



Express Money: Avoiding the Eurozone Breakup

Economic Recovery in Debt-Ridden Countries via Fast-Circulating, Slow-Leaking Regional Money

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Abstract

The euro crisis can be overcome. The solution is called *Express Money*.

Its advantages are as follows:

- Using Express Money, the euro crisis countries can speed up monetary circulation in their economies ("liquidity optimization"), thus promoting economic growth, creating new jobs, enhancing tax revenues, and reducing their dependence on foreign countries.
- The parliaments and governments of Greece, Portugal, and/or Ireland can move autonomously to adopt a government-issued *regional currency* (henceforth: "EM", for Express Money).
- The EM is unique in two ways: 1) Via its *spending incentive* (a user fee), monetary circulation is accelerated, thereby stimulating the economy. Doubling monetary velocity doubles GNP!
- 2) Via its *leakage inhibitor* (an exchange fee for conversion into euros), more money stays in the home country, strengthening the regional economy and reducing trade deficits.
- By issuing EM, the government immediately gains a 10% increase in available liquidity, and the spending incentive and leakage inhibitor pro-

vide it with further billions of euros. Low-income people bear practically no increased burden.

- EM credits carry a lower interest rate than euro credits, thus facilitating economic investment.
- The EM will quickly become the vehicle for a large percentage of domestic payment transactions.
- The EM will circulate only in the real goods-and-services economy, since it will not be suitable for speculative "financial products".
- Countries will gain the benefits of a regional currency while not being forced out of the euro – an outcome far preferable to a catastrophic euro abandonment.
- Express Money will only come about, however, once the idea finds its way to responsible parties in politics, economics, the media, and non-profit organizations, and is subjected to broad public discussion. Translations of this concept into German, English, Greek, Portuguese, etc. are already being prepared (see www.eurorettung.org). Spread the word to everyone whose support will be needed to get Express Money adopted in the crisis countries!

Express Money: the Healthier Alternative to Euro-Flight

Up to now the talk has been about how Greece, Portugal, and other over-indebted countries of the euro zone sooner or later will have to bail out of the euro because its demanding rules are strangling them. The "hard" euro, it's said, is a bad fit for the weak national economies; domestic products and services become too expensive, making it impossible for the countries to emerge from recession, unemployment, and sinking tax revenues. Leaving the euro, so runs this argument, together with the re-introduction of a national currency (drachma, escudo, Irish pound) would result in a strong devaluation vis-à-vis the euro, and most importantly the cost of labor would be brought down to a competitive level. Simultaneously though, all imports would become more expensive – in fact quite unaffordable for lower-income citizens. Meanwhile, since the old debts would still be denominated in euros, debt payments in relation to the national currencies would explode, and the only option left for the countries that had abandoned the euro would be massive defaults. With that they would forfeit totally the trust of foreign lenders. Of course, today that trust has already been badly shaken, kept in place only by the willingness of more creditworthy countries to guarantee continued debt repayment.

Retreating from the euro, and the state bankruptcy that would follow, is an extremely risky course that could throw the economies of the affected countries back by decades. It's true that successful examples of this type exist, e.g. Argentina, which was able to recover relatively quickly after the crash of 2002. But numerous other examples bear witness to multi-year recessions resulting from the default. Moreover, the exit of any country could destabilize the whole euro zone, pushing other countries into serious distress.

The real problem, though, is that governments don't learn from experience. They take on new loans and end up a couple of decades later in the same debt trap they thought they'd escaped. Greece has gone through this cycle again and again; over the last two centuries it has declared bankruptcy five times. For fully half that time, 100 years, Greece has been mi-

red in financial difficulty. And other countries haven't fared much better. Germany, for example, has gone bankrupt eight times in the last four centuries – an average of once every fifty years.

A better alternative to euro abandonment exists. Fast-Circulating, slow-leaking Regional Money can provide a new impulse to the respective national economies, without any new foreign indebtedness or bailouts. Self-help and self-responsibility of the distressed countries would take the place of an ever-growing dependency on others. Increased sales would lead to more jobs, lower trade deficits, less social costs, and greater tax revenues. The basic idea is this: When no additional money can be funneled into the economy, because it immediately disappears again as payment for imports or via monetary flight toward higher returns, the solution lies in using the available money more efficiently. The economists call that efficient use "liquidity optimization"; in everyday language, we call it Express Money.

