The economics of central bank digital currency

Author:Toni AhnertKatrin AssenmacherPeter HoffmannAgnese LeonelloCyril MonnetDavide Porcellacchia

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AbstractThis paper provides a structured overview of the burgeoning literature on the economics of CBDC. We document the economic forces that shape the rise of digital money and review motives for the issuance of CBDC. We then study the implications for the financial system and discuss of a number of policy issues and challenges. While the academic literature broadly echoes policy makers’ concerns about bank disintermediation and financial stability risks, it also provides conditions under which such adverse effects may not materialize. We also point to several knowledge gaps that merit further work, including data privacy and the study of end‐user preferences for attributes of digital payment methods.JEL CodeE41 : Macroeconomics and Monetary Economics→Money and Interest Rates→Demand for MoneyE42 : Macroeconomics and Monetary Economics→Money and Interest Rates→Monetary Systems, Standards, Regimes, Government and the Monetary System, Payment SystemsE51 : Macroeconomics and Monetary Economics→Monetary Policy, Central Banking, and the Supply of Money and Credit→Money Supply, Credit, Money MultipliersE52 : Macroeconomics and Monetary Economics→Monetary Policy, Central Banking, and the Supply of Money and Credit→Monetary PolicyE58 : Macroeconomics and Monetary Economics→Monetary Policy, Central Banking, and the Supply of Money and Credit→Central Banks and Their PoliciesG21 : Financial Economics→Financial Institutions and Services→Banks, Depository Institutions, Micro Finance Institutions, MortgagesNetworkDiscussion papers