Ten advantages and two possibilities with a parallel electronic currency

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This note concerns how the thirties' excellent Fisher et al proposal of 100% money could be resurrected today by exploiting new technology – no bills and coins, only accounts at the Central Bank (or at a Government Facility – "GF" from now on -- established for that purpose) where transfers are made via mobile phones. Mobile phone transfers of (regular) money have a proven track record, f.inst. «M-Pesa» in Kenya.

I assume the case of a parallel gvt-issued domestic currency, needed by a eurocrisis country, a dollar-based non-US national economy, or a US state – in a situation with a strong need for enhanced economic activity[1].

All citizens and firms have «Mobile Dollar» (I use this name just for convenience, could be «Mobile Euro» or «Mobile Cash», whatever) accounts at the CB (or GF). All transactions go via mobile phone.

1. The system is very cheap to run, compared to a system with notes and coins. And forgery is impossible.

2. The system can ble implemented fast, and adjustments that turn out to be needed, can be implemented in software, therefore very easily and cheaply.

3. Mobile Dollars can be used to pay taxes. This is an incentive for firms and persons to have confidence in Mobile Dollars, following the MMT/Chartalist argument.

4. This is a 100% reserve system. All deposits are HPM (base money), at the CB (or GF). No deposit insurance needed. Money cannot be lost, and this is clear to the public. No bank runs.

5. A black economy in Mobile Dollars is close to impossible. The same with tax evasion. Intelligent software can monitor transactions 24/7, and flag human operators when suspicious patterns emerge. Knowledge of this implies a credible threat, so that agents to a large degree will abstain.

6. Mobile Dollars cannot be used for capital flight, since they only reside at the CB (or GF).

7. There is no confusion with bills and coins (i.e. USD or euros) when such are being used in parallel.

8. By enabling activation of idle labour and production capacity, exports increase. Thus, *even if this extra activity is mediated (partly) with Mobile Dollars, this enhances the ability of the country to service its (hopefully downwritten) debt in USDs/euros.*

9. Circulation in USDs/euros within the crisis country will also increase, due to reduced pessimism – less liquidity preference. For a given USD/euro *stock*, USD/euro *flows* will increase.

10. Without a parallel medium of exchange a dollar/euro-based economy is wholly dependent on USDs/euros to uphold domestic activity. This puts the country in a weak position when negotiating writedowns and lower interest rates on existing debt. The creditors know that the country is totally dependent on additional borrowing or rolling over of USD/euro debt. With Mobile Dollars constituting an alternative medium of exchange, the balance of power in negotations is shifted in favour of the indebted country.

11. Also, some more futuristic advantages (possibilities) merit mention: Negative interest on money held (demurrage) may be easily implemented, to speed up circulation if that is needed.

12. A new possible control tool with the opposite effect is feasible by money only existing as accounts at the CB (or GF): A tiny but adjustable *transfer tax between any accounts*. This would be incredibly more effective to damp an overheated economy, than today's blunt tool of a CB interest rate increase. It can stop too much spending in its tracks. As far as I know, this is a new possible tool that has not been considered in the large economics literature on inflation control.

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1. But nationally-issued regular money for all, only in electronic form and residing at the Central Bank, could be the best future system for all countries. This, however, is not a topic for this brief note.