

Central Bank Digital Currency: a Review and Some Macro-Financial Implications

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Summary

Central Bank Digital Currency (CBDC) has become a major policy interest among global central banks. However, its introduction faces many challenges including those that are legal, technological and political in nature. In this paper, we summarize those challenges and add a few more that have not received much attention in the literature. Relying on the historical evidence of past episodes of financial innovation we explore the hypothetical impact of CBDC based on institutionalist hypothesis and McCallum's rule of money growth which is well suited to studying the possible macroeconomic impact of CBDC. According to our simulations, the introduction of CBDC need not pose an inflation control problem but financial stability issues aren't fully offset. We also provide some policy implications.