**Message from the future: 25,000€ for debt reduction**

**Brussels – EU Commissioner Varoufakis has announced a citizens’ dividend.** **For every European, € 25,000 is available for debt reduction.** **This follows the switch to the digital euro.** **Over 80% of all savings balances have now been converted.** **As of today, deposits are no longer freely available.**

The citizens’ dividend will be paid out in July and can be used to reduce bank loans. Those who have no loans outstanding with the banks can convert their dividends into shares in the ECB. These shares entitle to annual profit distribution until the ECB is dismantled and its assets are sold.

**Third phase**

This is the third phase of the euro reform. In the first phase, balances on payment accounts were mandatorily converted into digital euro. In the second phase, account holders had the opportunity to voluntarily convert their savings into digital euros. In this third phase, systemic debt will be resolved in the Eurozone.

Varoufakis: *“We have made the euro safe and stable. It is decoupled from the banks. In the third phase we are going to reduce debts from and to the banks. That will help the banks to become healthy and stable again.”*

**Unsustainable debts**

Euro reform was initiated when Europe was about to fall apart. A debt-based euro had weakened Europe, increased inequality and undermined the quality of life. Europe was burdened with debts. If these debts were not serviced, the euro could collapse. *“That is over now because the euro has become debt-free”*, says Varoufakis. *“It is now serving prosperity and well-being of all Europeans. Europe no longer needs to reform to keep a shaky euro afloat. The euro has been reformed so that Europe can flourish.”*

The debt-laden banks now survive on credit from the ECB. *“That is a temporary situation, which we are going to solve quickly. The citizens’ dividend is essential to this. The dividends that citizens give to their banks for debt repayment are passed on to the ECB. In return the ECB settles an equal amount of debt from the banks with the ECB. The banks will get smaller and healthier. Default risks will decrease, decreasing the number of technically insolvent banks. Some banks may possibly fail. But that is not a public concern though, as account holders’ money has already been secured. There is no reason to keep insolvent banks afloat.”*

**Debt-free euro**

In retrospect, it is strange that it took so long for euro reform to take place. Since the arrival of the internet, well before the introduction of the euro, it was no longer necessary to run the money system over bank balance sheets. Europe would have been spared a lot of misery if it had opted for a debt-free euro from the start. Both the banking crisis and the sovereign debt crisis had then passed her by.

Varoufakis: *“We’ve learned our lessons and paid our dues. Untenable debt-burdens brought the South into a deep malaise. A lot of prosperity has been lost. A lot of personal misery has been caused. Investors pulled out, and savings transferred to safer places. With a debt-based euro, European integration proved impossible. Debts drove the European economies apart.”*

A debt-free euro consists of cash (coins and banknotes) and – now also – digital euro. Previously, the euro consisted mainly of ‘debt’; claims on banks and other financial institutions. These claims were covered by the assets of banks, such as mortgages and government debt. In the event of a bankruptcy of Greece, many bank balances would lose their cover. That is why Greece was not allowed to go bankrupt. The Greeks had to suffer to keep the debt-based euro up.

In the meantime, the ECB tried to bring the coverage of bank balances up to standard. This was done by artificially inflating the prices of homes and securities. As a result, households had to make more debts, which increased debt levels even further. That diabolical spiral has now been broken and is reversed by distribution of a citizens’ dividend.

**Investments**

Now that the euro is debt-free, the money supply must increase to prevent prices from falling. A fall in prices is expected because savings have become inactive. Savings now rest securely in digital safes and are no longer invested in banks. They are withdrawn from the economy. The successor to the ECB, the European Monetary Authority (EMA), will compensate this by putting new digital euros into circulation. These new euros are made available to the Member States who can use them for tax reductions, social benefits and public investments.

The European Commission is working on a proposal to coordinate public investments. The ambitions have been adjusted upwards. The energy supply must be completely sustainable within five years. Combustion engines are being phased out. Sale of new combustion engines will be prohibited from next year on. In ten years, all existing combustion engines must have disappeared from the streets. Owners of old combustion engines are financially compensated. A pan-European magnetic transportation network will be constructed. Once that is complete, European aviation will be phased out. Here too, the time horizon has been set at ten years.

**Pensions**

The pension system will be radically revised. Varoufakis: *“pension security is not in the piggy bank, but in a prosperous economy. Your piggy bank may determine how big your part of the pie is. However, it does not guarantee that there is any cake when you retire. To ensure that there will be enough cake in the future, we must invest, not save.”* To encourage these investments, a basic pension is set for all Europeans. Varoufakis: *“the markets must be sure that older people have sufficient income. Then the markets can deliver the products and services that elderly people need.”*

The European Union is obliged to ensure that there is always enough money in circulation and that the money *is* circulating. With the digital euro this can be monitored in real-time and adjusted if necessary. Pension payments form an important link in the cycle. Additionally, Europe can make targeted payments to citizens, if necessary, to stimulate the economy.

**Dividend**

A family of four will receive a dividend of € 100,000. This can be used, for example, to reduce their mortgage debt. Banks are obliged to cooperate penalty-free. Debt reduction is also important for them. They themselves are as indebted as households are. As households reduce their debts to banks, banks can reduce an equal amount of their debts to the ECB.

Member States will also receive dividends from Europe. With these dividends they can pay off public debt in the hands of banks. This helps them to get their government debt in good order. Member States with a relatively small government debt receive a larger share in the ECB, which entitles to annual profit distribution until the ECB is dissolved.

Deposits are no longer protected by the government. Banks must provide insight into the risks in any remaining deposit, which is no longer freely available unless at current market value.

**United States**

President Beyoncé of the United States has announced that the dollar will be debt-free by the end of this year. China is also well advanced with the introduction of debt-free money. Both countries want to avoid falling behind. In order to compete with Europe, they too must free themselves from unnecessary debts.

*Written by Edgar Wortmann – November 22, 2018*

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