Spending Incentive Enhances Domestic Demand

Greece, Portugal, Spain, and other euro countries are stuck in a negative recessionary spiral. Owing to the necessary cutbacks in governmental spending, and the spending timidity of money holders brought on by the economic crisis, monetary flow has slowed. The flow of goods and services has dropped off accordingly. So workers must be laid off and tax revenues shrink further – a self-reinforcing downward spiral. Youth unemployment in the affected countries has reached an alarming 40%! Debt-financed economic stimulus programs by now being out of the question, the only available recourse is structural reform of the economy, management, and specifically the monetary system. This is where Express Money comes in.

Recession means that investments and purchases fall off, and payment of invoices is delayed. Monetary flow gets bottled up, like cars in a traffic jam. The store owner's sales plummet, so she can't pay her suppliers on time, so the supplier has to lay off his workers, so the workers can't pay their rent, so the

landlords can't pay their taxes, so the government can't pay its suppliers, and so on. But if a way can be found to nudge the traffic into moving faster again, the jam dissolves.

That's why the affected governments should introduce, parallel to the existing euro, regional money that employs a spending incentive. "Spending incentive" means that a fee is imposed for holding onto the EM. Just as we pay interest on debits built up in our current accounts or on our credit cards, we would pay a fee on our liquid holdings — not, however, on our long-term savings.

Doubled Money Velocity Creates Doubled GNP

The spending incentive motivates all private parties, business firms, organizations, and governmental agencies to spend their available cash quicker, to avoid paying the fee. Just as we attempt to avoid the overdraft penalties that result from high credit-card debt, the incentive will move us toward spending down our surpluses. The velocity of money circulation will increase. If in the space of one year 10,000 euros are spent and received five times, economic revenues totaling 50,000 euros are realized. If the circulation velocity doubles, the same base amount results in revenues of 100,000 euros; demand for goods and services rises accordingly. Assuming the money stays in the real economy and sufficient unused capacity exists (i.e., unmet needs and under- or unemployed labor), a doubled circulation rate for money effectively doubles the GNP!

Like "Dirty Dora" in the card game of Hearts, everyone with positive account holdings will try to pass them on as quickly as possible. Thus the money is driven towards goods and services, whose flow rises concomitantly until demand has been matched by supply and unemployment has been reduced to near zero.

In this way the spending incentive enhances domestic demand by means of a faster, more efficient use of the available money, irrespective of any governmental austerity measures. Up to now the central banks have attempted to spur the economy by raising the volume of money — lowering the prime interest rate,

supplying unlimited central bank credits to commercial banks, and buying up government bonds. But a large percentage of this new money is sucked off into the finance industry, where its insanely high circulation velocity causes much turmoil. After a very short time, this money is no longer available to the real, "Main Street" economy. If the goal is to stabilize and strengthen the real economy, it can be achieved much better by increasing the velocity of money rather than its volume.

Leakage Inhibitor Strengthens Domestic Production

Increasing monetary velocity will only succeed, however, if the monetary environment is protected against excessive outflow of liquidity. Otherwise, in order to escape the spending incentive, EM holdings would just be converted to euros and transferred abroad. And the problem of excessive imports would be exacerbated. In 2011 Greece recorded a trade deficit estimated at 12.3% of GDP; Portugal's stood at 9.7%. The proper goal is to balance imports and exports by stimulating domestic production and the demand for domestic products.

This is why a protective mechanism in the form of the EM's leakage inhibitor is necessary. "Leakage inhibitor" means that for all exchanges of EM to euros, and for all money transfers to foreign accounts, a fee of, say, 10% would be imposed. Then people would ask themselves whether it wouldn't make more sense to keep their money in Portugal or Greece, and spend it there or deposit it in a local savings account. On the other hand, transfers from abroad to Greece or Portugal would not be subject to the fee, because the inward flow of money is needed and welcome.

The leakage inhibitor strengthens the regional economy, because no fee is imposed on the purchase of domestic products, while it is imposed on all purchases from abroad. Merchants will include the leakage inhibitor in their prices, making foreign goods more expensive than their domestic equivalents. This will stimulate import substitution.

Leakage Inhibitor Beats Trade Deficits

In view of Greece's and Portugal's very high trade deficits, this preferential treatment of domestic production is a *sine qua non*. These countries can escape their debt trap only by establishing more balanced trade. A negative trade balance always means that the country must take on foreign debt in order to buy the foreign goods. In this regard the European countries differ enormously one from the other. Trade surpluses were registered in 2011 by Germany at 5.8%, Holland 5.1%, Austria and Belgium 3.2%, and Finland 2.8%. Deficits were registered by Greece (-12.3%), Portugal (-9.7%), Spain (4.5%), and Italy (3.5%). (Source: ECB, Eurostat, Wirtschaftswoche, 31 Jan.2012.) Such trade balance differentials without the availability of currency rate changes are toxic over time, leading to excessive debt and financial strain. Negative trade balances can be evened out by increased exports, accepting transfer payments from trade-surplus countries, or by reducing imports. It's in this third area that the leakage inhibitor becomes relevant.

