Katrin Assenmacher

Libra 2.0—What does it mean for monetary policy and financial stability?

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SUERF/Bocconi webinar, 31 August 2020
We Agree

Katrin makes many important points, convincingly!
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“Libra as a catalyst for CBDC”
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“Libra as a catalyst for CBDC”
Technology, Economics, Regulation

DLT or not: second order

Competition and financial architecture: first order

- Specifically with CBDC (“Reserves for All”)
- Already happening (narrow banks)?


- Regulation commensurate with activities and risks (G7)
- New activities require new forms of joint regulation
Financial Stability

Frequently voiced concern

- Libra & Co. cut off bank funding, bank lending, foster bank runs, undermine financial stability …

- …same as with CBDC
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Financial Stability
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Proposition (Brunnermeier and Niepelt, 2019)

- Central bank *can* insulate economy

With Libra & Co. it may be harder

This could push central banks to introduce CBDCs
Financial Stability

Key issue

- Is Libra Reserve invested in deposits?
- And engages in “maturity transformation,” creating another layer in fractional reserve banking?
- Or is Libra Reserve—fully—invested in reserves, creating a stable coin/synthetic CBDC?
Monetary Policy

Stable demand for currencies held by Libra reserve

- Katrin: Maybe stronger for EUR (weaker for USD?)
- Changes in composition will generate political “interest”

Weaker demand for emerging market currencies (“dollarization”)

- More financial inclusion, less financial repression
- Less seignorage

This could push central banks to introduce CBDCs
Thank you!

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References