Institut Veblen *pour les réformes économiques*

"Helicopter money" to combat economic depression in the wake of the Covid-19 crisis

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SUMMARY

The Covid-19 health crisis is plunging our economies into a crisis of unprecedented proportions. To finance the emergency measures, EU Member States are rapidly increasing their debt levels by borrowing on the bond markets, while the ECB is launching new purchase programmes and further easing bank refinancing conditions. But increasing public debt and relying on bank credit to boost the real economy is not an adequate solution to the problem; to avoid recession and reduce the social costs of the crisis, Europe needs an innovative monetary policy that is as coordinated as possible with fiscal aid packages.

This note proposes the use, for a limited time, of the direct transfer of money by the central bank, i.e. "helicopter money". Helicopter money is not a new form of central bank money or a new way of creating it; it is just a different way of distributing it and pouring it into the economy, without going through the banks and financial markets. In the current phase, to rescue the economy during this containment period, helicopter money should go to the States, to monetise public spending. Then, in a second phase, to reboot the economy, helicopter money could be paid to households and businesses to increase private spending without delay and without transmission failure, while continuing public spending to counter the depression and prepare for the future.

These temporary measures would preserve the financial room for manoeuvre that States have to meet the challenges ahead, while limiting the inequitable effects that accompany the usual measures. In the medium term, the proposals on the monetisation of public expenditure would also facilitate the financing of States' investments in the ecological and social transition, in accordance with the objectives set out in the European Green Deal.

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HELICOPTER MONEY TO COMBAT THE DEPRESSION CAUSED BY THE CORONAVIRUS

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Introduction

In a note published by the Veblen Institute in January[1], my co-authors and I analysed the persistent dysfunction of a monetary policy that relies exclusively on the channel of banks and financial markets, and we proposed an alternative tool: a variant of helicopter money, which would rely on technical innovation to make a direct but limited transfer from the European Central Bank (ECB) to euro area households. Published before the outbreak of the Covid-19 pandemic in Europe, the scope of this proposal was limited to boosting the ECB’s ability to achieve its inflation target and to better support the economy by reducing the inequitable impacts of current monetary policy, through an alternative to the conventional banking channel. The recent context only serves to enhance the value of this debate because we need direct monetary creation to deal with this health crisis, as well as with future ones, which scientists tell us could multiply due to the climate crisis and the collapse of biodiversity.

However, our original proposal needs to be updated to reflect the current situation. As such, helicopter money should no longer be reserved for households but also offered to businesses and States, in two separate phases: the current economic rescue phase during this containment period, during which helicopter money must go to States to monetise public spending; and the subsequent rebooting phase, during which helicopter money paid to households and businesses would increase private spending without delay or transmission failure, while public spending continued to counter the depression and prepare for the future.

To finance the emergency measures and compensate for the revenue loss of households and companies, States are rapidly increasing their debt by borrowing on the bond markets, while the ECB has just launched new purchase programmes and further eased bank refinancing to facilitate borrowing. Helicopter money offers another solution: an instrument for monetary policy and/or for monetising public spending. The cultural and intellectual blockages in this area are so great that the likelihood of it entering the toolbox of the central banks today is very low. But, if this debate can contribute to a better public understanding of money and monetary policy, that will be a step forward. Economists and policy-makers have just as much to gain from it since most of them are still neglecting the monetary and financial dimension of the economy in their reasoning.

1. Why use helicopter money?

1.1. Bypassing faulty channels

First of all, what is helicopter money? The truth is that there is no clearly defined theory on the subject, but there has been a growing body of work on it since 2010, with a peak in 2016 coinciding with the publication of Between Debt and the Devil[2] by Adair Turner, the former chairman of the authority that supervised banks and financial markets in the United Kingdom before the financial crisis. The term “helicopter money” as such is attributed to Milton

[1] Edited by Jézabel Couppey-Soubeyran, with Emmanuel Carré, Thomas Lebrun & Thomas Renault, ““Drone money”: Putting Monetary Policy Back to the People”, a Veblen Institute policy note, January 2020.

[2] French translation: *Reprendre le contrôle de la dette*, Éditions de l’Atelier, 2017.

Friedman – which may precipitate some opposition in principle – to refer, using imagery, to a way of increasing the amount of money in circulation in a deflationary situation. He did not, however, develop it into theory or guidance.