National economies normally even the playing field by adjusting currency exchange rates, establishing different interest, tax, and inflation rates, and adopting different pay scales. The establishment of the common Euro Zone rendered these mechanisms largely irrelevant, but they were not replaced by any new imbalance-correcting mechanisms. This is one of the causes of the current euro crisis. The leakage inhibitor is a means of correcting this systemic design flaw.

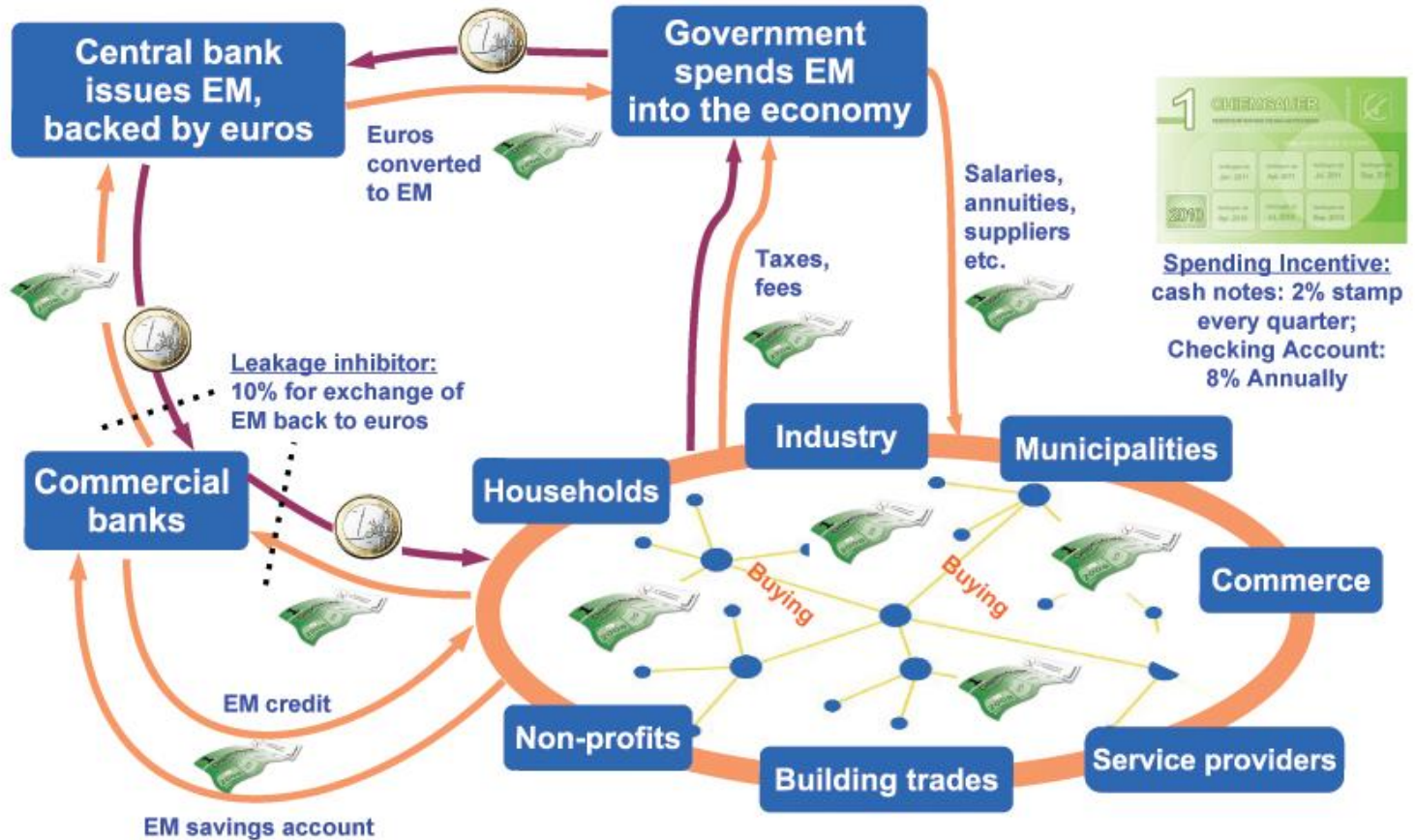
Arguing in favor of exiting from the euro, proponents claim that the new drachma or escudo would be sharply devalued, resulting in cheaper exports and more expensive imports. But urgent necessities such as oil and raw materials would thereby become very expensive. The load would be shouldered by businesses and the man/woman on the street. The leakage inhibitor, on the other hand, would result in only a very moderate price rise for imports. Greece and Portugal could retain their membership in the euro system and continue to enjoy the benefits of a solid currency unit.

