

Contents

<i>List of Figures and Tables</i>	<i>page</i> x
<i>Acknowledgements</i>	xi
<i>Preface</i>	xiii
1 The Case against Central Bank Digital Currencies	1
1.1 Introduction	1
1.2 Summary of Main Argument	2
1.3 Lawrence H. White on CBDCs	8
1.4 Beware Those Who Are Promoting CBDCs	9
1.5 Organisation of This Book	11
2 Background and History of Central Bank Digital Currencies	13
2.1 Digital Currency	13
2.2 Bitcoin	14
2.3 Stablecoins	16
2.4 Origins of CBDCs	18
2.5 The Libra Threat	21
2.6 The Rise of CBDCs	24
3 CBDC Fundamentals	28
3.1 Definition of a CBDC	28
3.2 CBDCs Compared to Near Substitutes	29
3.3 CBDCs Could Be Anonymous But Will Not Be	31
3.4 Wholesale CBDCs	32
3.5 Retail CBDCs	33
3.6 Inefficiencies in CBDC Payments Systems	38
3.7 Inefficiencies in US Payments System Due to Slow Settlements, Not the Absence of a CBDC	39

3.8	CBDCs Could Destabilise the Financial System	40
3.9	Interest on CBDCs	42
3.10	Main Argument Summarised	43
4	Private Digital Currencies	45
4.1	Synthetic CBDCs	45
4.2	Advantages of Synthetic CBDCs	47
4.3	The Fed Opposes Narrow Banking	49
4.4	Market Success of Stablecoins	50
4.5	Stunning Market Success of Private Digital Currencies	52
4.6	Capital Adequacy and Liquidity Regulation for Private Digital Currencies	54
4.7	Conclusions	55
	Appendix: Trust Issues between State and Private Currencies	56
5	CBDC Controversies in Different Countries	58
5.1	The CBDC Controversy in the United Kingdom	59
5.2	The CBDC Controversy in the United States	66
5.3	The CBDC Controversy in Sweden	69
5.4	A World Overview of CBDC Schemes	74
6	CBDC Experiences to Date	76
6.1	Finland	76
6.2	Ecuador	78
6.3	The Bahamas	79
6.4	East Caribbean Currency Union	81
6.5	Jamaica	83
6.6	China	85
6.7	Nigeria	93
6.8	Conclusions	100
7	CBDCs and Macroeconomic Policy	102
7.1	CBDCs Could Be Used to Implement Helicopter Money Drops	103
7.2	Use of Expiry Dates on CBDCs to Boost Aggregate Demand	104
7.3	Using CBDCs to Implement Negative Interest Rate Policy	106
7.4	Using CBDCs to Abolish Fractional Reserve Banking	108
7.5	Conclusions	110
8	A CBDC Could Disintermediate the Banking System	111
8.1	CBDCs Could Disintermediate Bank Deposits	112
8.2	Disintermediation Could Be Especially Severe in a Crisis	116
8.3	No Easy Policy Responses to Disintermediation	117

<i>Contents</i>		ix
9	CBDCs and Financial Inclusion	121
9.1	Would CBDCs Promote Financial Inclusion?	121
9.2	CBDCs and Financial Inclusion in the US	123
9.3	CBDCs and Financial Inclusion in the Developing World	127
9.4	The Critical Question for CBDC Advocates	132
10	On the Importance of Financial Privacy	134
10.1	Definition of Privacy	135
10.2	Why Privacy Is Important	135
10.3	Traditional Attitudes to Financial Privacy and Bank Secrecy	138
10.4	Erosion of Financial Privacy in Modern Banking	139
10.5	Greater Legal Protections to Buttress Financial Privacy	145
10.6	Cryptocurrencies Can Also Help Protect Financial Privacy	146
10.7	Beware the Illusion of ‘Privacy-Minded CBDCs’!	147
10.8	Conclusions	149
11	CBDCs as Weaponised Currency	151
11.1	Permissionless vs Permissioned Money	151
11.2	Payment System Mechanics	152
11.3	Weaponised Currency	154
11.4	Lessons from Lockdown	154
11.5	Debanking	161
11.6	Governments Could Track, Block or Ration Specific Purchases	163
11.7	Weaponised CBDCs	167
12	A Reform Agenda for an Efficient Payments System	170
12.1	Better to Be Last in the CBDC Race	170
12.2	Restore a Gold Standard in Financial Privacy	171
12.3	Prohibit Retail CBDCs	171
12.4	Establish a Competitive Legal Framework for the Issuance of Payments Media	173
12.5	A Central Bank Should Not Be a Player in the Payments Market	176
	<i>Bibliography</i>	179
	<i>Index</i>	197