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NEW CURRENCIES: MACROECONOMIC, FINANCIAL AND SOCIETAL IMPACTS

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The financial integration of the EU, the recent economic and financial crisis and the take-off of digital technologies have profoundly altered the monetary landscape, with the creation of new currencies such as bitcoin and the development of innovative payment methods, presented as "alternatives" to the conventional monetary system.

New, or complementary, currencies are also appearing in local contexts in which proximity prevails over technological innovation and in which the need to propose solutions that provide a different response to the needs of users often reflects a desire to break free from traditional actors in monetary systems.

Economic actors such as consumers, producers and banks are aware of the opportunities offered by these complementary currencies that are used alongside sovereign currencies in terms of trade and social connections but it is felt that regulation of practices is required in order to be able to track their flows and ensure financial stability.

These new currencies do not seek to supplant traditional currencies; they do not necessarily perform the traditional functions of a currency, which sometimes means that the line between new currency and payment method is blurred. Thus far, one of the key differences resides in the fact that these tools do not enable loans to be issued. At any rate, they attest to far-reaching changes in our societies: on the one hand the desire to promote local trade and on the other hand the need for global trade facilitated by transnational payment tools that make use of impressive technological innovations.

Although they offer advantages that are often welcomed by users, they raise acute concerns from the point of view of monitoring and safeguarding both individual and collective interests, which has led monetary and prudential authorities to take an interest in them, even though, considering their volume, they have very little impact on economic activity at the national level and they account for an infinitesimally small proportion of the total money supply.

At any rate, they are further proof of the adaptability of currencies to societal changes and changes in governance, and also of technical progress and the globalisation of economies.

In its draft opinion entitled "New Currencies: Macroeconomic, Financial and Societal Impacts", the ESEC seeks to analyse and evaluate the economic, financial and societal impacts of complementary currencies in light of historical changes to the money system. It takes the view that the role of complementary, virtual or local currencies may be encouraged where transparency and security make for trust and social cohesion around the currency created, where activities financed accordingly contribute fiscally and socially to the general functioning of society and where efficiency gains in terms of costs (in the fullest sense of the term) can be demonstrated. The ESEC sets out a series of recommendations to make a useful contribution to the discussions that are beginning to be held in France in parliament and more broadly by society on these issues.

Pierre-Antoine Gailly
is President of the Paris Île-de-France Chamber of Commerce and Industry (CCI). He is a member of the ESEC within the Section for Economy and Finance where he represents the Enterprise Group.

Contact:
ecofin@lecese.fr
+33 (0)1 44 43 62 47
idebattisti@cci-paris-idf.fr
+33 (0)1 55 65 70 65

ESEC PROPOSALS

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THE ESEC SETS OUT RECOMMENDATIONS CENTRING AROUND THE THREE FOLLOWING SPECIFIC AREAS, IN PARTICULAR:

REFLECTING ON THE CONCEPT OF CURRENCY

- Defining what a currency is and is not and whether there is a need to create a unique status for digital currencies
- Making users fully aware of the risks
- Using complementary currencies to consolidate education about money

REGULATION OF NEW CURRENCIES

- Setting out basic rules to prevent systemic failures (i.e. governance, risk management, transparency, etc.)
- Creating an international regulatory framework for currencies having an international dimension
- Setting in place tools for the oversight and monitoring of actors offering financial services, even where these fall outside the systems themselves.

DETERMINININING THE CONDITIONS UNDER WHICH THEY MAY BE BENEFICIAL

- Identifying those responsible for it and increasing the transparency of digital systems and the traceability of operations
- Ensuring that complementary currencies contribute socially and fiscally to the economy
- Supporting research and development on secure data exchange systems
- For local currencies, ensuring there is a system of redemption at par, setting in place guarantee systems and ensuring awareness of the risks