Of course a leakage inhibitor implies negative effects for export economies, so we can expect protests from certain interest groups that will perceive here an interference with free trade and will cry out "Protectionism!". But effective free trade depends on well-adjusted trade balances. If balance is lacking, excessive debt results, and that leads over time to the effective dispossession of the exporters. Goods and services provided, for example, by Germany over the course of decades are devalued by the need for transfer payments, loan guarantees, and in the extreme case by defaults. The doctrine of free trade taught in economic theory courses and practiced in the political arena needs to be thoroughly revisited: we need to integrate trade control mechanisms that will lead to a global import-export balance of goods and services transactions. A relatively simple means for achieving this balance is the proposed fee on the leakage of money.

Money That Stays Home

Subsidies and development assistance from abroad only become truly productive once a leakage inhibitor is in place. For only then will the investment stay in-country and strengthen the economy. Without the inhibitor, the injected money will immediately leak out again. This is the mistake that was made, for example, in the reunification of Germany. Billions of euros worth of development assistance and social remittances from West Germany were spent just one time in East Germany for consumer goods, then proceeded to flow right back to the West. After reunification the East was invaded by retail chains from the West that stocked hardly any Eastern products. Old, established firms disappeared, leaving a permanent hole in the East German economy and resulting in chronic high unemployment. If buying power isn't retained in the region, development funds work like a barrel with no bottom: You can pump billions upon billions into it, but this buying power flows quickly out again and never creates a robust economic structure. A regional economy populated by lots of small and medium enterprises is what's needed for a region to produce prosperity on its own, rather than becoming a permanent welfare case.

Express Money replaces euro exit: Circulation of a government-issued Regional Money (EM)



Government-Issued Regional Money (EM)

We recommend the issuance of a "national" regional money incorporating a spending incentive and a leakage inhibitor, to complement the existing euro. It can be issued immediately by the parliaments and governments of Greece, Portugal, Ireland, or Spain in order to lead their countries out of recession. In the following description of the basic structure we draw primarily from the example of the Chiemgauer, Europe's largest regional currency (www.chiemgauer.info).

This proposal is based on broad experience with many complementary currencies that run parallel with central-bank-issued currencies. The largest such system is the WIR Economic Circle in Switzerland, with roughly 67,500 member accounts (~15% of all commercial enterprises) and an annual WIR turnover of 1.63 billion Swiss Francs (2002). Additionally there are barter systems, city-card systems, and many regional currencies (www.regiogeld.de) that are issued by non-profits or economic associations. The issuance

of electronic money is regulated by an EU ordinance.

The spending incentive idea has been proposed for central bank money as well. In Switzerland, owing to the great current demand for safe Swiss francs, a negative tax for foreign-held Swiss franc assets is under discussion, with the goal of weakening the exchange rate for the excessively "hard" franc – as was done once already, in the 1970's.

Government Issuance and Legal Tender

Regional money, henceforth referred to as "EM", will be regulated by law and issued by the respective national central bank as a complementary "legal tender". The Greek or Portuguese central bank will organize this issuance in addition to its existing responsibilities within the euro network. The government exchanges euros for EMs at the central bank and spends the EMs into circulation by paying salaries, social remittances, and supplier invoices with them. Via these state expenditures a constant stream of new EMs enters the economy. Concurrently, the go-

vernment accepts EMs in payment of taxes and public service fees. Therefore no one will have a problem finding a place to spend the EMs they have taken in; they can pay their taxes and fees either with euros or EMs. Business firms can also pay their employees and domestic suppliers in EMs. The expectation is for everyone to pay first with the EMs at their disposal before completing payment with euros.

Euro Backing

The EM has the same value as the euro. Businesses need not publish two different sets of prices, which would be tedious and expensive. All invoices will continue to be issued for euros, although they may be paid in EMs. The EM is a supplementary, parallel currency to the euro, not an independent currency with its own floating exchange rate.

This close coupling with the euro is guaranteed by one-to-one euro backing: for all EMs issued, the government deposits a corresponding amount of euros in a central bank escrow account. Thus everyone knows that the EM is supported not only by some over-indebted, near-bankrupt state, but by real, hard euros for which they can cash out their EMs at the central bank. This is how the requisite trust in the EM is built.

