

June 22, 2022 (9am – 10:20am)
“The Economics of Digital Currencies”
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- Introduction: What Exactly Is Money?
 - The chief characteristics of money: unit of account, store of value, and medium of exchange
 - Various forms of money – Cash/Currency
 - Other forms of money
 - The evolution of money and legal tender status – recent history

- The Decline Of Cash And The Rise Of E-Money
 - What has happened to the use of cash?
 - Digital Currencies: E-money vs. virtual currency
 - Central Bank Digital Currency as a form of E-money
 - Cryptocurrency as a form of virtual currency
 - What about private money?

- The Potential Benefits of Digital Currency
 - The need for clear “rule of law” to foster healthy innovation
 - Progress in the United States
 - Progress in the European Union
 - Other sovereign actions
 - First benefit: Improved trust in transactions
 - The nature of distributed ledger technology
 - Second benefit: catalyst for faster and cheaper transactions
 - Current experiments by central banks
 - Wholesale and retail Central Bank Digital Currencies
 - Third benefit: expanding commercial access to the unbanked
 - Fourth benefit: tokenization and programmable money
 - Fifth (remote) benefit: discipline central banks

- Potential Risks of Digital Currencies
 - Commercial bank disintermediation
 - The further loss of privacy
 - An instrument of social engineering

- Conclusion
 - The future of monetary systems & the unlikelihood of two extremes
 - Bitcoin maximalism and the end of central banking
 - “Nothing to see here”—the no-value-added DLT critics
 - Necessity of the rule of law and technical solutions to mitigate the significant risks involved

Recommended Readings

Birch, David G. W. *The Currency Cold War: Cash and Cryptography, Hash Rates and Hegemony*. London: London Publishing Partnership, 2020.

Catalini, Christian and Joshua Gans. "Some Simple Economics of the Blockchain," April 20, 2019. [Some Simple Economics of the Blockchain \(nber.org\)](https://www.nber.org/papers/w25782)

"Distributed Ledger Technology: Implications of Blockchain for the Securities Industry," January 2017, Financial Industry Regulatory Authority. [FINRA Blockchain Report.pdf](#).

Friedman, Milton. *Money Mischief: Episodes in Monetary History*. San Diego: Harcourt Brace & Company, 1994.

Hines, Baxter. *Digital Finance: Security Tokens and Unlocking the Real Potential of Blockchain*. Hoboken: John Wiley & Sons, Inc., 2021.

"Money and Payments: The U.S. Dollar in the Age of Digital Transformation," January 2022, Federal Reserve Board, [Money and Payments: The U.S. Dollar in the Age of Digital Transformation \(federalreserve.gov\)](https://www.federalreserve.gov/monetarypolicy/monetarypolicy-2022-01-27.htm)

Prasad, Eswar S. *The Future of Money: How the Digital Revolution is Transforming Currencies and Finance*. Cambridge: The Belknap Press of Harvard University Press, 2021.