

Chapter 2

CURRENCY ENTREPRENEURSHIP? THE IMPLICATIONS OF 'GESELL MONEY' FOR MACROECONOMICS

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INTRODUCTION

Von Prollius and Schnabl (2016) establish a relation between zero interest rate policies and the ongoing conflicts in the Middle East. The authors interpret the so called Arab spring not only as a reaction to implement a free, democratic order but as a protest against highly increasing food prices and the resulting inequality in the Middle Eastern societies. Due to the monetary easing policies of Central Banks since 1980s, which contributed to a number of bubbles in the world economy, inflation and the bloated money supply are identified as important causes of the Arab spring, where the political instabilities of the Middle Eastern region resulted in a further crisis of migration in Europe (von Prollius and Schnabl, 2016). The authors conclude that new policy instruments are needed instead of focusing on a 2%-inflation target, which cannot be reached with the present monetary policy instruments.

To be more precise, in a zero interest rate environment, current instruments of monetary policy are not successful. Koenig and Dolmas (2003) came to the conclusion that the zero-interest-rate-bound can be a serious danger if there is deflation - a conclusion which Europeans can still consider, provided that today's inflation rates in Eurozone is well below the target provided by European Central Bank. Koenig and Dolmas (2003) suggest the alternative of a carry tax on base money, a suggestion that goes back 100 years. Such an idea can come into existence in different forms, when we consider a policy implication. One current example is how the 500 € bank note was abolished by the European Central Bank. It goes back to a very simple idea: Without any 'big' bank notes, and with the existence of negative interest rates, there would be no possibility to deviate (Plickert, 2017).

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not independent of the national currency of the respective country. An example analysis of the regional currency 'Elbtaler', issued for the region of Dresden, reveals apart from the target of promoting employment in small and poor cities also the support of the local economy, short routes of transportation and an increase concerning the transparency of working and production conditions as main aims. Despite the described high number of regional currencies in Germany, their economic relevance is controversial discussed respectively has not been confirmed yet. Nevertheless, they represent interesting economic scenarios that could allow further insights in terms of a possible introduction of 'Gesell money'. Finally, the so called 'lottery scheme' of Gregory Mankiw (2009) gained center stage. Using the serial numbers of bank notes, he proposed a kind of "hybrid" 'Gesell money' to overcome the 'liquidity trap'. Again, the basic concept of Silvio Gesell is taken up and influences a recent policy recommendation. Like in the cases of the other illustrated proposals, there are also critical argumentations, e.g. the reaction of Buitter (2009), which pointed out the exchange of 'legal' and invalid banknotes. At the end, it can be concluded that the basic idea of negative nominal interest rates respectively a carry tax on base money established by Silvio Gesell has a variety of implications for modern macroeconomics. The consequent scientific discussions, including the named approaches, enrich the set of thinkable policy options for overcoming 'liquidity traps'.

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