

The Future of Cash: Digital Money [C1]

I soldi stanno diventando digitali. Non solo le modalità di pagamento, ma tutto il sistema sta subendo una profonda ristrutturazione. Parliamo con Simon Youel del gruppo di ricerca Positive Money per sapere se le valute digitali della banca centrale o CBDC e quelle private sono una buona idea.



In September 2021, a group of global central banks [drew up](#) an operating manual for potential digital [currencies](#), known as CBDCs. The [aim](#) was to finally [keep up](#) with the many private crypto[currencies](#) available, and avoid the possibility that the new technology could cause a run on commercial banks. Creating central bank digital [currencies](#) is a massive challenge as public [trust](#) so essential to keeping the monetary system stable must be maintained. CBDC technology should be useable with existing domestic payment systems and customised to economic conditions. Central banks, including the Federal Reserve in the US, the European Central Bank and the UK's Bank of England, are working alongside the Bank for International [Settlements](#) (BIS), a global organisation that [fosters](#) international monetary and financial cooperation.

PUBLIC INTEREST

To find out more about CBDCs, Speak Up met with Simon Youel, head of policy and advocacy at Positive Money, a [non-partisan](#) research organisation based in the UK and EU that campaigns for a banking system which supports a more efficient, democratic and sustainable economy. We began by asking Youel how the current system works. **Simon Youel (English accent):** The current banking system is a synergy between public money [issued](#) by the state and private forms of money. The vast majority of money in our economy is created as a form of debt: [loans](#) that the bank issue to the public, which has to be paid back, and we pay interest on that. But in order for people to have [trust](#) in that money, they need to be able [to redeem](#) it in money which is public, [issued](#) by the state, as the final [means](#) of settlement. In our economy, cash is the only form of public money available to people. The only other forms of public money are central bank reserves, which are only accessible to banks and transacts between their accounts and the central bank. The current banking system is [self-serving](#), fuelling climate change... The idea of Positive Money was, we need new forms of public money that we wouldn't have to pay interest on, and which serves a public interest.

CRYPTOCURRENCIES

When you think of alternatives to the system, you think of crypto[currencies](#), like Bitcoin, which appeared after the financial crisis of 2008. But today, Bitcoin does not [enable](#) economic activity and is not a viable currency, says Youel. **Simon Youel:** Bitcoin came out as an alternative to the banking system, but Bitcoin, especially in recent years, has become less of a [means](#) of payment and more a speculative [asset](#). Bitcoin is extremely inefficient: there are very high transaction costs; it's not actually that anonymous, the FBI have managed [to track people down](#) using crypto[currencies](#). People are buying Bitcoin not because they actually [intend](#) to use it as a [means](#) of payment, but as an investment. The main functions of money are: a [unit of account](#), a [means](#) of payment, and a [store of value](#). Crypto [currencies](#) focus on that third aspect: a [store of value](#).

FACEBOOK COINS

Other cryptocurrencies try to address these issues, but their value is volatile. One alternative is a stable coin. Facebook is developing one it has called Diem, and we asked Youel about it. **Simon Youel:** Stablecoins are backed by assets or pegged to another currency, so they maintain a stable value, and can have anonymous or decentralised features. Diem really woke people up to the issues around these private digital currencies, because once you have a huge network like Facebook issuing a currency, that can rapidly scale up. Facebook could offer the currency for free to people to get them using it, and central banks are worried about that because that could mean [that] they lose control over the monetary system. If you don't have control over money, you're very limited in what you can do as a policymaker. Perhaps even more worrying is [that] these business models like Facebook are relying on monetising, harvesting and misusing people's data. Imagine what they could do if they have control over your ability to make payments...

AN ACCOUNT FOR ALL

The inefficiency and expense of making international transactions is further encouraging governments to develop CBDCs as virtual versions of fiat (or normal) currencies. China leads the way with its digital yuan. Should we be worried that it could be used as a tool of control? **Simon Youel:** It's understandable why people have worries, but I think there are a lot of misunderstandings. Even the Chinese central bank digital currency, as the Bank for International Settlements has verified, doesn't collect user data. What a central bank digital currency would do is allow everyone to have an account with the central bank. So essentially it would circumvent our reliance on the banking system. A digital currency could transact directly between people's accounts, and this could also work internationally.

POWER GAMES

However, says Youel, we are right to question national motivations. Under the current system, the US dollar is the global reserve currency and has

massive advantages that a digital dollar would [aim](#) to reinforce. **Simon Youel:** At the moment the dollar is the global reserve currency, which [means](#) that a lot of economies are reliant on obtaining dollars in order to function economically and to trade. There could be a new digital global currency. The economist J.M. Keynes proposed, after the Second World War, that we have what he called the 'Bancor' which would have been a global reserve currency not [tied](#) to any one currency, which international trade could be conducted through. Instead, we got the dollar, and for America, it's a great advantage. But, maybe we could see a [shift](#) in the balance of power: China has flirted with the idea of trying to introduce a new global reserve currency.

FIGHTING INEQUALITY

A CBDC could facilitate an important change in monetary policy, known as 'helicopter money', says Youel. In critical times, governments need to get cash to people fast. But the way it works now is via [quantitative easing](#), where the rich become richer in the vain hope that money will [filter down](#).

Simon Youel: If the central bank thinks there isn't enough money in the economy, what they would currently do is [quantitative easing](#): inject new money into the economy by buying up government [bonds](#) off people with new money, so those people become wealthier. With a central bank digital currency, and if everyone had an account at the central bank, the central bank could just insert the new money rather than having to go through the banking system and financial markets. So 'helicopter money' is the central bank just directly giving the money to [households](#). That would be much more effective, everyone could get the same amount.

BYE BYE BANKS?

Positive Money does not campaign for an end to private banks, but for a more diverse mix of them: public-owned, private-owned, banks owned by their members... as long as they're playing their role in serving society. Local [currencies](#), such as the Brixton pound, or payment systems, such as M-Pesa in Africa (which [enables](#) people to make payments through their phones

rather than through banks), expand financial inclusivity. The vital thing, says Youel, is that the banking system and financial policy support a more sustainable economy. In fact, the most sustainable and accessible form of money currently available is probably cash. Every transaction made in Bitcoin under its current 'proof of work' system, for example, has a gigantic carbon [footprint](#). And we have to think of the carbon [footprint](#) of [whatever](#) payment method we use, says Youel, including the energy used by data centres across the world when we make payments by card.

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Glossary

- **Settlements** = pagamenti
- **tied** = Legato, vincolato
- **households** = famiglie
- **keep up** = ritmo, stare al passo
- **relying** = contare su, dipendere
- **harvesting** = raccogliere
- **misunderstandings** = malintesi
- **reliance** = dipendenza
- **store of value** = bene rifugio
- **issued** = emettere
- **loans** = prestiti
- **means** = mezzo, forma
- **enable** = consentire
- **intend** = avere l'intenzione
- **unit of account** = unità di conto
- **quantitative easing** = allentamento quantitativo
- **trust** = fiducia
- **filter down** = filtrare verso il basso
- **aim** = proposito
- **non-partisan** = imparziale, indipendente
- **shift** = cambio
- **currencies** = valute
- **misusing** = fare un cattivo uso
- **bonds** = obbligazioni
- **footprint** = impronta
- **address** = affrontare
- **asset** = cespite
- **to track people down** = trovare, identificare
- **whatever** = qualsiasi
- **drew up** = redigere
- **to redeem** = cambiare
- **policymaker** = legislatore
- **fosters** = promuovere

- **expense** = spesa
- **leads the way** = guidare il cammino
- **self-serving** = egoista, interessato