Helicopter money can be defined, prima facie, as a transfer of central bank money to households, but there is nothing to prevent the concept from being extended to the direct transfer of central bank money to companies and even States. In the latter scenario, the direct transfer of central money to the State is equivalent to a monetisation of government expenditure, i.e. to the central bank taking over government expenditure without recompense.

The advantage of helicopter money is that it provides an instrument outside the traditional channels of monetary policy, which may be necessary in some circumstances. What are these circumstances? Quite simply when they malfunction and their repair is not feasible within a reasonable time. Such is the case with the transmission channels comprised of the banks and markets. In our ultra-financialised economies, where the financial sector operates autonomously, largely disconnected from the real economy, providing the financial sector with liquidity no longer allows it to be channelled to the real economy. It simply keeps the financial sector spinning on its own axis, increasing the volume of transactions carried out there and, as a result, asset prices. By using traditional bank and market channels, current monetary policy also produces adverse distributional effects, which tend to increase inequality because they remain largely concentrated in the financial sector, benefiting solely the issuers and holders of financial assets (and not, therefore, households or small and medium-sized enterprises, for whom stock market finance is ill-suited). A direct transfer of central bank money would, on the contrary, reach all beneficiaries without delay and in a uniform manner, benefiting all rather than just a few.

1.2. Facilitating the ecological transition

In our January policy note, we identified the concerns expressed about helicopter money, including fears that it would be used only as an instrument to stimulate household spending and could potentially impede the necessary reorientation of our growth model. Nevertheless, we stressed the importance of combining ecological transition with social justice and, as such, the need to opt for a monetary policy the effects of which benefit everyone, not just the very wealthy or large corporations. “Drone money” seemed to us to guarantee a better dissemination of the effects of monetary policy. Consent to ecological transition can only be achieved with economic policies that increase the purchasing power of those with the lowest incomes.

The current crisis invites us to explore helicopter money from all angles, including as a tool to support the ecological transition. The direct transfer of central bank money can go to households, but it can also go to businesses and, above all, to States. A direct transfer of central bank money to States would enable them to deploy massive public expenditure, as is currently required to manage the health crisis and as is also required to drive the ecological transition. This would mean monetising public expenditure on environmental transition, for example by tying direct transfers to spending dedicated to the implementation of the European Green Deal “roadmap” or other policy objectives in this area. Such a broadening of States’ room for manoeuvre could yield much more ambitious results than a “greening” of the ECB’s procurement programmes[3]. This second option certainly appears, in the short term, easier to implement politically. Less remote from central banks' current practice, it seems no longer to be excluded from their discussions. It remains to be seen whether these discussions will address the option of monetisation.

At the end of the containment period, when we will need to kick-start business activity while rethinking the model so that it can become, we hope, more inclusive and less destructive to nature and biodiversity, all forms of helicopter money could then be mobilised. The option of transferring central money to States would remain one of the best options for continuing to mobilise public expenditure to combat the risk of depression and to serve the ecological transition, without running the risk of excessive debt.

2. In the containment phase: helicopter money for Member States

2.1. Funding States...

The direct transfer of central bank money would directly increase spending in the real economy: household spending if the transfer goes to households, business spending if it goes to businesses, or government spending if it goes to Member States: in the latter case, helicopter money equates to genuine monetisation. What is the difference between this solution and the financing of the State through debt refinanced by the European Central Bank? The two would be identical if the central bank offered *direct* refinancing to States without consideration, which is in no way the case at present: the ECB does not grant loans to the eurozone States, it buys their debt securities. And it does so not when they issue them on the primary market but when these securities change hands on the secondary market. In the current crisis situation, which is forcing States to spend heavily, it would be hugely beneficial for States to refinance themselves more directly with the central bank and be less dependent on market swings.

This was the decision taken on 9 April 2020 by the Bank of England to open a line of credit to the British Treasury to avoid the latter having to go through the bond market. This is not yet monetisation in the strict sense of the term, as it is refinancing on the basis of repayable loans, but it is certainly more direct refinancing than that of the eurozone Member States. It is important at this level not to confuse monetisation with the (re)financing of governments through the purchase of the debt securities they issue. Monetisation is the most direct form of financing, with no repayment expected by the central bank, while securities purchases are the most indirect form of refinancing. The line of credit opened by the Bank of England is therefore halfway between the two.

