

# Money Bytes: Unpacking the economics of digital money developments for the JVI region

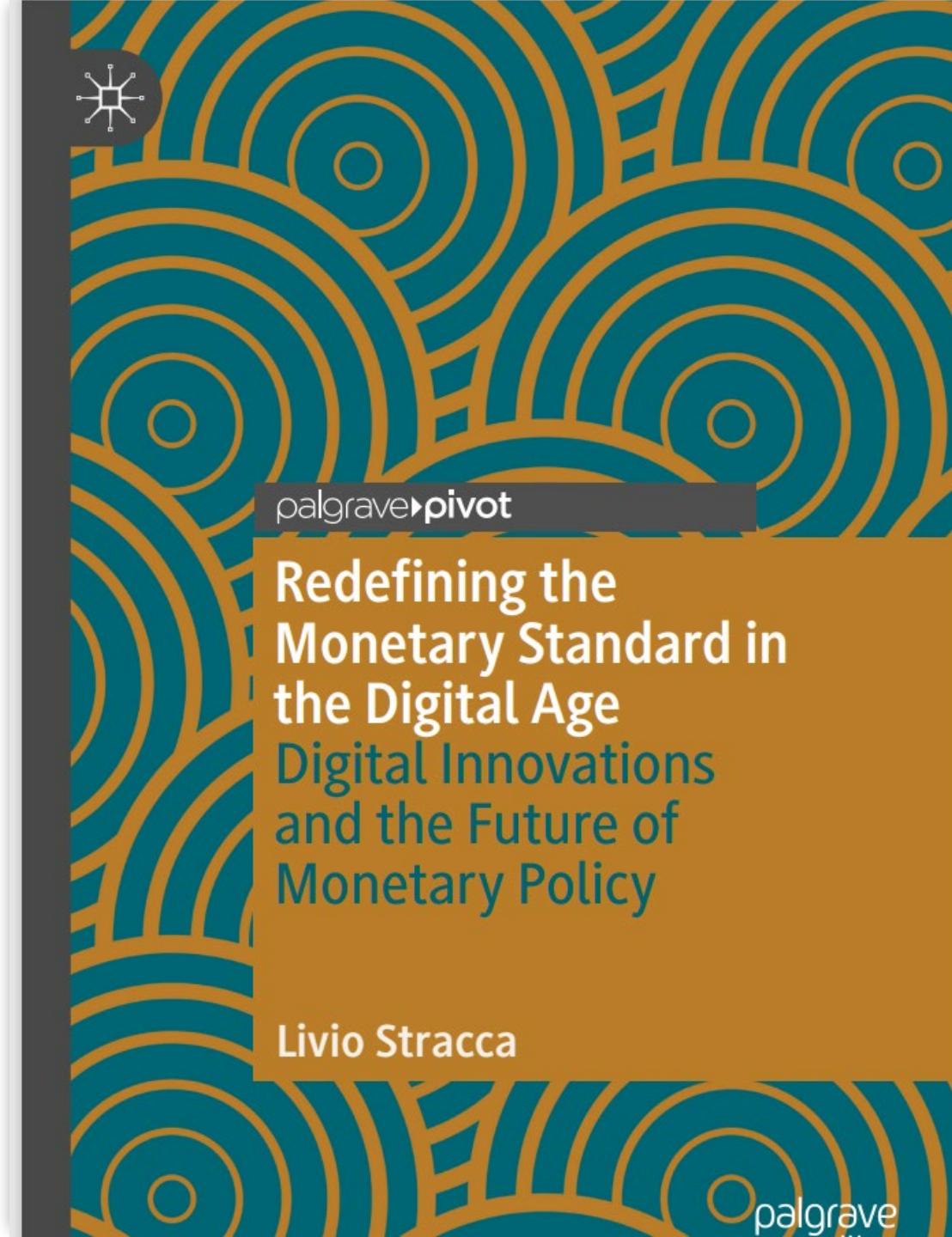
**Livio Stracca\***

Event by Joint Vienna Institute, 05/02/26

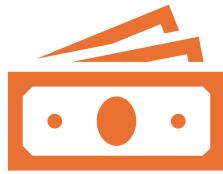
\* The views expressed are personal.

# Redefining the monetary standard in the digital age

- Published in July 2025 by Springer Nature
- Available in Amazon and other outlets



