

Conceptual Aspects of CBDCs

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CBDC—A Solution in Search of a Problem?

Waller (2021), House of Lords (2022)

Key questions

- What do users gain from CBDC?
- Does this require CBDC?

CBDC—A Solution in Search of a Problem? (ctd)

Waller (2021), House of Lords (2022)

Key questions

- What do users **including firms** gain from CBDC?
- **What do citizens, taxpayers** gain from CBDC?
- Does this **realistically** require CBDC?

The Social Costs of Liquidity Provision

Friedman (1969) general equilibrium perspective

Two-tier system vs. CBDC based single-tier architecture

- Direct resource costs: advantage two-tier
- Costs due to fragility, TBTF: advantage single-tier
- Deadweight losses (taxes etc.): advantage single-tier

Analysis in Niepelt (2020, 2022)

Efficiency demands unequal, non-zero interest on reserves, CBDC

Should We Fear “Bank Disintermediation”?

That is, should we fear reduced bank money creation?

No. Central banks can insulate banks, preserve status quo

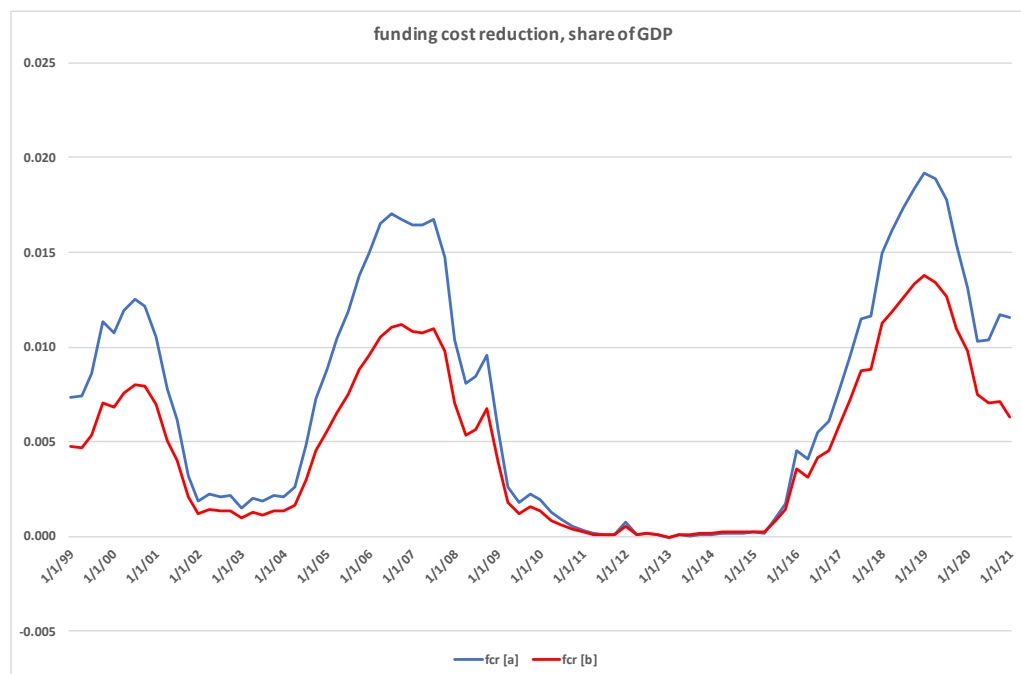
Analysis in Brunnermeier and Niepelt (2019), Niepelt (2020, 2022)

If CB does not insulate, deposits might actually increase (Andolfatto 2021, Chiu et al. 2022)

Yes. Central bank balance sheets lengthen; political rather than macroeconomic risks

Should Banks Fear “Bank Disintermediation”?

Yes. Central banks might choose (be forced) to not insulate banks

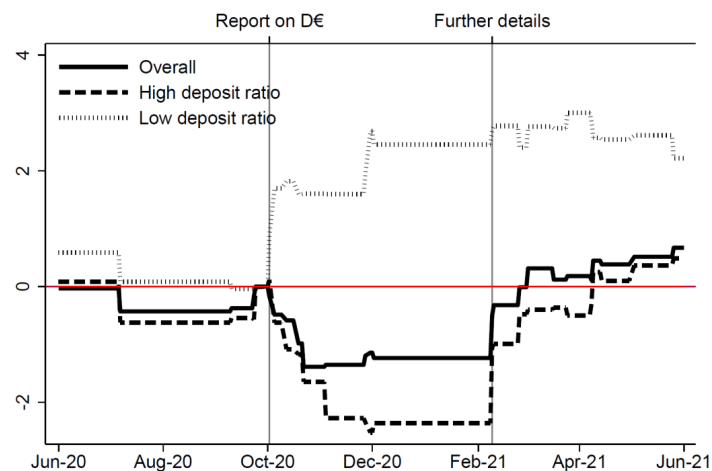


Niepelt (2020)

Do European Banks Fear the Digital Euro?

Not any more

Figure 1: Stock market reactions to CBDC news by euro area banks (percentage points)



Notes: The figure reports the results of the estimation of model (1). Each horizontal segment reports the cumulated abnormal returns up to the latest key event, relative to the level on 1 October 2020. The solid line reports the average across all banks in the sample. The dashed and dotted lines report the average within two groups of banks, those with deposit ratio above or below the median, respectively. The two grey vertical lines indicate the publication of the ECB report on a digital euro on 2 October 2020 and the interview on 9 February 2021.

Burlon, Montes-Galdón, Muñoz and Smets (2022)

Is the ECB Too Cautious?

Holding limits, other precautions

- Unnecessary?
- Will consumers bother?
- Will “industry 4.0” be excluded?

...we will leave the door open to the inclusion of other use cases in the future. We are monitoring emerging trends such as machine-to-machine payments.

Panetta, 30 March 2022

- New monetary policy options (targeting)

A Bird in the Hand Is Worth Two in the Bush ...

Optimizing “locally” vs. re-designing monetary system

While the focus of debate so far has been on the costs of this disruption, largely in the form of disintermediation of existing agents, there are significant potential benefits to be had too.

... This radically different topology, while not costless, would reduce at source the fragilities in the banking model that have been causing financial crises for over 800 years.

Haldane (2021)

For governments not central banks to decide