



12 April 2020

TO  
Ms. Christine Lagarde  
President  
**European Central Bank**  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

[Christine.lagarde@ecb.europa.eu](mailto:Christine.lagarde@ecb.europa.eu)

Dear Ms. Lagarde:

**The creation of Equalization consoles in lieu of bank bailouts**

I disagree that the current Covid-19 pandemic requires bank bailouts exceeding the requirements of the GDF Global Financial Crisis of 2007-2008.

I disagree and point you to the solution found by the CDG Colm-Dodge-Goldsmith Plan of 1946 and the highly successful subsequent German Monetary Reform of June 1948.

I am enclosing a demonstrative example for the creation and use of Equalization Funds in the attachment, and the beneficial results on bank financial positions.

Liquidity is another matter, and the ECB has mechanisms in place to come to the banks' assistance in order to guarantee the functioning of the payment system.

Money today is only bookkeeping, and problems created by bookkeeping can be solved by bookkeeping, say accounting, not by complex financial plans created in the ivory towers of economists. Underlying complexity is simplicity.

With all best wishes,

signed /M Schemmann/

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

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ABC Banking Corporation Limited Balance Sheet	Date	Adjustments		Date
	2019-12-31	Debit	Credit	2020-06-30
<b>ASSETS</b>				
Cash	100			100
Cash in central bank	200			200
Loans receivable	1000		(1) 200	800
<b>Equalization console - Demand against state</b>		(2) 200		200
Other assets	300			300
<b>Total assets</b>	<b>1600</b>			<b>1600</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits	1300			1300
Other liabilities	100			100
Equity	200	(1) 200	(2) 200	200
<b>Total liabilities &amp; equity</b>	<b>1600</b>			<b>1600</b>
Explanation:				
<p>(1) During the first half year of 2020, the bank records loan losses in the amount of 200. The creation of an <b>equalization console</b> is authorized in the amount of 200 to avoid the bank's insolvency. (2) The bank records the console as an asset in the amount of 200, crediting equity for 200. The equalization console is treated in accordance with a new special banking law and regulation, for example, by requiring an annual write-down against income or against income tax or other relief by the state. This proposal has a predecessor in the CDG Colm-Dodge-Goldsmith-Plan for the highly successful German Monetary Reform of 1948 as a guide. The name of the Equalization Console under CDG was <i>Lastenausgleichs-Fonds</i>, but the name is not as important as the function, namely to balance the bank's financial statement without allowing the loan losses to eliminate equity, thereby preventing the bank's insolvency. The bank continues to function as before; and there is no need for the State to raise funds in the capital markets or the central bank to buy up the funds by issuing its own new money, or by resorting to an EU rescue fund.</p>				