

Central Bank Digital Currencies: A Macroeconomic Perspective

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November 2017

CB Digital Currency

“Reserves for All” (RFA)

- CB issued
- Electronic
- Widely/universally accessible
- Managed centrally or not, e.g., using blockchain

Macroeconomic Implications of RFA

Implications for financial sector

- RFA compete with bank deposits

Less seignorage revenue for banks

Credit crunch? Other liabilities; bank BS vs. savings flows

- Resilience

Lower risk of “old fashioned” bank runs, too big to fail

But larger swings in demand for bank deposits

Less or more regulation?

- Competition, productivity

Implications for public sector

- Monetary policy

New policy options

Better control over means of payment

Easier to defend restrictions on cash

More difficult asset management

- Fiscal policy

More seignorage revenue, lower (other) taxes

More options for fiscal-monetary policy

Key Issues

Interest on RFA

- Disrupts banks' deposit business model
- Also disrupts CB's business model

Undermines seignorage, weakens CB capital position

Increases political pressure

- Strengthens monetary transmission mechanism
- Banking sector can be circumvented

Interest on RFA + restrictions on cash

- Amplifies monetary policy fire power

Really negative rates

Better control over price level and aggregate activity

Price level rather than (positive) inflation targeting?

- What restrictions?

Abolition, conversion fee, exchange rate

Money injections by transfer (rather than OMO)

- *Really* unconventional policies

Helicopter drops

Fiscal-monetary rather than monetary policy

- Politics rather than policy

Threat to CB independence

CB balance sheet management

- What assets?
- Liquidity in financial markets
- Corporate governance
- Politics rather than policy

Threat to CB independence

The Elephant in the Room

Deeper questions

- What is the social value of inside money? [?]
- If negative, can we abolish inside money? [No]

Deeper problem

- Lack of commitment of monetary policy

My view

- If there is demand for RFA, satisfy it!
- RFA of some form are step in the right direction