Ons Geld, Vollgeld and Positive Money

To a large extent, Ons Geld was kick-started thanks to the work of Positive Money. Our proposals are not identical though. Vollgeld is yet another variation on the same theme. The following gives some insight in the differences between the various proposals. It assumes the reader is familiar with the work of Positive Money and the Vollgeld Initiative.

1. If you do an ‘overnight transition’, you decide top-down what part of the money stock is converted. PM would have payment accounts converted in full reserve accounts (which they call transaction accounts) and savings accounts in investment accounts. Money on investment accounts is not available to the account holders, until maturity. The overnight transition would instantly remove savings from the control of the savers. That would be a major liquidity crunch and could crash the economy indeed.

2. The Swiss Vollgeld Initiative did not propose investment accounts. It focused on transaction accounts only. The outcome of that wasn’t good either. There would be no restraint in transfer of money between full reserve accounts, and state protected commercial bank accounts. This would increase systemic risk.

3. Ons Geld applied guided market processes to the transition. To that end, it proposed a limited transition period during which the public can decide what part of its deposits to convert (one on one) to safe money, and what part remains invested in the banks. During the transition period, guided market processes should determine the extent of the safe money stock, and the extent of the money that remains invested in the banks.

4. Regarding investment, Ons Geld did not introduce any new kind of financial asset, as PM did with its investment accounts. Instead, we proposed subjecting the money that remains invested in the banks (“remaining deposits”) to the existing rules that apply for securities. Banks can freely decide what kind of securities they’d like to offer in replacement of the remaining deposits. Accountholders can choose freely between the offers proposed by the banks, and conversion to safe money. Unlike (uncertified) deposits, securities can be sold and transferred, adding to liquidity in the economy. We claim that digitization will advance this, reducing barriers for investment.

5. In my view, both PM and the Vollgeld Initiative overlooked a vital aspect of the current money system, which is a *monetary credit system*. In that system, money is a function of available financial assets ("debt") with a reliable cash flow. Money is available to the extent that society can bear and service debts. The institutional framework is geared towards the monetization of debt. Both PM and Vollgeld did not address that, and thereby did not effectively address commercial money creation. For instance, to address money creation one should address ‘shadow banking’ and ‘stable coins’ too.

6. Full reserve accounts and central bank money should not be the goal of our reform. They are important for a controlled transition process. But the transition leads to something else: demonetization of debt. Ultimately, all financial assets should exchange on intrinsic value, not nominal value, through sound market processes for assessing, pricing and acceptance of risk in these assets.

7. The central bank is the key institution for the monetization of debt. It enables private interests to exploit the money system. To put an end to this, we must reform the central bank. It should not be a credit institution to commercial money issuers. It should not uphold the debt titles issued by anyone. It should provide physical and digital cash to society at large. It should not do so via commercial enterprises (banks etc.) but via the government budget. It should monitor liquidity buffers of all economic agents in society, not specifically of banks.

8. Investment capital (funding) ought not be provided systemically by the government, nor the central bank. It should be provided by society at large. This requires that the nation provides appropriate liquidity-buffers to society and enforces that these buffers are well spread throughout society at all times. This implies that hoarding of safe money will be discouraged, by putting a limit to the amount of safe money each person can hold freely. The surplus is subject to progressive taxation providing an incentive for circulation of money and investment. Apart from money there will be a plethora of privately issued stores of value. A difference between money and these stores of value is that money represents the currency, and stores of value will have a free exchange rate with the currency. In the present system, the central bank enforces a fixed one-on-one exchange rate ('parity') between deposits and the currency. This should be gradually dismantled. The resulting 'demonetized deposits' retain their function as a store of value but lose their function as a generally accepted means of payment.

9. Digitization is the driver of money reform. Digitization makes it both possible and necessary. It makes it possible because (i) it allows for payment over distance in cash, instead of mutual settlement of debts. (ii) It also allows the nation to directly provide, monitor and adjust liquidity buffers in society. Digitization of cash is necessary because otherwise the legal tender will definitely lose out to private forms of money, wiping out the dollar, the euro and deposits on the way.

10. In the end, money reform is about justice and democracy.

PM and its proposal were very helpful to kick start Ons Geld. It marked the beginning of a public debate, that became universal thanks to the Swiss. Let's be proud of what each of us has accomplished on the road. Let's not be naïve to think that what was said in 2013 was the final perfect thing to say. These where first (groundbreaking) utterances from which a most important development emerged. Let's make sure that the story continues and improves and will be implemented on the way.

Edgar Wortmann – August 27, 2019

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