti-austerity uprising (*The Telegraph* 3 Feb 2015), has never worked at the treasury desk of a major commercial bank, but has no doubt read Irving Fisher and John Maynard Keynes, and he has the power to act. "I will tell Mr Schäuble that we may be a Left-wing riff-raff but he can count on our Syriza movement to clear away Greece's cartels and oligarchies."

I have published a number of booklets advocating *European Monetary Reform* (2010) and *The Euro Is Still the Strongest Currency Around* (2011), and *Liquid Money – The Final Thing* (2012).

The mechanics of the European monetary reform with sterile redemption of the national debts — which settles and in fact avoids the Greek bailout — is on the IICPA's website: "Eurozone Banking Reform 2015 - With the Added Benefit of Paying Off the Governments Debts" at www.iicpa.com, please click on "Articles & Letters" or
http://www.iicpa.com/articles/articles.html

With all best wishes,

[signed]

Michael Schemmann, PhD, CPA, CMA
Director of the IICPA

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