



Summary

Central Bank Digital Currency (CBDC) from a public perspective

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Central Bank Digital Currency from a public perspective

The digitalisation of our society and thus also that of our money, as well as the developments of private crypto currencies, mark a monetary turn of an era which has yet to be designed.

In this **summary**, the most important design aspects of Digital Bank money (also known as Central Bank Digital Currency = CBDC) are presented, and their relevance for economic policy and macro-economic effects are discussed. The more detailed version can be found in the [long version of the proposal paper in german](#).

Digital central bank money is forward-looking and must be discussed

Today, citizens primarily have the choice between two types of money in circulation: physical cash and digital `Giro´ money. Cash is issued by the Central bank, secures anonymous payments, is the only legal tender and is safe in banking crises. `Giro´ money, i.e. digital money in citizens' current accounts, is in turn produced by private commercial banks and is not legal tender and is not safe in banking crises. Central Bank Digital Currency (CBDC) would thus be digital money from the Central Bank for the first time, which can also be used by non-banks.

Digitalisation confronts, us as a society, with questions that point the way ahead and, therefore, must be discussed openly, with regard to our money. The advance of Facebook's own currency, the Libra, is just one more indication of the need for a multifaceted debate on the digitalisation of money. In this context, we need to answer the question of who will be allowed to issue our digital money in the future and in what form. CBDC is therefore especially in the spotlight.

So far, however, the discussion about a CBDC has primarily involved State banks and commercial banks. The civil society or public perspective is therefore insufficiently taken into account. Furthermore, almost all CBDC discussions primarily address the possibilities of various proposals/ options, without any clear position being taken so far.

Under what specific conditions is CBDC useful for civil society?

In our view, a CBDC must benefit the future users of the new money. What is important for citizens is that they

- ✓ have a legally secure, stable and fail-safe money,
- ✓ are protected from particular interests
- ✓ and can choose between public and private (digital) money.

Design principles for CBDC

In the interests of civil society, the following 10 points should be taken into account when introducing CBDC and should be designed accordingly.

First, access to CBDC must be guaranteed for all citizens. This means that everyone in the **(1) public** has a right to digital central bank money. Otherwise, the central bank or third parties may exclude citizens from CBDC. Only with a legal right to CBDC, i.e. a so-called retail CBDC, will it become as non-discriminatory as cash.

In the second step, the question of the generation, i.e. **(2) issuance**, of CBDC must be clarified. In terms of a feasible introduction, CBDC should be generated reactively (demand-oriented), like cash. At the request of the public, CBDC is generated by central bank loans to banks or by the conversion of existing cash and central bank reserves. This ensures a dynamic development of the CBDC money supply. In the longer term, proactive issuance is preferable in an integrated transition to a public sovereign money system.

The retention of **(3) physical cash**, in addition to CBDC and bank deposits, is essential for a free choice of money by citizens.

CBDC and cash are public money for citizens. Consequently, CBDC must also be **(4) legal tender** and be clearly defined by law. In our view, legal tender also means that public authorities must accept it. Private money, such as `Giro´ money, can still be freely chosen.

Regarding the **(5) access option** to CBDC, a central bank account should be kept for each citizen if desired. However, all services such as account information, transfers and customer authentication should be provided by regulated third parties, such as payment service providers. This guarantees competition and reduces operational tasks for the central bank.

Since the **(6) interest rate** on money reflects the risk and CBDC, like cash, has no such risk, it should be non-interest-bearing. This also explicitly excludes negative interest rates.

It is particularly important that Bank money, cash and reserves be **(7) fully convertible** into CBDC, as this is the only way to guarantee citizens' acceptance and freedom of choice between the different types of money.

Up to a limit, to be defined, payments must be possible **anonymously** (8). Digital money would be as anonymous as cash. The current upper limit for cash payments is 10,000 euros. This can serve as a guideline for limits of anonymous payments with CBDC.

The question of **(9) technological implementation**, for which numerous possibilities exist, requires further discussion and consideration by experts and civil society positions. For the anonymous accounts and payments, technology that guarantees the necessary anonymity should be used.

For a reasonable **(10) transition** scenario, a step-by-step transition is proposed, so that the central bank can coordinate with banks regarding the necessary liquidity needs and banks can adapt their financing structure to CBDC. This transition must be precisely defined in advance to provide security and transparency for all involved.

We propose to test the introduction of CBDC first in a regionally and personnel manageable area and to accompany it effectively in public. The test should be put out to tender nationwide by the central bank and the CBDC should be designed as proposed here.

Advantages of a CBDC designed this way

- ✓ Secure money for citizens in the digital age
- ✓ Legal certainty and clarity for digital money
- ✓ Anonymous digital payment method protects the privacy of citizens
- ✓ Technological implementation to ensure and detect data misuse
- ✓ Negative interest rates for citizens are therefore not enforceable
- ✓ Higher money creation gain (seignorage) for the public budgets
- ✓ Competition among banks for deposits is strengthened
- ✓ Independence of payment transactions from banks is strengthened
- ✓ More effective monetary policy and transmission mechanism

Economic concerns unfounded

CBDC is seen as a source of considerable risks from various sides. For example, it is said to pose a threat to financial market stability and cause a credit squeeze in the economy. However, these arguments can be refuted with scientific facts (see long version of our paper). Macro-economically, CBDC is rather advantageous as it improves the transmission of monetary policy, reduces monopoly profits of banks and contributes to the stability of payment transactions.

Opportunities and limitations of CBDC

Digitalisation and new technologies are important drivers of social change. But they must always be accompanied by public debate and ultimately be used for the benefit of the general public. Such a far-reaching change in our monetary system therefore urgently requires a democratic decision that is understood and shaped by the citizens.

A digital central bank money offers numerous advantages as described in our paper. Nonetheless, the concrete form it takes is crucial as to whether this is also successful in the interests of civil society. Moreover, CBDC is only a partial solution to macro-economic instability and the question of how to shape our monetary system. A large part of our money, even with the innovations proposed here, will continue to be generated by private commercial banks. Important societal questions about the generation and distribution of newly created money through lending and the resulting close link between money and debt require an even more extensive public debate about our banking and financial system.