From a fiscal policy perspective, the increase in debt is not problematic as long as the stimulus creates the conditions for its repayment. Will this be the case in the current crisis situation? Nothing is less certain, as we are not yet in the process of financing an economic recovery but of finding ways to compensate for losses and shortfalls. The monetary policy measures taken, as well as fiscal policies and the Eurogroup's support package, are aimed at facilitating the

[3] On this subject, see Wojtek Kalinowski & Stanislas Jourdan, "Aligning monetary policy with the European Union's climate objectives", Veblen Institute policy note, March 2019.

borrowing of States, companies and even households. However, precisely because it is a question of financing losses and shortfalls and not investments, the simultaneous increase in public and private debt will not create the conditions for their repayment: we will not, at this stage, see the multiplier effect usually associated with a recovery. For this reason, the method by which public expenditure is financed in the current situation should be carefully chosen, if only to avoid having to limit spending. A direct, non-reimbursable transfer from the central bank – monetisation or helicopter money to the State – would be much more valuable than debt facilitated by its purchases of securities.

Does the extremely low, or even negative, level of the interest rates at which States are financing themselves make any difference to this? Many observers consider that the interest burden is the only thing that matters in terms of the financing of States, as they would not have to "repay" their debt in the strict sense of the term. This is extremely doubtful. Not so much because interest rates will not remain low forever – at the current time, given the depressive impact of this health crisis, the world's central banks will be forced to keep them low for a long time – but, primarily, because it is not correct to say that States do not repay their debt. In practice, they "roll it over", meaning that when an old debt matures, a new debt is issued to repay the old one. This therefore supposes that, whatever the level of the interest rate, States should never be unable to renew their debt. We should remember that the ECB intervenes not on the primary market for government securities, but on the secondary market. Even if, currently, the ECB's massive purchases on the secondary market are enough to reassure primary market investors, what will it be like in a few years' time? Will the ECB continue to purchase assets indefinitely? Or will it hold a sufficiently large share of each country's sovereign debt to, if necessary, write them off and thus reduce their default risk in the eyes of primary market investors? The slightest ounce of uncertainty in the answers to these questions is sufficient to establish that the ECB's asset purchases are not equivalent to the monetisation of State financing. Only a direct transfer of central bank money to the States would prevent the inflation of their debt and protect them from the risk of unsustainability, which the financial markets would sanction.

2.2. ...without inflating their debt

For economists trained in macroeconomic models that disregard money creation, it would be wrong to say that helicopter money avoids the inflation of public debt since the Central Bank is owned by the State. We should therefore consider overall net debt[4]. This consideration is far removed from the institutional reality of the euro area, since it is not this overall net debt that euro area Member States have to report to the European Commission, but the debt relating to all public administrations as defined in national accounts – referred to as "reported public debt" – and not including the Eurosystem.

Moreover, the State's debt is in no way comparable to that of the central bank. The State is indebted to its creditors; the central bank is only in debt to itself, the debt it issues when creating money! And the central bank always has the option to erase its bank debts by creating its own money.

[4] See, in particular, "Toujours la monnaie hélicoptère" [Helicopter Money Again], by H. Sterdyniak, Le Blog de Mediapart, 11 April 2020: https://blogs.mediapart.fr/henri-sterdyniak/blog/110420/toujours-la-monnaie-helicoptere

An exception to this rule is the need for commercial bank dollars in international financial transactions. This need cannot be met by the creation of central bank money, except of course by the Fed. The ECB, for its part, can only obtain the dollars that the Eurosystem banks need by purchasing them on the foreign exchange market and then lending them to the banks in exchange for euros or by negotiating swap agreements with the Fed, as happened during the financial crisis of 2007-2008 and as is happening again in the crisis situation we are experiencing. The fact remains that the ECB can issue the euros it needs to acquire the dollars needed by the banking sector.

2.3. ...and without necessarily reducing seigniorage income

Surely what States would save in debt charges with the helicopter money (since they would be less indebted) would be lost from the seigniorage income that the central banks, which they own, pay to them? This is a counter-argument that often comes up in discussions about helicopter money.

Seigniorage income means the profits made by central banks through their refinancing operations or securities transactions, which are transferred to the States that own them. As such, in the Eurosystem, the national central banks, which are shareholders of the ECB, pay their share of the profits to the national governments. This is a curious argument for discrediting helicopter money, however, because monetary policy instruments must be chosen on the basis of the central bank’s responsibilities.

In other words, the chosen instrument should be one that allows the central bank to carry out the missions entrusted to it most effectively. Price stability and economic stability are the main ones, and the central banks are more closely involved in financial stability than before the financial crisis of 2007-2008, but not yet to a sufficient degree. From the point of view of these three missions, and especially the first one, helicopter money would be a more effective instrument than those currently being deployed. Maximising seigniorage income, on the other hand, is not one of the missions entrusted to the central bank. The central bank is a not-for-profit institution.

