Ludwig Schuster on the ideal European Central Bank
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The European commission just published a Roadmap for deepening Europe's Economic and Monetary Union. Economists Willem Buiter and Richard Werner have written their statements (see here and here), and others may follow.

While both call for greater transparency and democratic control of ECB policy decisions, their future perspective for the ECB's role in the monetary economy remains largely uninspired and simplistic. The economy is facing several issues that may have a deep impact on the role of central banks, which both Buiter and Werner have not taken into consideration at all.

Here's a top three of what is on the horizon and needs to be part of the picture, without claim to completeness:

I. **FinTechs and cryptocurrencies** are disrupting the financial system.[i] The emerging multiverse of public and private digital currencies entails new risks, but also new chances, and requires a completely different monetary policy approach. Some nations, like Japan, have declared legal tender status for Bitcoin. Russia and other nations have started preparing their own blockchain currency systems under control of the state. Central banks that stick to the idea of a monopolist legal tender currency system no longer meet the requirements of multi-currency economies in the digital age that have already started to become reality.

II. In order to effectively meet the **global SDGs**, new and innovative monetary approaches are required[ii] – and prototyped[iii]. Central banks will be playing an important role in issuing and monitoring SDG-related liquidity alongside their primary legal tender currencies, well-orchestrated and in accordance with policy guidelines defined by accepted global institutions like the UN or the world bank.

III. Dozens of economists in recent years have made the case for **parallel currencies** in the Eurozone[iv], allowing nations or regions to distinctly adjust interest rates (and exchange rates) in their specific currency areas, for their economies to thrive. National (or even smaller regional) central banks would be the adequate institutions to provide this kind of fine-tuned monetary policy. National and regional economies are not able to develop endogenously, that is, without continuous fiscal transfers, if they cannot adjust their monetary policy distinctly from other (neighboring or member) states and regions. This is especially relevant in the European Union, where since its genesis neither the idea of a "transfer union" nor a reconfiguration as "United States of Europe" has seen a majority (which would be a prerequisite for an ECB as Buiter promotes it).

The ideal central bank(s) of the future

1. The ECB should have financial stability **for the Euro (only)** as its overriding target, which can be fulfilled by interest rate, exchange rate and open market interventions.
2. National (or regional) central banks in the euro area should be licensed to issue and manage national (or regional) **parallel currencies**, autonomously but in accordance with ECB policies to avoid the emergence of new systemic risks. Parallel currencies would explicitly be bound to national (or regional) territories, and purely digital.
3. Both the ECB and national/regional central banks should prepare for **issuing and managing multiple (digital) currencies** and adapt appropriate policies. This includes legal tender cryptocurrencies as well as distinct currencies for socially agreed purposes like the SDGs, green QE / QE for people, voucher schemes for humanitarian aid, and much more to come.
4. As every central bank would be exclusively reliable for its distinct currency (or currencies), **no profit and loss ("risk") pooling/sharing** between the ECB and national/regional central banks would be required.

5. As long as the EU is not confirmed as a sovereign state by the population of its member states, the ECB should not be allowed to fund sovereigns directly (that is, article 123 should not be revoked). This should however be an **exclusive privilege for national/regional central banks**.
6. Achieving full employment should not be delegated to the ECB but remain jurisdiction of sovereign states' economic policies. Nations or regions should in turn be allowed to independently **delegate this goal to their national/regional central banks**, if considered appropriate.

This article represents the author's personal opinion and does not represent the official position of MONNETA or the Sustainable Money Research Group.

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[i] Finance Watch response to the public consultation on FinTech: a more competitive and innovative European financial sector http://www.finance-watch.org/our-work/publications/1419-response-consultation-fintech ;
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http://unepinquiry.org/wp-content/uploads/2016/12/Fintech_and_Sustainable_Development_Assessing_the_Implications.pdf

[ii] Brunnhuber, Stefan (2017) : Financing the Future: An Argument for a Parallel Optional Currency, GLO Discussion Paper, No. 128. https://www.econstor.eu/bitstream/10419/169413/1/GLO-DP-0128.pdf

[iii] A New Digital Currency for Sustainable Development | Stanford Social Innovation Review
https://ssir.org/articles/entry/a_new_digital_currency_for_sustainable_development ;
How fintech can lead to sustainable development - via blockchain | World Economic Forum
http://amp.weforum.org/agenda/2017/10/fintech-for-sustainable-development-via-blockchain

[iv] Ludwig Schuster (2013) : Parallel Currencies for the Eurozone
http://base.socioeco.org/docs/schuster_parallel_currencies_for_the_eurozone_final.pdf