# Money is not a veil



**We are used to think that  
money is neutral and is a  
veil**



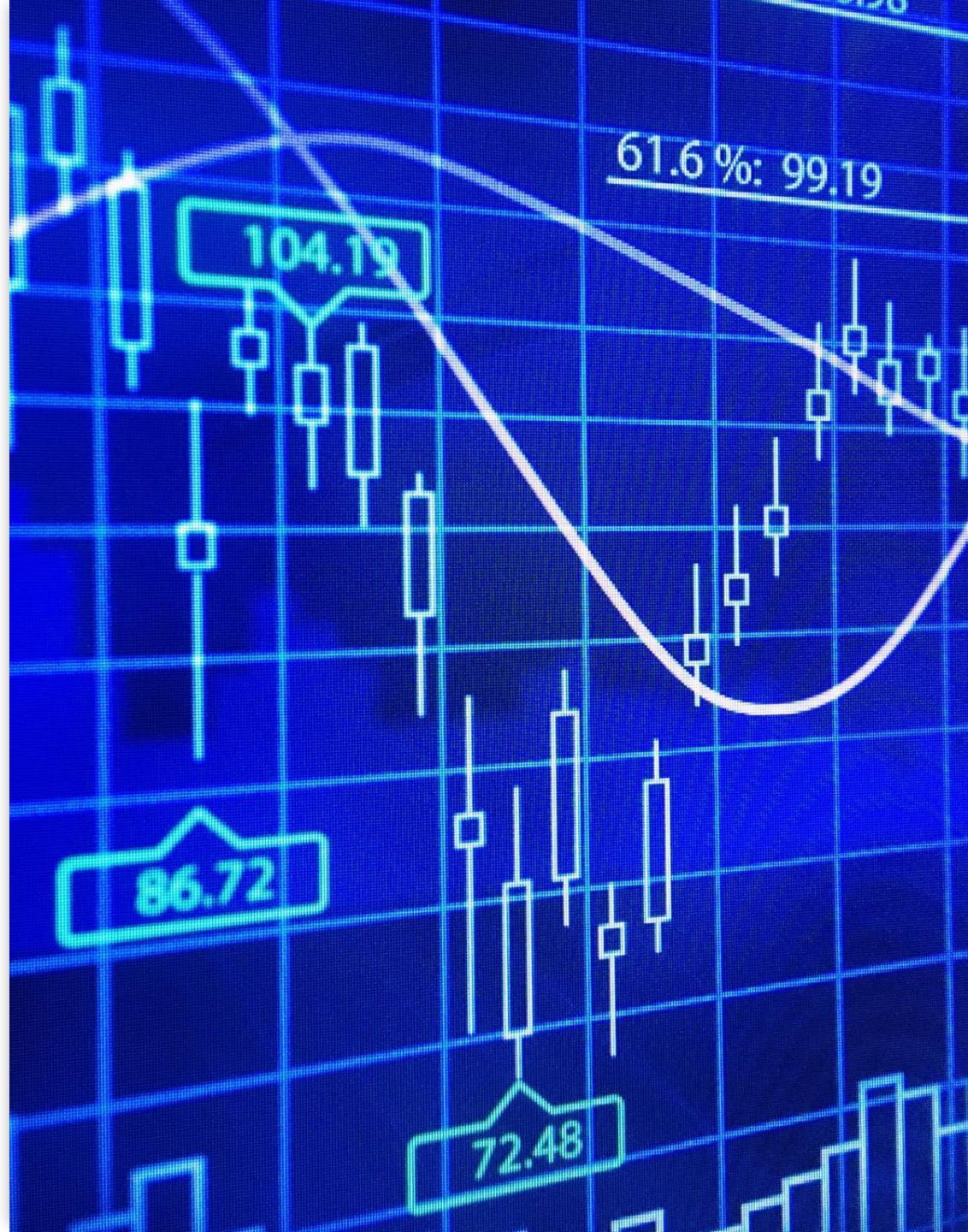
**But it is at the intersection  
of almost everything that  
matters**  
  
Not necessarily in a causal way,  
but still is



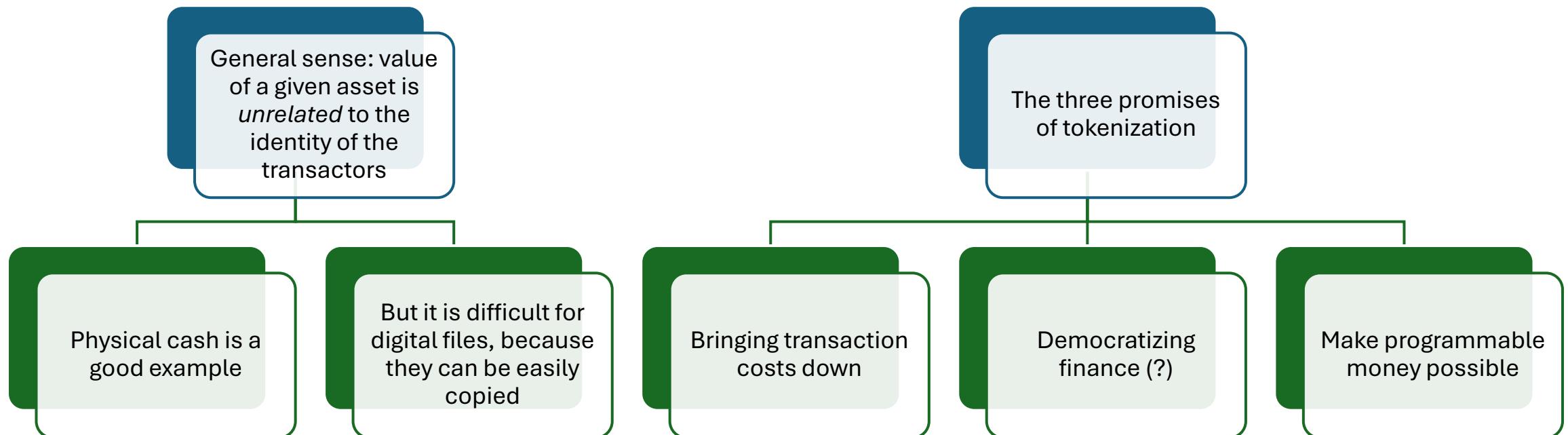
**For example, privacy, rule of  
law, social cohesion  
(inflation is very disruptive  
to it), democracy...**

