



# ON STUPID KIDS, POWERFUL CENTRAL BANKERS, AND CENTRAL BANK ELECTRONIC MONEY FOR ALL

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STOP IT!!!

## 'Stop Trying to Create Money!': BIS Chief Carstens on Cryptocurrency



## CARSTENS ON CRAZY KIDS

- Those crazy kids and their bitcoins, when will they ever learn?
- “Young people should use their many talents and skills for innovation, not reinventing money”

## CARSTENS ON THE ORIGIN IS MONEY

- Carstens (2018): "It's a fallacy to think money can be created from nothing."
- Wikipedia (2018): "**Fiat money** is a currency without intrinsic value that has been established as money, often by government regulation."

# MEXICAN PESO

USD/MXN exchange rate

source: Banco de México





BITCOIN

A CURRENCY TO DISCIPLINE BAD CENTRAL BANKERS



## WHAT IS BITCOIN? BLOCKCHAIN?

- Blockchain is a database.....with a few particular rules.
- Particular combination of rules have been invented by Satoshi Nakamoto – the inventor of Bitcoin – in 2008.
- Nakamoto's goal was to create a **copyright resistant** peer-to-peer version of electronic cash.

## CENSORSHIP RESISTANT MEANS

- No single point of failure.
  - Very resilient: no downtime.
- No central entity maintains the database.
- All agents are equal in their rights to use and update the database.



## CENSORSHIP RESISTANT MEANS

- Users own their data.
  - Make payments without asking for permission.
- No agent can be excluded.



