

The ECU-ERM model versus the 'Parallel Currencies' model

The introduction, according to the ECU-ERM, of 'National Currency-Units (NCU's)' alongside the already existing 'Euro-Currency-Unit (ECU)' perhaps looks like, but is NOT the same as introduction of 'parallel currencies' alongside the Euro.

There are clear and important advantages of the 'parallel currency-units' model of the ECU-ERM compared to the 'parallel currencies' model. The world of the ECU-ERM is different, betterand more beautiful.

In the enumeration underneath these differences (advantages) will be made clear in comparison with the well known 'Geuro' proposal (May, 2012, [click here](#)) of Dr. Thomas Mayer (Center for Financial Studies der Goethe Universität Frankfurt and Deutsche Bank), whose proposal involves the introduction of a new 'national currency' alongside the Euro for Greece (and other 'weaker' Euro countries).



André ten Dam explains.....

- With the implementation of the ECU-ERM there will be no 'second rate' Euro (zone) member states. So there will be no division in the Euro zone of any kind.
- Let's Keep It Simple (KIS). For the implementation of the ECU-ERM, there is no need for new physical national coins and banknotes. After a simple adaptation of the relevant software systems of the monetary authorities and financial markets, the ECU-ERM could be introduced on a very short notice.
- For the implementation of the ECU-ERM, an EU-Treaty change is not needed. In full compliance with article 128 TFEU, the ECB-issued Euro remains the only legal tender in all Euro countries.
- 'Gresham' (bad money drives out good money) is not applicable to the ECU-ERM. So there will be no 'currency competition' of any kind.
- The ECU-ERM is managed by the independent ECB, on the basis of objective economic fundamentals. Thus there will be no unfair (overshooting) devaluations. And the necessary ECU-ERM devaluations will therefore also be immune for (national) political pressures.
- The ECU-ERM excludes 'currency speculation' (fixed but adjustable exchange-rates). And when the ECB executes its new tasks properly and promptly, there will as well be no 'NCU speculation'.
- Because not a national authority but the ECB controls the money supply, 'sustainable price stability' is guaranteed in every Euro country.
- 'Last but not least', the ECU-ERM will be integrated within the Euro Pact. So there will be no competitive/hostile monetary system alongside the Euro Pact. Thus the ECU-ERM should be acceptable for the Euro zone (monetary) authorities and pro-Euro politicians.



Ten Dam in conversation with Dr. Thomas Mayer and Prof. Ulrich Brasche at the 'BMW Euro-crisis Conference' in Berlin (July 24th, 2012)

Interestingly, after he became familiar with the 'parallel currency-unit' concept of Ten Dam, in the Summer of 2012, Mayer adopted this concept (which Mayer calls 'virtual currencies') ... together with several other idea's of TMS.....in his views about the future of EMU and the Euro.

See for instance Mayer's 'lecture' ([click here](#)) at the 'London School of Economics and Political Sciences (LSE)' in November 2012, where he stated:

"...We need to define the new architecture for EMU...EMU needs to be based on politically neutral money and national fiscal sovereignty coupled with national liability.... When the destination is clear it is easier to map out the route to get there....parallel currency can be virtual only, the Euro can remain cash currency..."

Obviously and according to a full and correct understanding of the functions of money theory, Mayer should have more precisely stated that ".....the Euro can remain the only currency (means of payment) for cash and electronic payment....".