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# Can digital stimulus be funded by coin dematerialisation?

By Izabella Kaminska

Over in the US, Congresswoman Rashida Tlaib [has put together a proposal](#), with the help of MMT economists, to introduce an “Automatic Boost to Communities Act” so that two respective platinum \$1 trillion-dollar coins could be minted to help fund a broad package of universal grants (distributed via pre-paid cards) to help support the economy during the coronavirus crisis.

The chances of the proposal passing are low. But the move has captured the imagination of Bernie Sanders supporters ([hashtag #mintthecoin](#)) so it’s probably not worth dismissing as utterly outlandish just yet.

Of course, it is not the first time the platinum coin idea has been floated as a way to get around debt constraints. In 2013, when the US debt ceiling was threatening to suspend government, the idea -- based on a legal loophole that allows the US Treasury to coin commemorative platinum coins to any denomination -- received unusually broad mainstream approval, especially among Keynesian type economists. Even Paul Krugman [got on board](#) with the idea.

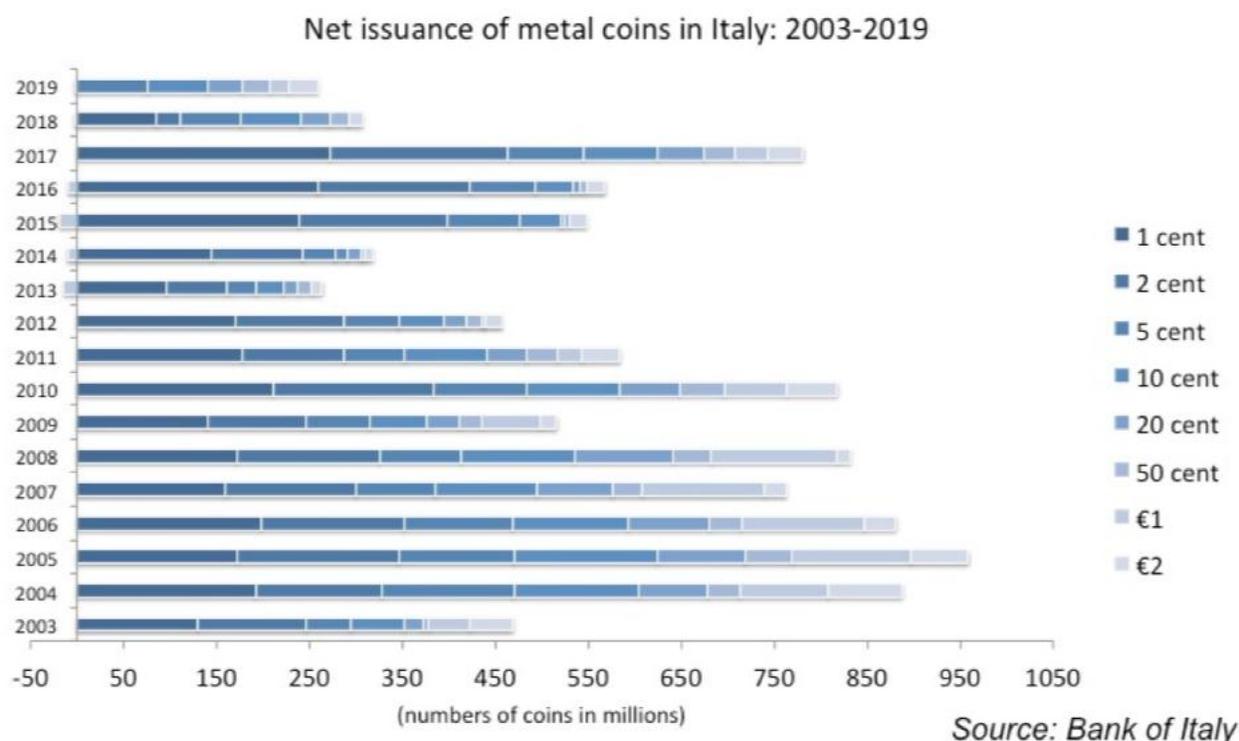
But are there any similar numismatic tricks that could be pulled in Europe?