In theory, the government could issue the EMs without any backing, and would thus still have those euros available. But the question of trust arises. When introducing EMs into the market, the establishment of trust is facilitated by creating this escrow account in euros. What, for example, would a government employee say who on top of salary cuts now had to accept payment in an unbacked currency that might lose all its value in a few weeks when the next government funding crisis hits the headlines? The European Central Bank would presumably also cry foul, because the unbacked issuance of EMs would be tantamount to increasing the volume of money outside the ECB's control. If, on the other hand, for the EMs issued a corresponding amount of euros is placed in escrow at the central bank, the volume of money is unchanged.

Regional Money as Cash and Checks

Every owner of a euro checking account will receive a supplementary EM account with a debit card, so that he/she can pay for things cash-free. To accelerate market acceptance, the commercial banks should automatically provide this EM-oriented service for every existing euro checking account with annual turnover exceeding a certain threshold. The customer should pay nothing for this service, as it will be financed by general revenues stemming from the spending incentive.

The EM in the form of checking-account money doesn't go far enough, though, because people are accustomed to paying most of their bills with cash. In Greece, for example, over 70% of retail trade is transacted in cash (source: ECB), even though in Greece cash-free payment is legally obligatory for amounts over 1,500 euros, to discourage tax evasion. So the central bank will have EM banknotes printed, and will circulate them via the commercial banks. Someday the money withdrawn from ATMs might be limited to EMs, with euros available only from a teller inside the bank. (From the outset, the EM would be protected by the same safety features as the euro.)

EM coins will not be necessary. Euro coins can easily be combined with EMs for payment or when giving change. In theory EMs could also be accessed by a smart card; i.e., an amount is recorded on the card's memory chip, allowing for payment without having to record every transaction in a checking account ledger. Another possibility would be an electronic purse accessible via modern technology, e.g. smartphones. However, money cards have not been received well by the general public over the last several years; people still prefer cash. Therefore it makes sense at least initially to limit available EM formats to cash and checks.

Spending Incentive for Checks, No Spending Incentive for Savings

For all EM assets held in checking accounts, a spending incentive charge of 4-12% per year will be assessed. The actual rate will be set by the central bank in accordance with its current monetary policy. In the

introductory stage, the incentive percentage must not be set too high, in order to avoid the kind of hectic spending that accompanies hyperinflation. But it must be set high enough to stimulate spending even in economically uncertain times. At the outset, we propose setting the spending incentive at 8% annually. The Chiemgauer group has achieved very favorable results with this figure. As the economy stabilizes, the rate can be lowered.

In addition to checking accounts, banks will offer EM savings accounts as well. For deposits subject to withdrawal notice of a year or more, no spending incentive will be applied. Thus saving (or value storage) is not only possible with the EM, it is rewarded. People can shield their money from the spending incentive in medium-term savings accounts. This saved money can then be lent out by the bank at favorable rates to other customers.

The spending incentive will be calculated and invoiced by the banks in just the same way they currently handle interest payments on accounts. It's facilitated by a simple reprogramming of the banking software, substituting a minus entry for the positive entry that books interest payments. Thus the spending incentive is calculated daily, and is booked via the banks' monthly account settlements. The banks pass the EM receipts on to the government after deducting their accounting costs. And the banks themselves are subject to the spending incentive on their own EM holdings, so that they too are motivated to keep the EM circulating.

Spending Incentive As Applied to Banknotes

For cash banknotes we propose a stamp technique as practiced by the Chiemgauer group. Quarterly, a stamp worth 2% of the face value of the note is affixed to it, whereby the note retains that full value. The four call dates are January 1st, April 1st, July 1st, and October 1st. Issued for a lifespan of two years, the bills are printed with eight small squares for stamps to be affixed to. (The first square is already occupied by a printed stamp.) Hoarding money thereby becomes unattractive; nor is the money suitable for off-the-radar, undeclared transactions. All users are incen-

tivized to pass the money on as quickly as they can. Cash money will no longer be desirable as a store of value, but will only facilitate purchases and gifts. Thus the monetary velocity will remain constantly high. The banks' own store of cash notes will also need to be value-stamped at the prescribed intervals to keep the spending incentive uninterrupted.

Economics Professor Gregory Mankiw has published an interesting proposal in the New York Times. The final digit of the serial number of all euro bills (i.e. 1-9) would be drawn from a hat at planned intervals, and all bills with this final serial digit would have to be exchanged for newly issued bills at a prescribed incentive fee. The expectation of loss of value should suffice to keep anyone from wanting to hoard large amounts of cash; people will prefer to spend their bills at full value. If bills in 500- or 200-euro denominations are moving more slowly, the obligatory exchange mechanism could be limited to them. The disadvantage, however, would be the time delay implied by the need to survey the bills' circulation rate.