Moreover, there is no evidence that, with helicopter money, seigniorage revenues would automatically decline. Assuming that helicopter money would have powerful spillover effects in the recovery phase, which we can expect a priori since it would directly increase spending in the real economy, banks’ refinancing needs could very well increase with helicopter money and, with them, the central bank’s seigniorage income. Indeed, through the income created, money would circulate faster in the economy, interbank trading would accelerate, and the banks’ refinancing needs would consequently increase as these spillover effects stimulated investment and the accompanying demand for financing.

2.4. Effects on the central bank’s balance sheet... but not the ones we think

One of the many criticisms levelled at the concept is the often-cited notion risk of excessive money creation. Helicopter money would involve “printing” large amounts of money; and yet this is an outdated expression because the money created by the central bank does not take the form of bank notes alone (it includes the banks’ reserves held in their accounts at the central bank). This is a major point of confusion because helicopter money would not increase the amount of money created by the central bank any more than current monetary policy does through bank refinancing operations or asset purchases (quantitative easing). The amount of base money could be exactly the same, or it could be less, or it could be more; that is not the problem.

Helicopter money is not a new form of central bank money or a new way of creating it; it is just a different way of distributing it and pouring it into the economy, without going through the banks and financial markets. What would change on the central bank's balance sheet with helicopter money would therefore not a priori be the amount of the central bank's debt to the banks – i.e. the amount of the banks' reserves held at the central bank – as this would continue to be determined endogenously by the banks' refinancing requirements, but the level of the central bank's own funds. This could fall considerably if the central bank transfers base money directly without recording a corresponding receivable on the assets side of its balance sheet as it does, for example, when it lends to banks – it records (T)LTROs as assets on its balance sheet – or when it buys assets on the financial markets – it records the amounts of securities purchased as assets on its balance sheet.

However, this is in no way prohibitive. Firstly, there is nothing to prevent a central bank from operating with negative capital, precisely because it has the power to cancel any debt by issuing debt against itself, i.e. by creating its own money. Would the central bank then lose credibility? It would undoubtedly require a great deal of communication with the markets and beyond in order to ensure its actions were properly understood and anticipated. In any case, the credibility of the central bank depends much more on the fulfilment of its missions than on the level of its own funds. For more than a decade, the ECB has been unable to achieve either its monetary stability objective (an inflation rate below but close to 2%) or its economic stability objective (to prevent GDP from deviating from its potential level) with virtually no one worrying about its credibility. It remains the institution most relied upon in the management of the pandemic, in the absence of a fiscal union. We should therefore assume that, with proper communication, the credibility of the central bank, would not suffer more in the event of the lesser problem of negative capital. Of course, in this scenario, seigniorial income would fall.

However, there would be no obligation for States to come and recapitalise the central bank. It wouldn't need it. And if, for the wrong reasons, they considered this recapitalisation essential, the tax revenues associated with the increase in income generated by the helicopter money would help with this, or at least compensate for the reduction in seigniorage income.

Above all, there would be nothing to prevent a certain creativity in terms of the accounting and recording a kind of perpetual, non-repayable debt in the central bank's assets, avoiding, if one prefers such pretence, having to record negative equity. This would also be a way to avoid a fall in seigniorage income.

In the end, helicopter money does, of course, have a cost: negative equity is part of it, as are the costs of its implementation, especially if it was directed to households and businesses, with digital central bank money accounts to be opened, as we proposed with the "drone money". But the central bank, not the State, is responsible for this cost. And it is better this way. 100 or 1,000 of negative equity on the central bank's balance sheet is less of a problem than 100 or 1,000 of additional public debt that may expose governments to a risk of unsustainable debt in the long run, since their refinancing is not fully and directly provided by the central bank. The two scenarios are in no way equivalent.

3. In the business recovery phase: helicopter money for households and businesses

This is the idea put forward by ourselves and MEP Aurore Lalucq in a recently-published column[5]: after the monetisation of public spending in the current emergency phase, helicopter money should be distributed to households and businesses in order to provide a balanced boost to demand and supply in the next phase, that of exiting containment.

