TRANSCRIPT
The economic crisis and a new monetary and financial system
From Corona to Common Good
Thoughts on and lessons from the crisis
A vlog by common good economist Christian Felber

The head of the World Health Organization has said that the economic crisis as a result of Corona will be worse than the financial crisis in 2008. I am afraid that he is right and I am wondering whether the aid program worth EUR 38 billion in Austria will suffice.
The core is 15 billion euros as direct support for companies, which is 3.8 percent of Austria's economic output. It happens to be exactly the amount by which the Austrian economy shrank in 2009. This time I'm afraid it will be worse. We have 170,000 more unemployed in just 12 days and in one week trade collapsed by half a billion euros. That would amount to over 25 billion euros a year.
The key point is the length of the crisis. If the first peak of the curve runs relatively flat, the wavelength lasts longer. If the infection rates decrease, restrictions are lifted, but this can increase the infection rates again and restrictions could be tightened. And the longer this goes up and down, the deeper the overall economic downturn. I think the forecasts of the Austrian economic research institutes from -2 to -2.5% are clearly too optimistic. The Kiel Institute for the World Economy calculates up to -9%, the IFO in Munich with up to -20.6% and recently JPMorgan even with -25% of the economic output for the USA.

Who should be saved with the billions?
We have the chance to do it differently than in 2008, and first of all to save the people and also the companies. It would be important to start with the most needy, with those who lose their jobs, with single parents or - why not - with the introduction of an unconditional basic income that could mitigate the worst consequences for people. For companies, I would focus on those that maintain the system, which are really system-relevant. Vivian Dittmar said very nicely that the crisis eventually shows who is really systemically important. From nursing staff in the health system to waste collection. All companies that contribute in any way to the common good should be 100% compensated for the losses, and the remaining small and medium-sized companies should get 80 or 90% to prevent a painful crisis. That would be a combination of economic aid and

Helicopter money; this is currently being discussed what surprisingly premiered in the United States. It helps people first. Those with less than $ 100,000 annual income receive a one-time payment of $ 1,200. Those who lose their jobs receive a continued payment of at least 4 months in full of the previous earnings. The hospitals get $ 130 billion – at least. Around half of the bailout package takes the form of loans and guarantees. Two trillion is less than 10% of the United States' economic output - double, 20%, could still be achieved by the United States, even though it currently has a government debt of over 100% of its economic output. That would then increase to 120-130%. That would be very critical in other countries. The US could afford that because the US dollar is also the world's leading currency. This means that both the raw materials and the majority of the debt are quoted in US dollars. 60% of the foreign exchange reserves held by the central banks are quoted in US dollars. For comparison: only 20% in euros. In the EU, government debt ratios are significantly lower on average. Germany is 60%, Austria 70% and the entire EU is 80% on average. So here too, rescue programs amounting to 20% of economic output could still be digested. But not by Italy. And that is exactly the sore point: Italy, the most affected country, already has a national debt ratio of 136% of economic output before the crisis and if a massive economic downturn now threatens, and massive new debt as a result of the crisis, then Italy is very close to state insolvency, like Greece was during the 2008 financial crisis. For this reason, joint government bonds for the Eurozone are currently being discussed, so-called “Eurobonds”. Also dubbed "corona bonds" due to the crisis. This would mean that the member states of the Eurozone are jointly liable for these debt securities and that would require solidarity from the stronger with the weaker. And this is exactly what the sensational announcement by the Austrian Chancellor "In the crisis we all have to stand together" is really worth. At the first test, where it is important to help Italy, which is the worst affected, he distances himself and shows a lack of solidarity. If this position holds, we will soon be discussing the end of the euro as a result of the corona crisis.

European Central Bank
"Through" has so far been a 750 billion euro program, around 6% of the economic output of the Eurozone, which is made up of corporate and government bond purchases. I would like to comment on that separately.