For game theorists, the surprise effect of a lottery is presumably more exciting than the regular application of adhesive stamps to one's paper money. But in practice, a clearly calculable, rhythmic method, which after a certain introductory period every cash user will easily grasp, is to be preferred. The adhesive stamps will be printed by the central banks, and purchasable like postage stamps at banks and post offices. As time passes, sooner or later every cash user will be stuck with a few "Dirty Doras"; they will protect themselves against this loss of value by holding only small amounts of cash.

Changing EMs Back to Euros: the Leakage Inhibitor

The EM can officially be traded for the euro for an exchange fee of 10% (leakage inhibitor). So 100 EMs buys you 90 euros. Businesses will have no trouble calculating their costs. The more EMs they can pay to other firms, the less they pay in exchange fees. Domestic producers and service providers will be preferred. If a business possesses too many EMs, it can exchange them for euros at a commercial bank

at the 10% fee and use the euros, say, to pay for goods or services from abroad. The commercial banks of course only impose the leakage inhibitor when EMs are transferred to a euro account, or when a withdrawal is made in euros from an EM account. No exchange fee is charged for transfers from euro accounts to EM accounts, or for EM deposits into an EM account. Commercial banks can change the EM's back to euros at the central bank, likewise for a 10% fee. These revenues increase the profits of the central bank, which are then passed on to the government (or which have already been provided to the government upon the issuance of EMs). At the central bank, the euro exchange results in a constant EM inflow; these EMs are passed on to the government when the government needs them for domestic purchases. If the central bank determines that the EM volume is dropping off, owing to the exchange into euros of more EMs than the government is issuing, the leakage inhibitor rate could be raised. Fixing the rate is the responsibility of the central bank, since it has authority over ongoing monetary policy.

Closed-loop complementary currencies exist that make no allowance for exchanges into the primary currency. Such a policy would not be appropriate for a governmental regional currency that serves as legal tender. Without the exchange option, companies would have to double their liquidity monitoring, and would only be able to accept euros for a portion of the prices they charge. The Swiss WIR Economic Circle has no exchange provision for WIR francs into CHF and vice versa, so the member firms on average accept only 40% in WIR francs, while 60% of the bill must be paid in CHF. That works for them, because the WIR system is made up primarily of firms that run large accounts with each other. In the retail trade, however, working predominantly with end customers and small transaction amounts, the limitation would be much more problematic. Additionally, careful monitoring of the official euro exchange will preclude the emergence of a black market.

EM Savings Accounts and Low-Interest EM Credit

Like euros, EMs can be saved. Savings accounts with a binding withdrawal notice of one year or more will not be assessed the spending incentive. Rather, it will be paid by the bank holding the EMs. Therefore, interest paid on EM accounts will be less than that paid on euro accounts. Whether and how much interest the bank pays on EM savings accounts will depend on supply and demand. Savers will be happy to "park" their money without penalty. The reward for saving EMs is their robust value stability, not their interest-earning potential.

The bank will quickly pass on the saved, spending-protected EMs to borrowers. Since the banks receive interest-free savings assets and have no refinancing costs to pay, they can offer correspondingly low interest rates for EM loans. All that they need to cover with their interest income is bad-credit risk, plus their operational costs. Expensive refinancing is not an issue. Therefore the less expensive EM loans will be more popular than loans in euros. It makes a big difference whether one has to pay, say, 2.5% or 5% interest on a loan. Often that difference will decide whether an investment is made or not.

What can the bank do if it receives more demand for EM credits than it can serve with savings deposits? The bank is constantly exchanging EMs for euros for its customers, and could offer these exchanged EMs as new loans – though in that case of course the euros spent in the exchange would need to be refinanced. It would also be possible for the commercial banks to borrow EMs directly from the central bank. Whether the central bank will offer EMs not only to the government but also to the commercial banks, is for the central bank itself to decide in the context of its monetary policy deliberations.

EM Will Fulfill a Large Percentage of Domestic Payment Transactions

Since the EM, owing to the spending incentive and leakage inhibitor, is "inferior money" vis-à-vis the euro, people will spend their EMs before dipping into their

euro holdings. Thus the EM will quickly take over an increasing percentage of domestic payment traffic. The euro's prime role will shift to storing value and making foreign payments. For the EM no "financial products" exist, which means that the EM cannot be drained off into the finance industry, but will remain active in the real economy, helping to keep it flowing smoothly.

Education Is Just As Important as Regulatory Changes

Since the goal of the spending incentive and the leakage inhibitor is a behavioral change on the part of money users, proactive public education is a must. The good sense of the design and its positive intent as a bridge to autonomous bootstrapping must be clearly presented. Small and medium business firms in particular will profit from this presentation.