Marcello Minenna is the head of Quantitative Analysis and Financial Innovation at Consob, the Italian securities regulator. He is also an occasional guest poster on FT Alphaville.

He got in touch last week with thoughts on how Italy could use coinage to reassemble its finances once the worst was over.

Rather than minting coins, however, Minenna wants the nation's stash of rarely used coins to be dematerialised to help fund a blockchain-based digital system for distributing cash grants to the population.

As Minenna notes, according to Bank of Italy data, the net value of all Italian coins is €4.6bn. Out of these some €1.4bn are of modest face value, and do not circulate very frequently. Many sit idle in piggy banks. If, however, a big proportion of these could be lured back into the economy with the promise of grants or spending vouchers, that could offer a significant source of funding for government packages. Here's the state of the coinage as it stands:



As Minenna adds:

*“The idea is to allow all citizens to deposit their coins in a payment card similar to those used for meal vouchers or for the Italian citizenship income or,*

*alternatively, in an e-wallet directly accessible from their devices through a dedicated app.”*

The DLT/blockchain system he envisages would not be anonymous. Instead it would collect user identification details and restrict transactions to approved counterparties only (getting rid of pesky black markets and contraband traders in one fell swoop). Another restriction could be that the economic value distributed must be spent within Italy, helping to keep the value local.

Eventually, he says, the initiative could also be extended to banknotes. The key objective is to reduce the funding burden on the government and restrict uncontrolled monetary expansion:

*“...while the initiatives mentioned above are fully funded with public spending, the proposed intervention relies on the prevalent contribution of individual citizens and on a very limited involvement of the State. And, as long as it remains a one-off measure on existing cash and, to a marginal extent, on the public budget, it would not lead to a permanent increase in Italy's monetary aggregates within the Euro-system.”*

Minenna acknowledges that cash is still the preferred payment method in Italy, as it is in many other European countries (namely Germany). Domestically it mediates about 60 per cent of total payments.

So the question is will people go for it? And do we even have the means to develop these blockchain-based systems quickly enough?

On the one hand, it does seem like fates have aligned with respect to the sudden need for totally new extraordinary measures and the pre-existing catalogue of research into central bank digital currencies and how it might be able to facilitate a new type [of digital stimulus](#).

On the other hand, rushing into such measures for the sake of the public good without properly scrutinising the impact of such initiatives on freedom, privacy and institutional money creation does risk irreversibly changing our democratic and free-market system. It also risks the introduction of untested systems for critical payment infrastructure that might turn out to have huge vulnerabilities in the long run. (The BoE, it should be noted, [does not think](#) any kind of digital system like this need use DLT/blockchain technology.)

The important context, however, is that sensibilities about privacy and freedom are changing very quickly. Authoritarianism, rather than being resisted by the chattering classes, is actually being called on. And even in Brazil, it's organised

criminal gangs that [are allegedly](#) leading the move to lockdown favelas rather than the state.

Yet, it's also the case that resistance to such measures could remain pronounced. Those of a libertarian disposition may suspect a conspiracy to opportunistically and politically exploit the crisis to bring about stealth socialistic change and the suspension of American freedoms.

Those with Judeo-Christian beliefs, meanwhile, may interpret measures to link identity to digital transactions as evidence of Revelation 13:17 coming to pass. The bible passage warns of a beast that...

*"...forced all people, great and small, rich and poor, free and slave, to receive a mark on their right hands or on their foreheads, so that they could not buy or sell unless they had the mark, which is the name of the beast or the number of its name."*

Add to that the dematerialisation of coins and efforts [by Bill Gates](#) to link any vaccine to a digital ID certificate system in the context of an already substantial anti-vaxxer movement, and it's clear the pathway to digital stimulus may not be entirely smooth.

The question really is whether such resistance will be overshadowed by broader public support, especially in the grander scheme of trade and recovery. Nothing can be certain yet.