3.1. Helicopter money for households...

Critics argue that helicopter money would be treading on the toes of fiscal policy without achieving the same result. Let us reiterate: helicopter money is not a fiscal instrument. It does not in any way aim to replace the latter and would, on the contrary, complement it. Indeed, the bank is not there to carry out redistribution operations or to define public spending objectives. These operations are the responsibility of States, and only a democratically elected government can legitimately decide on the targeting or allocation of transfers to benefit households or businesses. Helicopter money is a monetary instrument that does not interfere with fiscal policy precisely because it is not required to be targeted at any particular beneficiary. This is why helicopter money transfers must remain uniform once their recipients have been identified, as we proposed for "drone money". We had envisaged a monthly transfer to households of EUR 140 per month, equivalent to creating EUR 40 billion of central bank money in the euro area every month, or EUR 480 billion over one year. We defined this order of magnitude based on the amounts of base money created under the 2015 asset purchase programme: in that year, 60 billion securities were purchased each month by the ECB and since, by 2019, asset purchases had been reduced to 20 billion, it seemed quite conceivable that 40 billion could be created again to be distributed in the form of drone money. On 18 March 2020, the ECB announced 750 billion in asset purchases in addition to the 120 billion it had announced a few days earlier. That's 870 billion of central bank money to be issued before the end of 2020 to buy public and private securities on the bond markets. There is no doubt that transferring these funds directly to the real economy without going through the banks and markets would have a stronger and more immediate effect on the real economy. If the same amount were, for example, transferred directly to households each month, it would virtually double the amount we gave to each individual over 15 years of age (EUR 280 per month for one year).

Admittedly, a uniform payment would not have the same relative value for each household, depending on its standard of living and country of residence, bearing in mind that the scheme would need to be deployed across the whole of the euro area. However, the purpose of helicopter money is not exactly to correct disparities, but rather not to put anyone at a disadvantage. Unlike current monetary policy, which benefits the banking and financial sector (at least in the short term, because in the medium to long term it increases its instability), large firms that thereby obtain financing more cheaply through the markets, and wealthy

[5] "La « monnaie hélicoptère » ou le désastre" [Helicopter money or disaster], 30 March 2020, Le Nouvel Observateur.

households, at least while, before the downturn in the financial cycle triggered by the coronavirus crisis, they were seeing the value of their real estate and financial assets increase, helicopter money would benefit the greatest number of people. And if a few hundred euros paid to Estonian or Greek households benefited them more than the same amount paid to German or French households, who would complain? Those who condemn the divergences within the euro zone? They would be misguided in their criticism since, without seeking to do so, helicopter money would actually reduce these differences precisely because of its uniform application across countries.

If helicopter money is accused of impinging on fiscal policy, it is because it is often confused with certain fiscal policy measures. When Donald Trump writes a cheque for USD 1,000 to every American (below the defined income threshold), this is not helicopter money: this is a targeted fiscal policy, a measure financed by the US Treasury specifically to compensate for a major lack of social protection. It could be viewed as a **fiscal** helicopter pouring money out of the Treasury budget, but not a **monetary** helicopter dispensing central bank money. The purpose of helicopter money is not to be used for redistribution when the latter is required, to make up for inadequate social protection, or even to lay the foundations for a universal income, despite the interest that those who defend universal income are showing in it. It does not replace any of this, and it would be unfair and unjustified to regard it as a temporary stopgap or, worse, a sham fiscal policy or social protection measure. If helicopter money does eventually see the light of day, it would take absolutely nothing away from the requirements of the latter.

3.2. ... and for companies

At the end of the containment phase, helicopter money, which tends to be reserved for households in order to activate consumption directly, could also be extended to businesses to help reboot their activity.

In this scenario, should there be restrictions on the beneficiary companies targeted? For the same reasons that helicopter money should not only be targeted at the lowest income households (because then it would no longer be a monetary instrument but a fiscal intervention and a task for State, not the central bank), the distribution of helicopter money to businesses should also not only be targeted at the smallest structures (the self-employed, entrepreneurs, very small businesses, etc.). In fact, these small structures, like the lowest income households with the highest propensity to consume, would be the ones that would benefit most from the lump-sum transfer. Just as EUR 140 per month would be of much more benefit to someone on a minimum wage than to a senior executive, the monthly sum calibrated for businesses would also be such that it would have a higher relative value for small businesses than for large ones. The impact sought would be an overall effect on consumption and activity, not a redistributive or sectoral effect.

Why distribute helicopter money to businesses in addition to households, and for how long? Firstly, to boost post-containment spending more rapidly by stimulating both consumption and business activity. Secondly, to better control inflation. But the idea is not to make it a permanent instrument, not least because the helicopter money for businesses must not conflict with the transition objectives we mentioned earlier.

