



# International Institute of Certified Public Accountants

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Open Letter to:

The Honorable Barack Obama  
The President  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, DC 20500

December 15, 2009

Dear Mr. President:

**Your invitation to the White House  
CEOs of the nation's largest financial institutions  
December 14, 2009**

I wish to clear up a basic confusion in your "Remarks by the President on the Economy" following the reception, a confusion which is also at the root of the Global Financial Crisis.

You are asking the bankers to create another crisis all over again; to create more money out of nothing backed by more debts of the poor.

The bankers will not be persuaded because each time in the financial history of the United States the result was another financial crisis. The bankers' money created through lending is not legal tender or federal money; and the bankers don't trust each other's self-created money anymore; they want federal money to transact their payments.

Your speech should have been addressed to the Houses of Congress that have the constitutional money power in order "to get the nation back into funds", e.g. through the Federal Reserve System.

"The Congress shall have Power  
[5] To coin Money, regulate the Value thereof, and of foreign Coin, and fix  
the Standard of Weights and Measures;

The constitutional money power lies idle and unused for the benefit of "a bunch of fat cat bankers on Wall Street" (a phrase used by yourself in a statement the day before the meeting).<sup>1</sup>

You say: "If they wish to fight common-sense consumer protections, that's a fight I'm more than willing to have." The people may not believe you until you do.

You say:

"Our nation's banks play, and have always played, a crucial role in our national economy – from providing loans for homes and cars and colleges; to supplying the capital that allows entrepreneurs to turn ideas into products and businesses to grow; to helping people save for a rainy day and a secure retirement. So it's clear that each of us has a stake in ensuring the strength and the vitality of the financial system."

The facts are:

The nation's banks have been the sole cause of the Savings & Loans Crisis of the 1980s, and the Global Financial Crisis of 2007 which is ongoing. They have created the nation's \$8 trillion money supply out of mere bookkeeping not preexisting money, while Congress authorizes the Treasury to borrow their nothingness at interest resulting in a \$12 trillion national debt that will be increasing to \$105 trillion by 2020 if you don't reform the system.<sup>2</sup> The banks have been users and abusers because you allow them.

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<sup>1</sup> The BBC News 15 December 2009 ""Obama tells US banks to lend more and not oppose reform at <http://news.bbc.co.uk/2/hi/business/8412852.stm>

<sup>2</sup> Michael Schemmann. 2009. "Misconceived Men of Très Haute Banque: Our Bankers" available at amazon.com Free copies have been sent to the House and the Senate "banking committees".

You say:

"Today, due to the timely loans from the American people, our financial system has stabilized, the stock market has sprung back to life, our economy is growing, and our banks are once again recording profits. A year ago, many doubted that we would ever recover these investments, but we've managed this program well. This morning, another major bank announced that it would be repaying taxpayers in full, and when they do, we'll have collected 60 percent of the money owed – with interest. We expect other institutions to follow suit, and we are determined to recover every last dime for the American taxpayers."

The facts are:

The nation's financial system has not stabilized because the nation's money supply is still 90% based on the debtors promises to pay, is created by banks through bookkeeping instead of legal tender. The stock market is only a very small reflection of the economy as a whole, creates nothing, destroys nothing, where money only changes hands. The economy is stagnant, not growing, and banks' profits are booked in terms of money that they have created. The money that TARP has lent the banks, have been borrowed by the Treasury in form the money from the same banks, allowing the TARP-recipient banks to reclassify demand deposits as equity capital, e.g. in the case of Citigroup. Federal funds equal to legal tender which alone is liquidity is coming to the banks from the Federal Reserve Systems in trillions of dollars as never before, but that is not taxpayer-money.<sup>3</sup>

You say:

"So my main message in today's meeting was very simple: that America's banks received extraordinary assistance from American taxpayers to rebuild their industry – and now

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<sup>3</sup> Federal Reserve Releases H.4.1. "Factors Affecting Reserve Balances". See also "Central Bank Responses to the Financial Crisis" graph published by Cumberland Advisors at [www.cumber.com](http://www.cumber.com)

that they're back on their feet, we expect an extraordinary commitment from them to help rebuild our economy."

The facts are:

With respect, as a human rights lawyer, you are misconceived on the principles of banking in the United States, and that the taxpayer's role which is a minute one, if any, because it only kept the bank regulators at bay who look at capital rather than liquidity before a bank is closed down. It was and is the Federal Reserve System that came to the banks' rescue by opening the discount window wide, and making other legal tender available to the banks, and is still continuing. The federal funds are available to the U.S. government to be spent into circulation to come to the aid of States who are facing bankruptcy. But the federal power under Article 1, Section 8, Clause 5 of the Constitution you do not want to use. Why not? Please explain to the Congress and the nation will listen.

You say:

"That [to rebuild our economy] starts with finding ways to help creditworthy small and medium-size businesses get the loans that they need to open their doors, grow their operations, and create new jobs. This is something I hear about from business owners and entrepreneurs across America -- that despite their best efforts, they're unable to get loans. At the same time, I've been hearing from bankers that they're willing to lend, but face a shortage of creditworthy individuals and businesses."

