

**European Commission**

**Commissioner Pierre Moscovici**

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Subject: Deepening of the EMU – The virtual euro  
Date: October 3, 2017

Dear Commissioner Moscovici,

We welcome your invitation to express our views on the future of the Economic and Monetary Union (as mentioned in your reflection paper on the deepening of the Economic and Monetary Union), and gladly take this opportunity to share our view.

Today, our currency is closely tied to bank balance sheets. In the past, this served a purpose as it enabled payment over distance without transportation of money. The direct link with bank balance sheets has a downside, however. It makes our money prone to runs and risks. Many problems the Economic and Monetary Union is facing today are related to those risks.

Digital technology can help to address this. The Union can provide convenient methods for payment over distance, that do not involve any balance sheet other than those of payer and payee. Thus, at the present it is possible to unlink the currency from bank balance sheets. That would release our money system from unnecessary risks. It would also enable the Union to repair imbalances that have accumulated in the bank money system.

Our working paper “Deleverage without a crunch” explains how this could work. The key is adoption of a virtual euro (Digital Cash) that does not represent a claim on the issuing entity. To the extent individuals and businesses (voluntarily) convert their bank money into this virtual euro, the Union can deleverage society smoothly, without favoring debtors over creditors and without ‘the North’ having to pay for ‘the South’. In addition, conversion to this virtual euro enables the Union to stabilize the Euro directly and efficiently, under all market conditions.

At the present, our currency consists primarily of “claims to money” issued by banks (“bank deposits”). Naturally, such money claims cannot trade at par on a nominal footing, considering their inherent credit and market risks. To enable use of these money claims as money however, governments all over the world compel the public to take them at nominal value anyway, thereby blocking due market processes for acceptance, allocation and mitigation of risk. This is an underlying cause of inherent instability of our monetary system.

The Banking Union reinforces this at an European level. It does not solve the underlying problem of the bank money system, and does not prevent future crises from happening. In fact, monetary policies adopted to address the previous crisis are most likely to cause the next one. As Deutsche Bank recently reported we *“are at a unique point in time with regards to the relationship between debt, interest rates and central bank balance sheets”* (Deutsche Bank, The next financial crisis, Long-term Asset Return Study, 2017). The fundamentals of the bank money system point to recurring crises with ever increasing magnitude. A deepened EMU should include an agenda to convincingly put an end to that.

The virtual euro is an opportunity to do that and attain a more sustainable, less imbalanced and less indebted economy. Its societal benefits are such that its adoption is likely to be welcomed by a great majority, providing momentum to foster European integration and improve its efficiency and democratic legitimization.

The blue print for a virtual euro herewith presented to you, provides an entirely new perspective for monetary management. Current efforts directed at a Banking Union, will be outdated after successful implementation of this virtual euro. We therefore invite you to take the virtual euro into consideration as a long-term strategy to fundamentally overcome the imbalances inherent to our current bank money system. This will take the deepening of the EMU far beyond preparation for the next crisis. It can release the Union from its current debt deadlock, and insulate the money system from recurring crises.

We have attached a short introduction to the virtual euro ([The virtual euro](#)) and a general blue print for its implementation ([“Deleverage without a crunch”](#)). Please contact mr Edgar Wortmann (e.w@onsgeld.nu) for any further information. We’d be honored to contribute to your efforts for a deepened EMU and revigorated European integration.

Yours sincerely,



Stichting Ons Geld  
Luuk de Waal Malefijt - Chairman

Annexes:

- [The virtual euro](#)
- [Deleverage without a crunch](#)