

On the Political Economy of Central Bank Digital Currencies

(Work in Progress)

Abstract

A Central Bank Digital Currency (CBDC) is a form of fiat digital money created and managed by a central authority. The introduction of CBDCs is arguably the most relevant monetary development since the end of the dollar convertibility in the 70s. It is not merely a technical innovation in the form of money or how money is created, used, or made available to the public. Rather, it is a fundamental change in the monetary architecture of modern economies. This article argues that introducing CBDCs fails to constitute a robust monetary reform and may even be a detrimental reform of our current monetary system.