Large Asset Holdings Will Bear the Burden

Since the spending incentive will be applied only to positive assets, the lion's share of the burden it imposes will be borne by high-positive-balance accounts. People who have no more money in their accounts will pay nothing. An average worker who regularly spends his monthly paycheck will lose about five or ten EMs each month to the spending incentive. Conversely, if you leave a million EMs in your account for a year, you will be stuck with an 80,000 EM payment.

More Liquidity and Billions in New Revenue for Governments

The spending incentive and leakage inhibitor will direct additional revenues amounting to billions of EM into government coffers, thereby helping it emerge from its over-indebtedness. The beauty of these fees is that every individual and every business firm can avoid them by changing their behavior patterns. All one needs to do is spend the money quickly on domestic goods and services, and/or save it long-term. That makes it more desirable for sellers to accept. Far from obstructing economic activity, as conventional fees are often perceived, this EM fee stimulates it!

What magnitude of additional government revenues may be expected? Let's do the math:

- On the assumption of an annual circulation factor of 10, a monetary volume of 20 billion euros will produce a GDP of 200 billion. (Greece's GDP in 2011 was about 217 billion euros, Portugal's about 170 billion.) An 8% spending incentive applied to 20 billion yields 1.6 billion per year.

- With the leakage inhibitor set at 10%, 20 billion euros spent will yield two billion. These two billion are immediately available to the government upon issuance of the EMs. Since the leakage inhibitor means that 100 EMs will produce only 90 euros, the required backing will be covered if the government deposits in the escrow account 90 euros for every 100 EMs it issues. That means that 18 billion euros will suffice to finance a government issue of 20 billion EMs – and the government immediately has 10% more liquidity available. That corresponds to the advance availability of the proceeds of the leakage inhibitor, i.e. the proceeds from subsequent exchanges of EMs back into euros. Leakage inhibitor revenue will rise in accordance with greater amounts of EMs being exchanged for euros — in order to pay, e.g., for foreign imports or amortization of euro-denominated debt.

The Legal Admissibility Issue

Extraordinary crises call for extraordinary solutions. To date we have no government-issued regional money, so of course we have no pertinent laws, no body of legal precedent. Therefore the respective national parliament should adopt laws defining and regulating legal-tender regional money, and should empower the national central bank to issue the EM.

EU laws must also be taken into account. The existing EU agreements regarding the euro system will remain in force, unchanged by the introduction of complementary, parallel money. Complementary money is expressly provided for in EU law; for electronic money it is regulated by the E-Money Guidelines. Commercial banks and (as of 2002) e-money institutions as well are empowered to issue their own e-money, which can be converted into euros. It's possi-

ble of course that in the process of introducing governmental regional money, this or that EU law will be contravened, as is always the case with legal innovations. In that case a circumvention must be sought, or EU law appropriately adapted to the innovation. To take a hypothetical example, it might be argued that the leakage inhibitor amounts to a distortion of proper market competition. But in view of the current emergency, the EU would be well advised either to just put up with the existence of this conflict, or better yet to promote it actively in the form of a pilot project. If the EM works well and the domestic economy turns around and grows again, all EU politicians will be wiping the sweat from their brow, breathing easy, and in all likelihood eschewing any potential legal action regarding competitiveness. The leakage inhibitor will eliminate a design flaw in the euro system, a system that provides no adequate mechanism for leveling the playing field among the disparate national economies. EU law should be modified accordingly: a leakage inhibitor should be built into the euro system itself that would come into play once a predefined trade deficit level is reached, thus nipping trade imbalances in the bud.

The Emergency Plan: Spending Incentive and Leakage Inhibitor Applied to the Euro

We recommend for the crisis countries of the EU Zone the adoption of governmental regional money. It would over time supplement the euro in domestic payment transactions and perhaps ultimately replace it entirely. But new ideas are often not understood and not implemented. How will things turn out for a country that decides *not* to introduce regional money, a country where recession, unemployment, misery, financial tension and street protests all grow in volume and intensity, where state bankruptcy threatens, and where the government finally throws in the towel and decides to escape from the euro? What will happen once the child has fallen under the bus and representatives of the government, the national central bank, the European Central Bank (ECB), the EU, and the IMF meet secretly in the dead of night for crisis talks, preparing for this euro abandonment? At a time like that, hopefully someone will pull a copy of the

following plan out of his back pocket and read to the others how the emergency can best be confronted:

