

Two Worlds Living Together: Crypto Currencies and Central Bank Digital Currencies

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Money is one of the best innovations ever,

One of the few universal trust mechanism

Money is in flux

1624-1776



1661-1666



1904-X



202X



Crypto Currencies and Central Bank Digital Currencies will coexist together with bankmoney, but not cash

It is like old soldiers that will never die: they just fade away

Bankmoney

130 independent currencies recognized as legal tender

Crypto

6.500 different types of crypto one is legal tender in two countries

CBDC

80 countries are looking into it – China is the first big economy implementing it



Lagarde makes case for digital euro

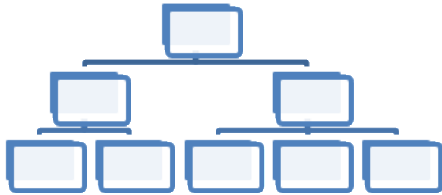


https://www.cbs.dk/en/news/2020/09/14/lagarde-makes-case-for-digital-euro?utm_medium=dailynewsletter&utm_source=2020-9-14&member=87826

- *EU cannot afford to be left behind in the development of digital payment methods*
- *The pandemic has accelerated the "transition to a digital new normal"*
- *The potential disruption of the payments market by big tech firm*

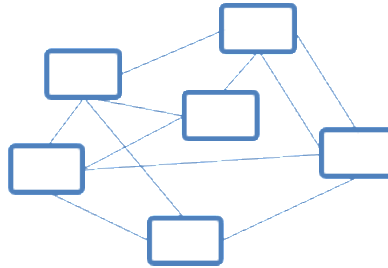
The world is changing

Hierarchy



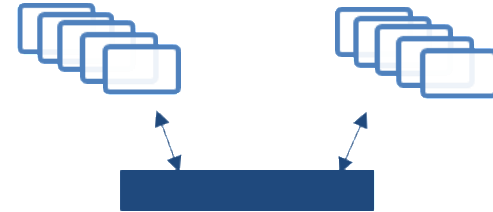
- Self-sufficient
- Closet system
- Build yourself

Market



- Scale of economics
- Open system
- Buy instead
- Incumbent firms

Platform



- Data driven
- Network effects
- Innovation rate
- Big techs
- Medium of exchange

Tension between market and platform

Regulation is grounded in the market era

- Contract law
- Competition law
- Banking law

For example: EU assumes that increased competition leads to lower prices – Yes in a market,

but not in platforms. Instead it comes from network effects:

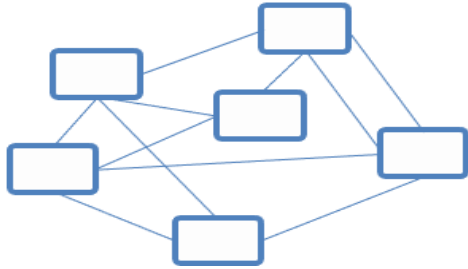
- Users
- Transactions
- Innovations

For example: ECB are “forcing” banks to use TIPS



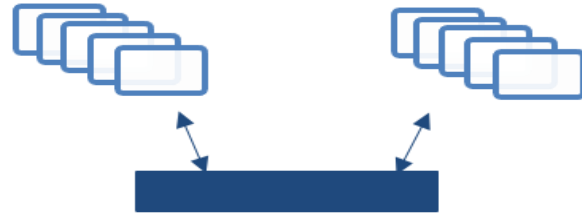
Money in the world

Market



Bank money

Platform



CBDC

Crypto

CBDC with a centralized ledger (account)

