

Safe haven variants

Martijn Jeroen van der Linden

Ons Geld, Delft University of Technology, The Hague University of Applied Sciences

June 15, 2019

Stockholm

mjvdlinden@hhs.nl / mj.vdl@onsgeld.nu

Agenda

Brief introduction

Why a safe haven?

The search for a safe haven in the Netherlands (and abroad)

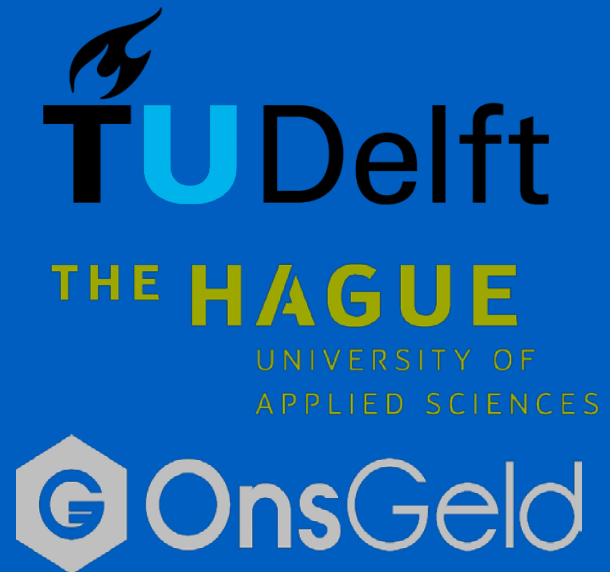
Introduction

Background:

- MSc. Business Administration
- Banking

Today:

- PhD research into the design space of the monetary-financial system in the digital age
- Professor New Finance
- Chairman of Foundation Ons Geld ('Our Money')



Why a safe haven?

By design instability of the monetary system (problem 1) leading to a vicious cycle of an increasing amount of increasingly complex regulation (problem 2).

Contractual liquidity is root cause of both problems.

Digitalization is key.

Digital cash (safe haven variant I)

2012: Establishment of 'Ons Geld'

2015: Citizens' initiative 'Ons Geld' with theater group 'De Verleiders' to put public-private entanglement in monetary-financial system on the political agenda.

Three 'radical/ systemic' proposals:

- Public money creation
- The development and introduction of digital cash (digital inherent liquidity)
- Liberalization of the credit system

Jan 2015: Launch of citizens' initiative



www.burgerinitiatiefonsgeld.nu

October 2015: First round table in the Lower House



A private deposit bank (safe haven variant II)

2015: An entrepreneur attempts to establish a non-profit private deposit bank in combination with a proposal to gradually abolish DGS.



2015-2016: Full Reserve and Ons Geld collaborate.

- 2.400 founding members
- Meetings with politicians, central bankers and Ministry of Finance
- Legal obstacles

March 2016: Debate in the Lower House

Two outcomes:

1. The Lower House voted unanimously in favour of a safe haven for book money and asked the Finance Minister to find out how it could be implemented.
2. The Lower House asked the Netherlands Scientific Council for Government Policy to research the current monetary system and alternatives.

CBDC (safe haven variant III)

July 2016: Barrdear & Kumhof published 'The macroeconomics of central bank issued digital currency'.

October 2016: We organized another large conference. This time at Delft University with Kumhof.

CBDC became a hot topic.

A public deposit bank (safe haven variant IV)

December 2018: A member of the Lower House submitted a proposal to establish public deposit bank titled '100% safe saving and paying'.

Still no private deposit bank. Is it easier to establish a public deposit bank?

Jan 2019: Publication of report 'Money and Debt'



Reform is 'experiment' but safe haven is needed

Many argue that the main risk of a CBDC is a digital bank (e.g. BIS 2018). The Netherlands Scientific Council for Government Policy thinks differently:

“We reverse the reasoning: creating a safe alternative can actually contribute to a more stable system. The fact that people have a real alternative will have a disciplining effect on existing banks. It will force banks to fund themselves more responsibly, with more equity (capital) and long-term debt. Also the creation of money and debt by commercial banks will be limited in this way” (2019: 237).

Safe accounts (safe haven variant V)

Unfortunately, the 'how' question was not answered by the Council...

Spring 2019: Ons Geld develops an 'easy-to-implement' proposal:

- 'Safe accounts' issued by a department of Ministry of Finance (called the public deposit institute)
- Give access to balance sheet of central bank
- Can be used in payments environments of private institutions

Last Tuesday: Meeting with Finance Minister



Government's reaction on report and proposal for public deposit bank

The government:

- has no plans to establish a public deposit bank because of DGS.
- welcomes private initiative(s).
 - But those have limited chance with DGS.
 - Moreover, it still not clear if all legal obstacles have been lifted . . .
- will ask DNB to research and start experiments with CBDC.
 - But in the end this is the choice of DNB.

Last Thursday: Second round table

4 hours, 16 experts

Most experts (including two senior bankers) argue:

1. It is a question of order / structuring.
2. A safe haven is a good idea for various reasons (e.g. consumer freedom, diversity, macroeconomic stability) and is an alternative to DGS.
3. It is about willingness. Political action is required and experiments are needed.

Five safe haven alternatives

I. Digital cash

- Money is no longer a financial asset. Long-term reform.

II. Private deposit bank

- Interesting step/ experiment. Legal obstacles and DGS.

III. Central bank digital currency

- Feasibility studies and experiments needed. Mid-term reform.

IV. Public deposit bank

- Interesting step/ experiment. Political willingness and DGS.

V. Safe accounts / public deposit institute.

- Interesting step/ experiment. Clear separation between public and private. Political willingness and DGS.

Conclusion

There are many safe haven variants.

Open question: Do politicians take responsibility for the structure (design) of the monetary-financial system (in the digital age)?

After summer: Debate in the Lower House.

Thank you for your attention

Martijn Jeroen van der Linden

Ons Geld, Delft University of Technology, The Hague University of Applied Sciences

June 15, 2019

Stockholm

mjvdlinden@hhs.nl / mj.vdl@onsgeld.nu