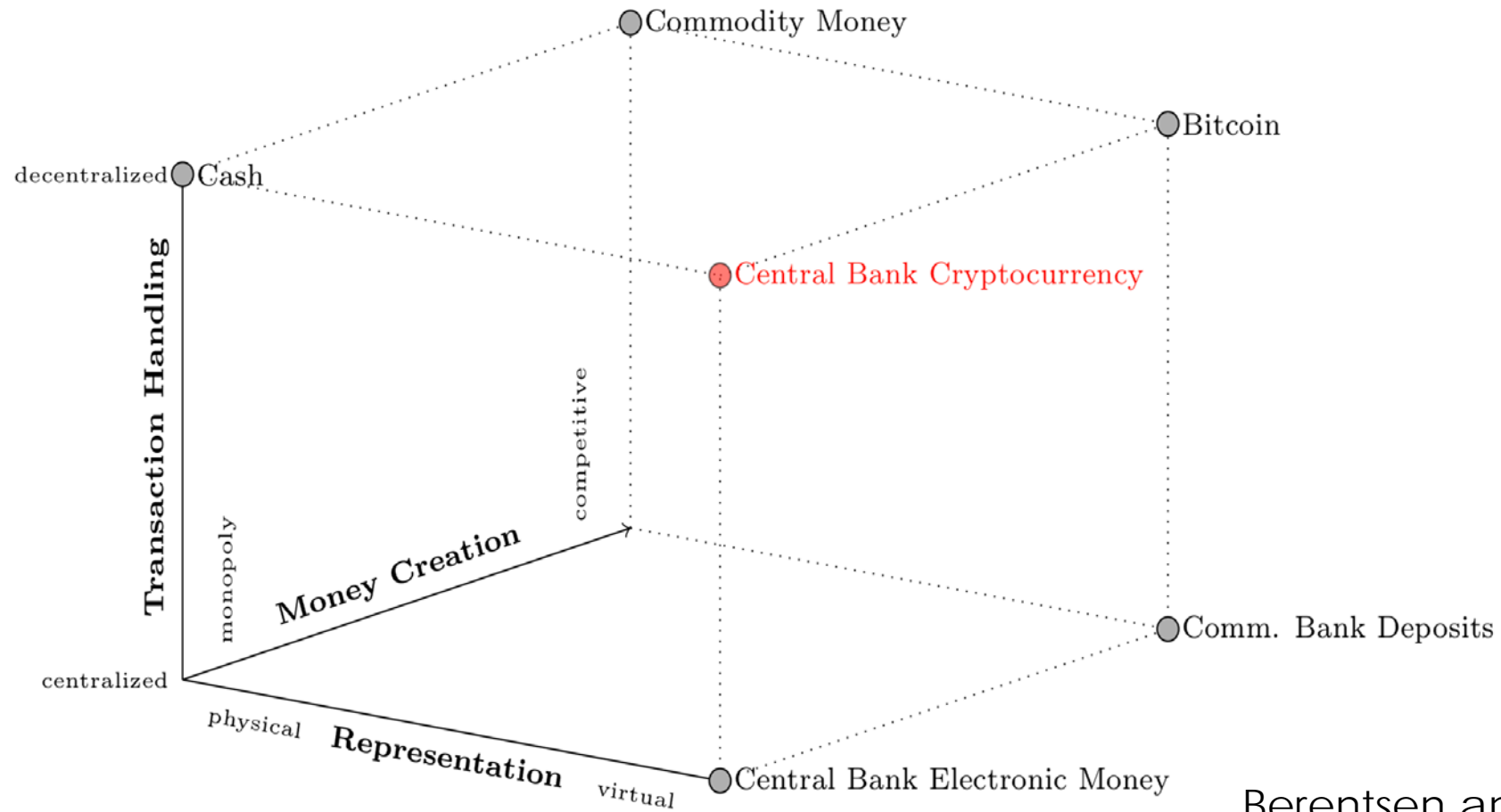
# TWO DISTINCT PROPOSALS FOR CENTRAL BANK VIRTUAL MONEY



## TWO DISTINCT PROPOSALS FOR CENTRAL BANK VIRTUAL MONEY

- Central bank cryptocurrency (aka. Fedcoin)
- Central bank electronic money for all

# CENTRAL BANK CRYPTOCURRENCY



Berentsen and Schär (2017)

# CENTRAL BANK CRYPTOCURRENCY

- Fedcoin is a stupid idea.
- Why would a **central** bank issue a **decentralized** currency?

# CENTRAL BANK ELECTRONIC MONEY FOR ALL

- This proposals allows households and firms to open accounts at CB.
  - Would have been possible 20 if not 30 years ago.

# CENTRAL BANK ELECTRONIC MONEY FOR ALL

- Benefits
  - Increases financial stability.
  - Simplifies monetary policy.
  - Paying interest on money is less controversial.
  - Evolutionary approach.

# LITERATURE



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## REVIEW

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Vol. 100, No. 1

Posted 2018-01-10

## A Short Introduction to the World of Cryptocurrencies

by [Aleksander Berentsen](#) and [Fabian Schar](#)

In this article, we give a short introduction to cryptocurrencies and blockchain technology. The focus of the introduction is on Bitcoin, but many elements are shared by other blockchain implementations and alternative cryptoassets. The article covers the original idea and motivation, the mode of operation and possible applications of cryptocurrencies, and blockchain technology. We conclude that Bitcoin has a wide range of interesting applications and that cryptoassets are well suited to become an important asset class.

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Vol. 100, No. 2

Posted 2018-04-16

## The Case for Central Bank Electronic Money and the Non-case for Central Bank Cryptocurrencies

by [Aleksander Berentsen](#) and [Fabian Schar](#)

Originally posted 2018-02-28

**Abstract:** We characterize various currencies according to their control structure, focusing on cryptocurrencies such as Bitcoin and government-issued fiat money. We then argue that there is a large unmet demand for a liquid asset that allows households and firms to save outside of the private financial sector. Central banks could offer such an asset by simply allowing households and firms to open accounts with them. Finally, we conclude that a central bank will not issue cryptocurrencies in the sense of a truly decentralized and permissionless asset that allows users to remain anonymous.

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THANK YOU FOR YOUR ATTENTION

Aleksander Berentsen | Fabian Schär

## Bitcoin, Blockchain und Kryptoassets

Eine umfassende Einführung

[www.blockchainbuch.de](http://www.blockchainbuch.de)

