

# **Public versus Private Digital Money: Macroeconomic (Ir)relevance**

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# Does CBDC Change Macroeconomic Outcomes?

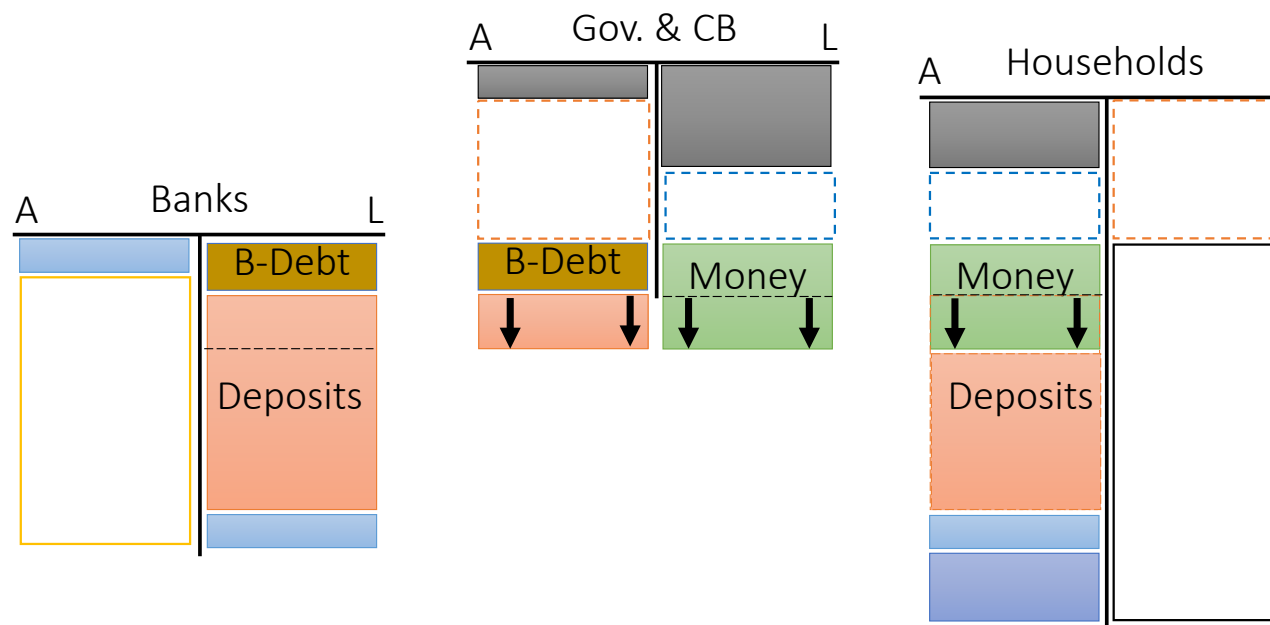
Not, with accommodating monetary-fiscal policy (s.t. conditions)

- CBDC does not change wealth of households, firms, banks
- Nor their ability to make payments
- Thus, CBDC does not change choices
- Nor does CBDC require more/less resources than deposits

# Doesn't CBDC undermine credit, financial stability?

- Not, with accommodating monetary-fiscal policy

Central bank intermediates between non-banks and banks



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- Not, with accommodating monetary-fiscal policy

Central bank intermediates between non-banks and banks

- Implicit LOLR guarantees become explicit

- “Run” from deposits into CBDC

Bank funding *automatically* replenished

See Niepelt (2018; 2020), Brunnermeier and Niepelt (2019)

# Should We Expect CBDC to Change Outcomes?

Yes, because accommodating policy would not be adopted

New policy choices

- Central bank can do better: More direct transmission, competition, ...
- Central bank can also do worse

New political pressure

- Equivalent policy unlikely to be politically viable
- Transparency could give rise to tighter bank spreads

# Should You Favor CBDC?

Depends on who you are

- Bank share holders might suffer, or depositors
- Taxpayers might benefit
- Central bankers fear, academics love unknown

Monetary system will change, should public money remain significant?

- Proactive vs. reactive central banks
- My view: Yes, both cash and CBDC

# Conclusion

Does CBDC change macroeconomic outcomes?

- Not, with accommodating monetary-fiscal policy

Should we expect CBDC to change outcomes?

- Yes, because accommodating policy would not be adopted
- New policy choices, new political pressure

Should you favor CBDC?

- Depends on who you are
- Monetary system will change, should public money remain significant?

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## References

- Brunnermeier, M. K. and Niepelt, D. (2019), On the equivalence of private and public money, Working Paper 25877, NBER, Cambridge, Massachusetts.
- Niepelt, D. (2018), Reserves for all? Central Bank Digital Currency, deposits, and their (non)-equivalence, Discussion Paper 13065, CEPR.
- Niepelt, D. (2020), 'Reserves for all? Central Bank Digital Currency, deposits, and their (non)-equivalence', *International Journal of Central Banking* **forthcoming**.