When we think of companies in need whom the central bank wants to help, who do we think of first? Yes, of the systemically relevant banks. They are on the brink of two sides - on the one hand, the loans will default as a result of the economic crisis, on the other hand, the securities - from stocks to derivatives that they hold in their balance sheets - will be heavily devalued, which drives them to bankruptcy together with the first reason. Then who will save them? In 2009 we were given a holy promise that tax money will never be used again to save systemically relevant banks. Today, they are even a bit more systemically relevant and the rescue is imminent - not immediately - but in the foreseeable future. But we could do it differently this time. Instead of tax money being used to save the largest and richest corporations, we could instate the owners. For example in the form of an obligation to make additional payments. That would be an alternative way of saving these so-called systemically relevant companies. The second part of the European Central Bank's aid program applies to government bonds. Half of 6% is 3% of the economic output of the Eurozone, that will not be enough. For this reason, the Eurobonds are under discussion - they would be an innovation! They do not exist yet. And if we are already talking about innovations, I can think of an even more effective measure: namely that the European Central Bank issues interest-free loans to member states of up to 50% - or at most 60% - of the economic output - that would be exactly the Maastricht framework. And that would not lead to inflation because only private creditors would be replaced by a public creditor - the central bank - but the interest service would be eliminated. In the peak years, Germany spent up to 70 billion euros annually on servicing the public debt. And of course these 70 billion euros were lacking in the fight against poverty or in the maintenance of public and municipal infrastructure. For this innovation, however, the rules of the game for the European Central Bank and the Eurozone would have to be changed, but governments have just done that anyway. Times of crisis are obviously a good time to rethink the rules of the game.

Ideas for a new monetary system

I would like to do that in my final thought. In the first video I promised to introduce a new monetary system. This consists of 6 steps.

Step 1 would be an unconditional basic income for everyone in the amount of e.g.1,250 euros net. That would end the worst poverty once and for all and the worst income pressure. For me, freedom means that no one is forced to take up work that is unworthy of her or him. Technically, one could introduce the unconditional basic income in the form of a negative income tax. This means that, for example, people with an income of 1,250 euros do not pay taxes, those who have a lower income receive the difference to 1,250 euros and those who have a higher income - surveys show that 80-90% of people would continue to work, because many jobs are perceived as meaningful - they would be taxed progressively in the same way as today.

Step 2 would be depreciative money. Perhaps Wörgl rings the bell - but it is thought a little differently, namely on the part of the central bank. The amount of money in checking accounts, that is digital money as a means of payment, could shrink by e.g. 10% annually. On the one hand, this would incentivize consumption or saving. More on that in a moment. If, for example, someone has an average of 10,000 euros on their checking account, this would be 9,000 euros at the end of the year. You should consider this together with the 12 times guaranteed minimum income of € 1,250. That is 15,000 for comparison. We citizens have checking accounts in this new monetary system directly with the central bank after the so-called “sovereign money reform”. This is step 3. And unlike today, all new money is issued by the public and democratic central bank, rather than by commercial banks through lending as it is today. That would be the central bank's contribution to unconditional basic income.

Step 4 would be that to the same extent as money is being destroyed on the central bank accounts – the checking accounts of the future – the central bank creates and circulates new money in the form of unconditional basic income. This would keep the money supply constant, but it would have a redistributive effect from those with the most money to the socially weaker.

Step 5 - now it gets really interesting: The wealthy and money-owners can avoid the shrinkage by carrying their money to the bank and saving it there, because this shrinkage would disappear on the savings accounts and would not apply there. There would only be a negative interest rate, a negative savings rate of e.g. 3%. That would allow the banks to cover their costs. This would enable smaller banks to survive and live well in this future system. Because the external interest rate - the so-called loan interest - would be on average 0%. That would be very attractive for companies, it would be a very investment-friendly climate, which, together with the unconditional basic income, would rather boost economic growth, which in turn would not be environmentally sustainable.

That is why the last step is needed, namely an assessment of the common good, which is also an environmental assessment for all loan projects. And that would mean that credit money and investments would tend to only flow into climate and environmental protection, into meaningful jobs, into regional and resilient structures and into general services or welfare work, or in general to companies with a positive common good balance.

All in all, this would switch the economy from the need to grow and polarize to sustainability and social peace. There is more about that in the next videos, in my book “Money. The new rules of the game” and in the introductory paper on sovereign money (German only) on my website in the treasure chest.

"Extraordinary times require extraordinary measures" is currently being prayed from the head of the European Central Bank downwards. I agree with this and I use the crisis as an opportunity to put out new ideas. There are now probably 1000 questions, criticisms and reasons why such an innovative monetary and financial system is impossible. I am looking forward to this discussion.