**Dutch WRR Report on Money and Debt﻿ is out**

The Dutch Scientific Council for government policy (WRR) presented its report on the monetary system on the 17th of January 2019. The report is called “Money and Debt, the public role of banks”.

The main objective of the report is to describe in depth the role that banks play in the current monetary system and how money is created. It has to advise the government on this system and to consider pros and cons of alternative systems and the amount of profit on money creation.

The order to write this advice was given after a debate in parliament in March 2016, initiated by the citizens initiative ‘Ons Geld’ (meaning Our Money, and sister organization of Positive Money in the UK, and member of IMMR).  Ons Geld proposed to give the power to create money solely to a public entity, a monetary authority, instead of letting banks create money as credit, as is the case in the current system.

After this debate it was clear that in order to form a balanced opinion on this topic, parliament and the public needed more expert advice. It was observed that there is a need for a banking system that serves the public and causes less risk for savers and taxpayers.

After reading the new report Ons Geld formulated the following official response:

1. Ons Geld appreciates these three recommendations:The report calls for further development in scenarios and alternatives for the set up of the money system. This was one of our explicit wishes, because it helps to better understand the monetary system, its set up and is of utmost importance to be able to respond to a future financial crisis.
2. The report recommends to offer the public a real safe haven (digital safe), where deposits can be stored free of bank risk.  Ons Geld sees this position as a support for a recent initiative in this direction by a member of parliament and also an earlier initiative for a full reserve bank.

There is one part of the WRR report that we would like to highlight:

*“The fact that the creation of a safe haven can cause the current financial system to become instable, says more about the current system than about this alternative. Rather it is an indication of the incorrect set up in the current system. The Postbank and its predecessors (a Dutch state owned bank for payments and savings) have existed for decades, without causing any stability-issues. Although, a bank-run can develop much faster in this electronic age, this is not a fundamental difference with the past. We would like to turn this reasoning around: the creation of a safe alternative will in fact contribute to the stability of the system. The fact that there is a real alternative will have a disciplinary effect on the existing banks. It will force banks to finance themselves more responsibly, with more equity and debt with a longer maturity. In this way the creation of money and debt by commercial banks will be more restricted.” (p.237)*

3. The report stresses the entanglement of public and private interests in the current monetary-financial system. This is the same issue that we raised as problematic at the start of this debate in parliament.

**No anchoring but disentanglement**

Ons Geld does find however, that the report in general, points in the wrong direction. The WRR recommends to ‘anchor’ public tasks of banks in the current monetary-financial system. This comes down to a further entanglement of public and private interests. This is the opposite of Ons Geld’s wish to disentangle the public task of the creation of money and the private business of giving out credit.

This disentanglement becomes possible when the government provides a digital version of cash money. As soon as the public becomes accustomed to digital cash, the banks’ current privileges can be taken away. There will be no more reason to perpetuate the entanglement of banks and government in this digital era. We can and must aim to gradually reduce this entanglement. The longer we wait, the more difficult it is going to be.

In this respect the report has disappointed us. But Ons Geld does appreciate the report as a whole. It gives enough starting points for an in depth public debate on the money system.

**Gain experience**

The report does not, at this moment, recommend a thorough restructuring of the monetary system. Lack of experience is given as the main reason for this. We can understand this position. But this experience has to be gained as soon as possible. This report calls for this. Sweden has started the development of e-krona. The Netherlands should now take the lead in the Eurozone for a similar process.

This will promote further steps to dissolve the intertwining of banks and government. It will also offer perspective to solve the European debt problem. We have raised this topic previously to members of parliament involved in financial issues.

*The report is now only published in Dutch and* [*can be found here*](https://www.wrr.nl/publicaties/persberichten/2019/01/17/persbericht-geldschepping)*. An English translation however is scheduled to be published in the next months.*