

Private vs. Public Money

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Private Money

New forms, issuers

- Claims on central bank money (deposits)
- Claims on claims on ... central bank money
- Claims on [???] (coins, tokens)

New users, business models, channels

- Broad access
- Online markets replace relationships
- Netting of transactions replaces on-balance-sheet hedging
- Symmetric information replaces trust (in banks forfeiting it)

Public Money

Less innovation

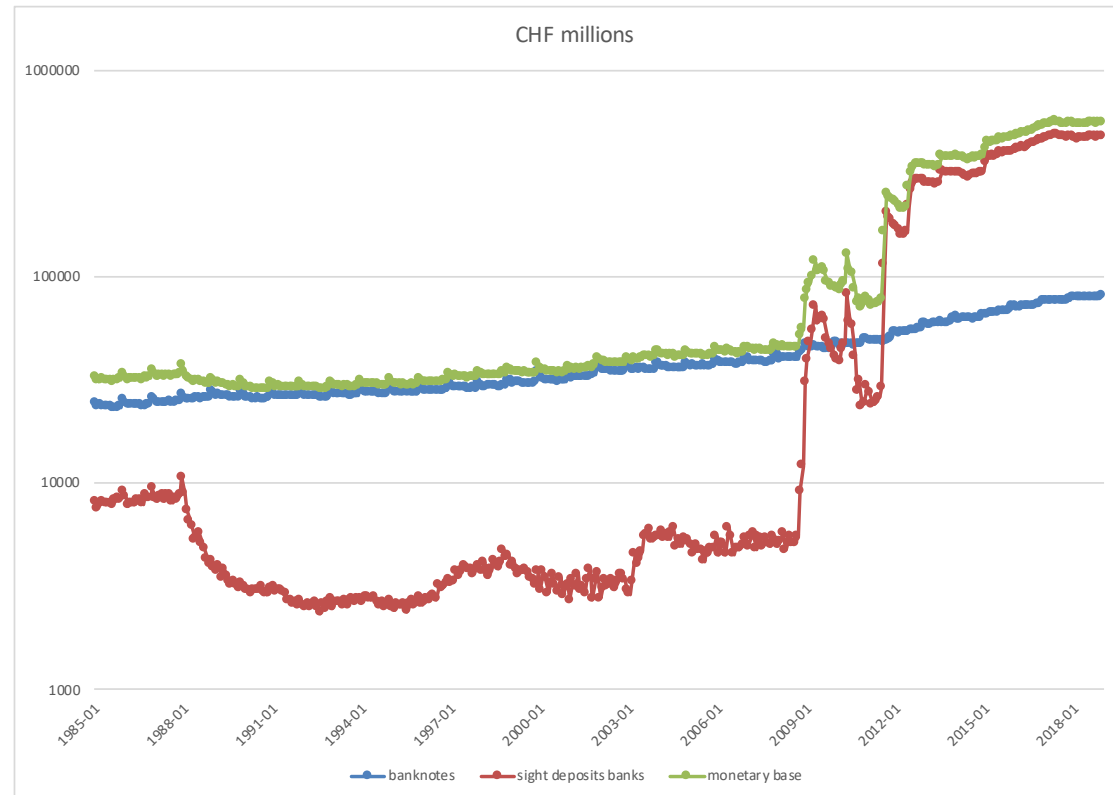
More restrictions

- Tightening restrictions on cash use
- Restricted access to reserves

Nonetheless, increased import as store of value

- Particularly for banks
- Also for general public

CHF monetary base



Pro memoria: Lehman Sep 2008; UBS Oct 2008; Greece Oct 2009; x-rate floor Sep 2011–Jan 2015; neg int rate Jan 2015–?

What is a “Good” Monetary System?

Ban banks’ money creation (how?)

- Chicago plan (1930s), *Vollgeld* (sovereign money, 2018)
- Rejected by Roosevelt, Swiss voters

Subvert discriminatory interest on reserves

- J McAndrews’ “The Narrow Bank” vs. Board of Governors

Introduce central bank digital currency, “Reserves for All”

- Tobin (1985; 1987)
- Revival in wake of cryptocurrencies—but unconnected

“Reserves for All”

General public gains access to electronic central bank money

Surrogates

- Fund invested in reserves, fully backed “stable coin”
- Still subject to credit risks

RFA skepticism at BIS, several central banks

- Don’t play with fire ... never change a winning team

Less so at others

- E-Peso, e-krona, ...

Misconceptions about “Reserves for All”

RFA (hype) = crypto (hype)

RFA = end of cash

RFA chokes investment by siphoning off deposits

RFA cuts into bank profits, that's bad

RFA renders bank runs more likely

RFA is a macroeconomic game changer

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

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