The facts are:

Bankers should not lend by creating money and give it to SMEs to "to open their doors, grow their operations, and create new jobs." It is not a commercial bank's function to provide risk capital, but to make bridge loans to smooth commercial operations. The businesses who wish to grow – and thereby grow the economy as a whole – must find capital investors. Your urging means to start the sub prime lending crisis all over again, except under a new name such as "the Obama Debacle".

If your government finds that the nation is short of money, which it isn't – the money supply M2 stands at \$8.4 trillion (December 2007 \$7.4 trillion)<sup>4</sup> and is growing not shrinking – your predecessor, Franklin D. Roosevelt, spent money into circulation under the "New Deal", except it was also mistakenly created by the private banks instead of the Federal Reserve.

Your statement is begging the banks that don't have the money power that you have, the Congressional money power that Congress will give you. The bankers are laughing at you and your request in persuasion all the way back to the bank. Yes, you have run for president to keep "a bunch of fat cat bankers on Wall Street."

You say:

"We also discussed the need to pass meaningful financial reform... to prevent another financial crisis of the kind which we just came out of. I noted the resistance of many of the financial sectors to these reforms... Short-term gains are of little value to our banks if they lead to long-term chaos in the economy. And I made very clear that I have no intention of letting their lobbyists thwart reforms necessary to protect the American people. If they wish to fight common-sense consumer protections, that's a fight I'm more than willing to have."

The facts are:

You are not showing that you are willing to fight, because you are begging the very bankers who created the crisis and will create another one as they have in the past, unless Congress acts. You have the money power through Congress, and the power to regulate banking. The fight is in the Congress, and the bankers have no power there, except to corrupt a Congressman which you cannot prevent but expose.

You say:

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<sup>4</sup> Federal Reserve Release H.6 "Money Stock Measures"

"[O]ur banks now have a greater obligation to the goal of a wider recovery, a more stable system, and more broadly shared prosperity."

The facts are:

The bankers must grow shareholder wealth, and they do so by taking whatever they can and the law permits from the public. The public would not entrust their funds with institutions runs as charitable organizations following your encouragement.

You say on the issue of "stability":

"So I urged them to work with us in Congress to finish the job of reforming our financial system to bring transparency and accountability to the financial markets; to ensure that the failure of one bank or financial institution won't spread throughout the entire system, and to help protect consumers from misleading and dishonest practices with products like credit and debit cards, with mortgages and auto and payday loans."

The facts are:

You effectively are asking the culprits to stop offending. That is not the role of government, but perhaps the clergy. Reformation of the financial system is simply to follow the U.S. Constitution, and for Congress to make use of its money power instead of allowing private bankers to usurp the power for absolutely nothing in return. A banking system run on the late Professor Irving Fisher's "100% Money System"<sup>5</sup> as discussed in my book "Money in Crisis" is immune to bank failures, inflation and deflation, booms and busts of the economy.<sup>6</sup>

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<sup>5</sup> Irving Fisher. 1935. "100% Money & the Public Debt" *Economic Forum* Spring 1936, reprinted 2009 ISBN 978-144-95902-9-1 available at amazon.com

<sup>6</sup> Michael Schemmann. 2009. "Money in Crisis. A practical solution for 'resolving' America's financial system & redeeming the national debt." ISBN 978-144-95830-5-7 available at amazon.com

A famous quote by Thomas Jefferson (1802):

"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."

Now America has both, money-creating banking institutions and the world's largest military. An opportunity has been lost by the U.S. government's misconceived action to come to the rescue of the private bank-book-money issuing banks while leaving their money power intact. Jefferson comments:

"The failure of our banks... restores to us a fund which ought never to have been surrendered by the nation, and which now, prudently used, will carry us through all the fiscal difficulties of the war."<sup>7</sup>

You say:

"Ultimately, in this country, we rise and fall together -- banks and small businesses, consumers and large corporations, and we have a shared interest in working together to ensure a lasting recovery that will benefit all of us and not just some of us."

The facts are:

America has become a class system. The poor fall together, the rich rise together – each in greater number every year because the banks' and insurers' trillions of losses are socialized while their gains remain private, because to do otherwise the losses would be "provoking violent prejudices by coming into conflict with the deep instincts by which the love of money protects itself," according to J.M. Keynes. ("I'd like to live as a poor man with lots of money" – Pablo Picasso.)

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<sup>7</sup> "The Jefferson Cyclopedea. A Comprehensive Collection of the Views of Thomas Jefferson." John P. Foley, Editor. New York: Funk & Wagnalls, 1900, ¶5622.

If there was ever a *prima facie* case in which the United States Federal Government conspired and colluded with the big money interest, allowing their usurpation of the Congressional money power to continue, the bank bailout of 2008 is it.

Respectfully yours,

A handwritten signature in blue ink that reads "M Schemmann". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael Schemmann, Ph.D., CPA  
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Booklet enclosed:

"Misconceived Men of *Très Haute Banque*: Our Bankers"