

## A parallel currency?

The Economic Adviser to the Lega party, the larger of the two governing coalition partners in Italy, has come up with a scheme for mini BOTs or low denomination Treasury Bills. The Italian Parliament recently passed a motion in favour, though this is not binding and the Treasury is not yet printing and issuing these bonds.

The Italian state like others issues Treasury Bills to institutional investors. These are usually short term loans to help finance public spending. They can be traded against their electronic certificates.

This new scheme is to issue so called Treasury Bills or bonds with no repayment date and no rate of interest payable. They would be issued with physical certificates or notes in 10,20, 50 etc Euro denominations. Individuals could pay tax bills with them, or buy any goods or services from the state like petrol from a state owned filling station.

The European Central Bank has been asked about this. They have said if this is a parallel currency it is under the rules of the Euro scheme illegal. If these are debt instruments they have to be under the overall budget deficit and borrowing controls that apply in a single currency.

The mini BOTs look much like banknotes and would give the Italian state the effective right to print a money substitute to get round some of the controls on their economy from the Euro scheme. It is a provocative idea. So far they have put the idea into circulation but not the notes. If they did start to issue them it would be a major challenge to the Euro.