Figure 4. Possible design of an e-krona system

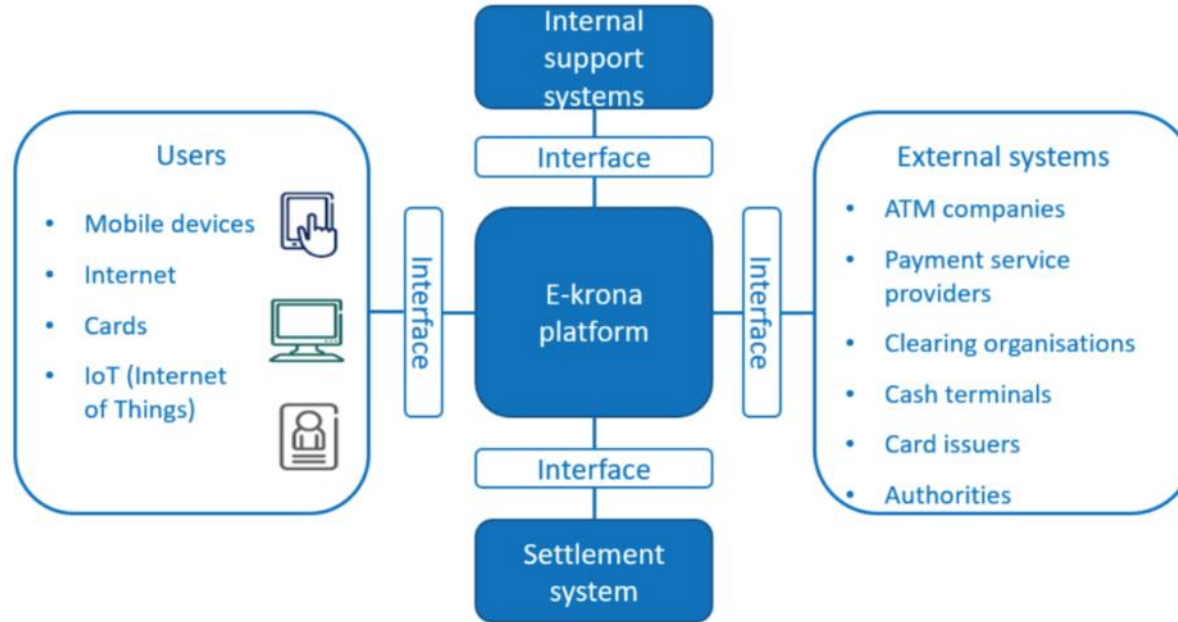
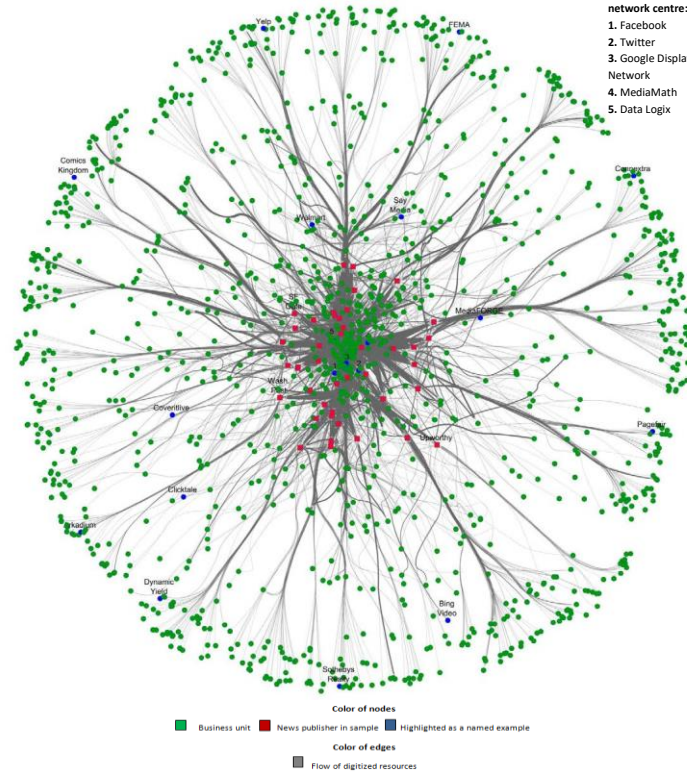


Figure 8-1. The American digital news publishing ecology, 2014 (global view)



Note: The resource exchanges in the American digital news publishing ecology are visualized using the standard spring-embedded, force-directed algorithm in Cytoscape. **Source:** Data collected for use in this dissertation, as described in chapter 6.

Summary

Different types of money will coexist:

- Bank money
- Crypto currencies
- Central bank money

There will be interesting battles