# Digitalisation comes to money

- Features of a digital market
- Natural monopoly, increasing returns to scale, in/out (upward sloping) demand curves
- Privacy questioned
- The decentralization agenda



# Tokenization

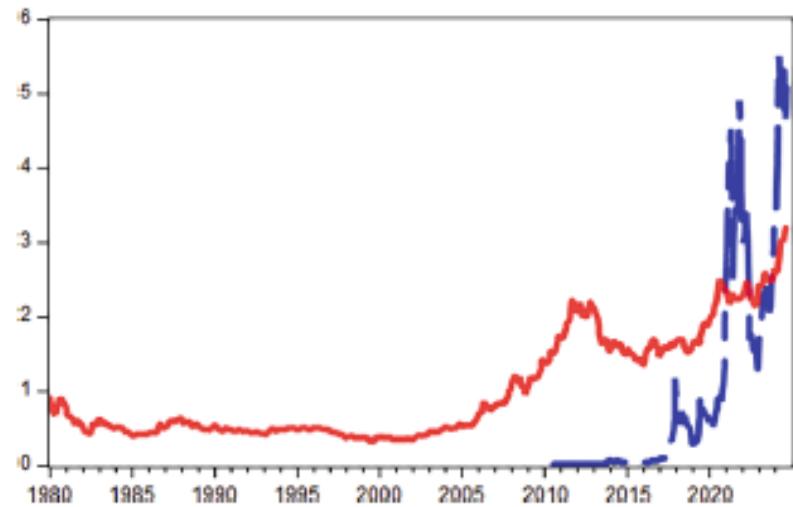


# Understanding the decentralization agenda

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- Self-maintaining spreadsheet of transactions: beautiful idea, but hard to do (double spend problem)
- Bitcoin 2008 paper: Blockchain = innovative solution to this problem
- But they got the token wrong
  - Supply good for increasing value, not for money
  - They should have pegged to the CPI
- And fundamental doubts about blockchain scalability

# The digital gold is too volatile to be money



**Chart 3.1** The digital gold (Bitcoin price in USD, blue dashed line) is much more volatile than the original version (gold price in USD, red solid line). Notes: Author's elaboration from Haver data



# The attempt to add stability

- *Stablecoins and CBDC*
- Stablecoins: same fundamental logic as Bitcoin, but tie value to fiat money
  - Closer to Big Tech – with pros and cons
- CBDC – compete with stablecoins without peg instability
  - China and Europe forge ahead, UK maybe, US and India not
  - Privacy eroding?
- On-going “regulatory battle” on stablecoins
- Hit to banks: How valuable is the loss of the loans-deposits synergy?
- Banks fight back: tokenized deposits
  - Still very far

# Stablecoins



Three main uses

Settlement asset for crypto  
Cross border payments  
EME reserve currency



Unclear if they will take over from bank deposits, probably not



But if they do, it will be in a short time

More likely in cross border, wholesale transactions

# Programmable money?

Potentially a significant benefit, and difficult to do in the current system

Two main concerns

Singleness of money, but partly semantic

Which rule of law

# Overview

Table 3.1 Synoptic table

	<i>Issuer (whose liability?)</i>	<i>Form</i>	<i>How it is transferred</i>	<i>Privacy</i>	<i>What underpins value</i>
Cash	Central bank	Physical	In person	Very high	Monetary policy
Bank deposits	Commercial banks; convertible into cash	Digital	Mainly through bank-based payment systems	High, but checks done esp. for cross border	Same as cash + bank health
Bitcoin, Ethereum	Nobody	Digital	On a blockchain (bearer instrument)	Very high, for the time being	Limited supply, demand due to bubble, ability to pay without controls
Stablecoins	Stablecoin issuer (similar to a MMF)	Digital	In many forms, including blockchain	Probably low	Same as cash, plus credibility of the peg
CBDC	Central bank	Digital	In many forms, including blockchain	High, but there are concerns	Same as cash
Tokenized deposits?	Commercial banks; convertible into cash?	Digital	In many forms, including blockchain	Probably high	Same as bank deposits

# Digital euro progress



## Pilot in 2027, full introduction in 2029

Distributed by regulated intermediaries (banks and non-bank PSPs)

Holding limits (financial stability)

High degree of privacy

Draft rulebook

Providers of the digital euro platform have been selected (all EU nationals controlled by EU nationals)

Focus on accessibility

Total development cost around 1.3 billion



## Legislative process

Regulation to be adopted (hopefully) in 2026

Mainly with European Parliament now

