

NINETY-THIRD INTERNATIONAL ATLANTIC ECONOMIC EUROPEAN CONFERENCE

WELCOME AND FORMAL OPENING

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30 March – 1 April 2022

NINETY-THIRD INTERNATIONAL ATLANTIC ECONOMIC EUROPEAN CONFERENCE

INVITED ADDRESS

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SPEAKER

“CENTRAL BANK DIGITAL CURRENCIES”

30 March 2022



Central Bank Digital Currencies

The Future of Money

Central Bank Digital Currencies – The Future of Money

Public Money v Private Money

Medium of exchange, store of value, unit of account

Necessary numeraire for commodity valuation

Accepted in monetary jurisdictions – central bank

Fiat money versus private money

New private money channels

Central Bank Digital Currencies – The Future of Money

Distributed Ledger Technology

- Blockchain: one form of DLT
- Bitcoin sealed system, internal trust
- Digital economy and digital money
- Shared synchronous ledger, core DLT for CBs
- Some products, Corda, Hyperledger, Quorum

Central Bank Digital Currencies – The Future of Money

Central Bank Motivations

Threats to financial stability

Decline of cash

Expansion of smartphone use, everywhere

High costs and low speeds

Opportunities for CBS

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Retail CBDC Projects

Early risers: China, Bahamas, Sweden

Digital Yuan, begun 2014 study by PBOC

Others: Thailand, Nigeria, East Caribbean

ECB, BoE, BdeF

The US: slow and uncertain. MIT/Boston Fed

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Retail CBDC Model Designs

Direct Model Design

Indirect Model Design

Hybrid Model Design

Intermediated Model Design

Two-Layer Structure

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Impacts on Commercial Banks & Customers

Impacts could be substantial

Concerns about of disintermediation

Dependence on model design

CBs will go for least disruptive

Role of stable-coins – US position

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Wholesale CBDC Projects

Primary concern for central banks

BIS involvement: *mBridge* project prototype

Projects Jura, Dunbar, and Helvetia

Use of DLT involved

Results are promising

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Regional CBDC Initiatives

The wholesale CBDC projects are regional

Potential to expand across jurisdictions

Smaller jurisdictions are tempted

Digital Yuan/e-CNY expansion

ECB/Euro Area-Plus

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International Dimension

Fragile nature of global finance

Regional reserves (30%) swaps (45%)

IMF SDRs 25% (90\$ in 2007)

Need for global reserve currency/unit of account

Problem, as for Keynes 1944 Int. Clearing Union

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Digital Currency Areas

Challenges for Smaller Jurisdictions

Potential solution to Keynes' problem

DCAs – China, ECB (SEPA), US ?

Small number of DCAs, easier to gain agreement

A future possibility – two decades

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The Future of Money: The Next Decade

Public money a *necessary* public good

Private money can co-exist, as it does now

Concern about some of the private money advocates

Wholesale CBDCs will dominate early

Retail CBDCs will be introduced more gradually

Digital monetary economy is unfolding



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