One of the most commonly expressed fears about helicopter money is that of inflation and a collapse in the value of the currency. Yet, contrary to the idea held by many of its critics, helicopter money could actually enable better control of inflation provided that helicopter money payments are adjusted according to the level of inflation and, in the event of inflationary pressures generated by a supply shortage situation, that helicopter money transfers to households are decreased and those to businesses are increased.

We must reiterate that, with helicopter money, the central bank would not be creating more central bank money than it does currently: it would simply distribute its money differently. In this scenario, as it would be redirecting central bank money to the real sphere rather than the financial sector, one might expect that many purely speculative transactions, such as those carried out on the foreign exchange market without any counterpart in the real economy, would no longer be necessary; this is likely to lead to a reduction in the trading of euros against foreign currencies, thus making the euro more scarce on the foreign exchange market and supporting its exchange rate against other currencies. Therefore, contrary to the concern often expressed, it would be unlikely that the value of the euro would fall against other currencies if helicopter money were to be used within the euro area.

But what about the stability of the euro within the euro area? Everything would then depend on changes in inflation. In principle, the central bank money distributed as helicopter money would increase the money supply more quickly. This means that the money multiplier relating the central bank’s money (monetary base) to the money in circulation in the economy (money supply) would be higher. As such, the monetary component of inflation would become more significant again. However, this is not the only factor in inflation. Other more structural factors (demographics, excess savings, etc.) would remain the same, probably slowing its increase. Moreover, we will not complain about being able to produce more inflation if there is a threat of depression and, with it, deflation. Finally, if, on the contrary, inflation really accelerates, helicopter money will be a better steering instrument than the long-term bank refinancing operations (LTRO, TLTRO) and asset purchases have been so far. Control would then consist in making helicopter money transfers dependent on the level of inflation and in being ready to support demand (i.e. households) less than supply (i.e. firms) if inflation accelerates, in order to contain possible supply shortage situations that would maintain inflationary pressures even in a situation of economic depression. Transfers to households would fall, while those to businesses would rise, until the desired inflation target was reached (not necessarily the current target of below but close to 2 per cent). Once the target was reached, this non-permanent device would be deactivated. It could be reactivated as soon as any deviation from the inflation target was observed.

Conclusion

The “drone money”, proposed in our January note was intended to improve the effectiveness of monetary policy. Since then, a pandemic crisis has occurred, mobilising central banks and states around the world. The challenge for economic policy is immense. During this necessary period of containment, it is vital to make up for the losses caused by this “pausing” of the economy and to preserve productive capacity to the greatest extent possible so that, after containment, economic activity can resume. Is there a role for helicopter money, which was the basis for our proposal for drone money?

There is a great deal of reluctance about and counter-arguments against this alternative instrument which, sitting outside conventional frameworks, consists of the direct distribution of money issued by the central bank. Yet, deployed with three possible destinations (households, businesses, states), in two distinct phases, the rescue phase during containment of the epidemic followed by the rebooting phase when containment ends, helicopter money could help manage the crisis.

In the rescue phase, base money should be transferred directly to states. Monetisation, or helicopter money to the state or states (in the case of the euro area), would fully guarantee the financing of the latter and would greatly facilitate their fiscal policy. It is this method of direct state financing that is required at this very moment, at the height of the health crisis, to facilitate public spending without limiting it and without adding to the debt. This method of financing would put the central bank at the service of states, whereas, conversely, in the case of the euro zone, States are currently establishing a high degree of dependence on the ECB because the sustainability of their debt will depend on the willingness of the central bank to hold most of it and, when the time comes, to cancel it if necessary.

It is then, at the end of the confinement period and not before, that it would be expedient to distribute base money directly to households and businesses. At a time when economic activity needs to be revived, this “double drone money” would usefully complement the effects of fiscal policy financed directly by the central bank, as depression will still be a threat.

While calls not to sacrifice the ecological and social transition in responding to the coronavirus crisis are multiplying, we believe that monetary policy is a valuable tool. The use suggested in this note would prevent States from permanently limiting their room for manoeuvre, as could well be happening currently through the financing of economic rescue measures that add to debt. Moreover, it would maximise the effects of the efforts made by the ECB, while limiting the inequitable effects of the usual measures. In the medium term, the proposals made in this note on the monetisation of public expenditure would also facilitate the financing of States’ investments in the ecological and social transition, in accordance with the objectives set out in the European Green Deal.