”Having neglected to implement regional money; since time has run out on that option and we need to take action within the next few days; the rules governing the euro in the crisis state will be changed accordingly, and the changes will apply to the country’s entire economy. These changes cannot be decreed by the national parliament and national central bank, but only by the ECB, although it possesses no explicit authority for them. Legal considerations are moot at this point, because a country’s exit from the euro zone is also not provided for by law and would be an even more serious violation. Above all, euro abandonment would create a huge shock, leading to many bankruptcies, attempted bailouts, and widespread panic. In contrast, this emergency plan will proceed in an orderly manner, no insolvencies will result, financial tensions will be relieved; and if it’s not working as planned, it can be continually adjusted. Those are distinct advantages. Therefore the secret crisis committee hereby decrees:

- For all checking and cash deposits in accounts of those banks legally residing in the crisis country, an annual spending incentive charge of 10% is imposed. A spending incentive charge of 5% is imposed on savings accounts with a withdrawal notice period of three months; for those with a withdrawal notice period of a year or more, no charge is imposed.
- Every transfer of money to a foreign checking account will henceforth be subject to a 15% leakage inhibitor charge, which is to be applied also to the transfer of securities to in-country subsidiaries of foreign banks.
- In the affected country new euro notes will be issued that require quarterly the affixing of a value stamp to maintain their face value. The commercial banks are obliged to update their entire expired-note holdings on the respective call date. No leakage inhibitor is required for these new euro bills, since no one in foreign countries will want them.
- The banks will transfer the proceeds of the spending incentive and the leakage inhibitor to the government.”

In this way a second-class euro will be created. The euro in the crisis country will be devalued and the money will circulate faster, which will activate economic self-healing mechanisms. Exiting from the existing euro will thus become the entrée into a euro with special rules. This emergency plan raises a host of legal issues; therefore governmental regional money issuance is preferable, as it can be implemented by the crisis country on its own authority.

Supplementary Measures

Obviously a governmental regional money system can only develop its potential optimally if accompanied by a host of other measures. Their common purpose must be to strengthen regional value creation and to facilitate the growth of initiative and creativity within the populace. All governmental economic policy-making should be oriented in this direction. We list here only a few leverage points; many more will emerge from public discussions.

- Local renewable energy supply utilizing solar and biofuel installations makes countries more independent of gas and oil imports and relieves trade imbalances.
- Composting improves the quality of agricultural lands without application of expensive artificial fertilizers, and secures a stable food source for the local populace.
- The introduction of two-track trade school education (education/training both in school and in trades internships) enhances practice-based learning and improves job opportunities for youth.
- Local trade exchanges and barter systems among business firms enhance economic turnover.
- To help countries escape their debt trap, a "national debt reduction pact" should be implemented at the EU level. The money saved via reduced interest payments will provide the basis for gradual universal debt amortization. (Go to www.eurorettung.de for a detailed description of this design.)
- Etc.

How Strong an Effect Will Express Money Produce?

The effectiveness of any governmental regional money program will depend on several factors, so estimates are necessarily rough. The annual circulation velocity of the Chiemgauer in 2011, at 11.3, was nearly three times as fast as that of the euro in Germany (4.4). Assuming that the governmental EM, after an introductory period, would cover a fourth of domestic payment transactions at twice the normal velocity, economic production would rise by as much as 25%! This shows that the EM holds great potential for filling out the utilization of idle capacities and thus also for a substantial decrease in unemployment.

How Can Express Money Be Introduced?

Governmental regional money can be introduced via an act of parliament and subsequent implementation by the executive branch of the country in question. The present text is available in German, English, Portuguese, Greek, etc. Please circulate it widely over all of Europe. It needs to be brought into public discussion via all available channels so that ultimately it will reach those in a position to act on it.

Further Information Sources on Complementary Currencies:

www.regiogeld.de
www.chiemgauer.info
www.monnetta.org

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Christian Gelleri, born in 1973, initiator of the Chiemgauer regional currency, has strongly influenced the spread of regional money in Germany. He has academic degrees in business and management. Early in 2003, he and six of his students from the Chiemgau Independent Waldorf School in Bavaria jump-started the Chiemgauer, which by now has become the most economically productive and best-known regional currency in Germany. As a founding board member of the Regiogeldverband (Regional Money Association), he commands a broad perspective over the current status and prospects of regional money. Gelleri has received awards from the Tutzing Foundation for Environmental Education and the Bad Boll Foundation for Money and Land Reform. As Chairman of the Board of the nonprofit social cooperative REGIOS eG, in collaboration with his team he has expanded the Chiemgauer from its EM-denominated paper voucher basis to include a card-based payment medium called the "e-Chiemgauer".

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