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### Central banks and digital currencies: Redistributed ledger

Even central bankers are excited about the blockchain

RUSSIA'S central bank has set up a working group. The People's Bank of China (PBOC) is keen. Inspired by bitcoin and its blockchain technology, the world's central bankers are contemplating digital currencies of their own. Like bitcoin, these would be built around a database listing who owns what. Unlike bitcoin's, though, these "distributed ledgers" would not be maintained collectively by some of their users. Instead, they would be tightly controlled by the issuers of the currency.

The plans involve letting individuals and firms open accounts at the central bank, a privilege usually enjoyed only by retail banks. Unlike a regular bank account, these would be guaranteed in full by the state, regardless of any limit in the national deposit-insurance scheme. That would make parking cash at the central bank particularly attractive during times of uncertainty.

Central banks would benefit too. They could save on printing costs if people held more bits and fewer banknotes. Digital currency would be tougher to forge, though a successful cyber-attack would be catastrophic. Digital central-bank money could even, in theory, replace cash. If it did, central bankers could then use deeply negative interest rates to give the economy a jolt. And boosting growth by handing out "helicopter money" would become as easy as adding a zero to electronic balances.

Better yet, whereas bundles of banknotes can be moved without trace, electronic payments cannot. Replacing cash with digital currency, under the control of the central bank, would make it tougher to launder money, dodge taxes or sell drugs. It would also make prying into people's finances much easier. That may be one reason why the PBOC wants to introduce a digital currency "as soon as possible". The technology first developed to free money from the grip of central bankers may soon be used to tighten their control.