

Cryptoassets, Central Banks and the Current Monetary System

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- Money serves as a medium of exchange
 - But little acceptance of cryptoassets
 - Low and stagnating transaction activity
- Money serves as a store of value
 - But wild swings in cryptoworld
 - Secular decline in value throughout 2018
- Money serves as a unit of account
 - But portfolios constantly recomputed to USD
 - Perhaps only bitcoin for other cryptoassets

Cryptoassets are the most volatile „commodities“

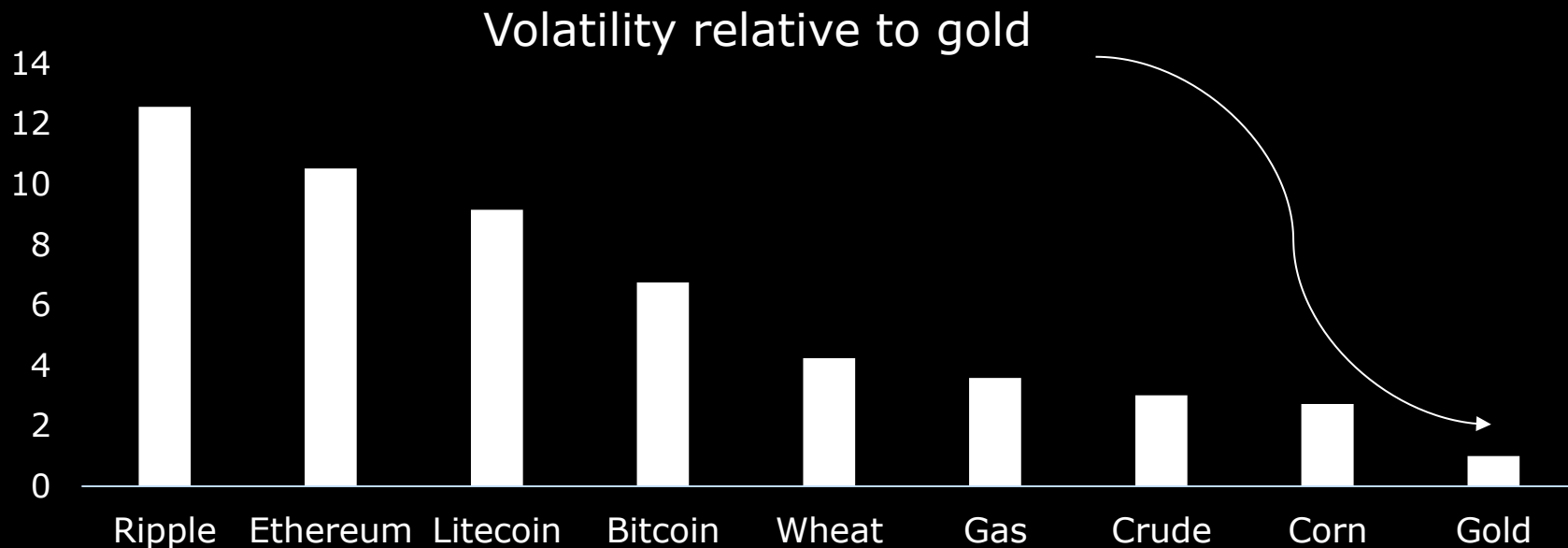
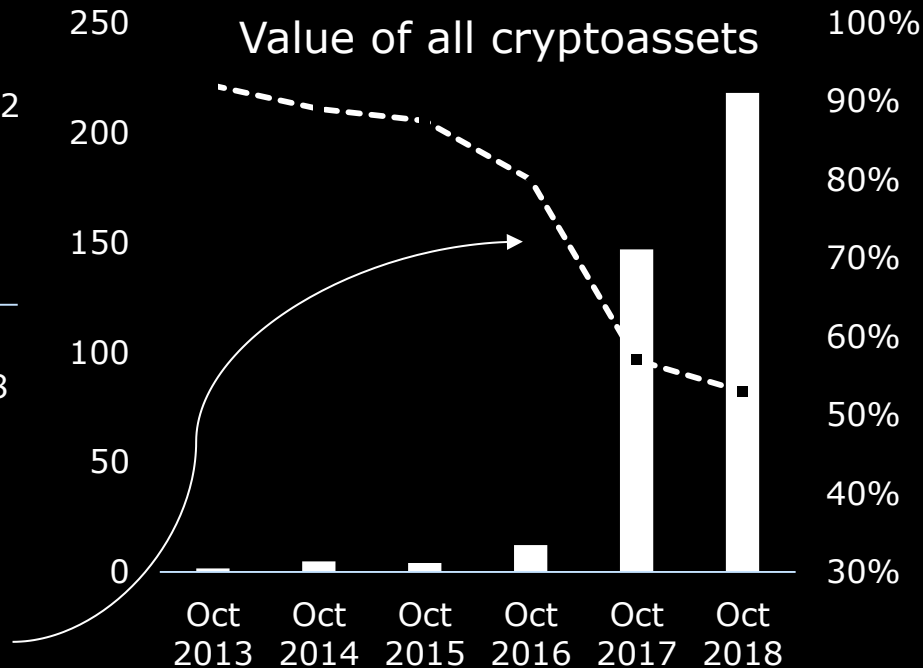
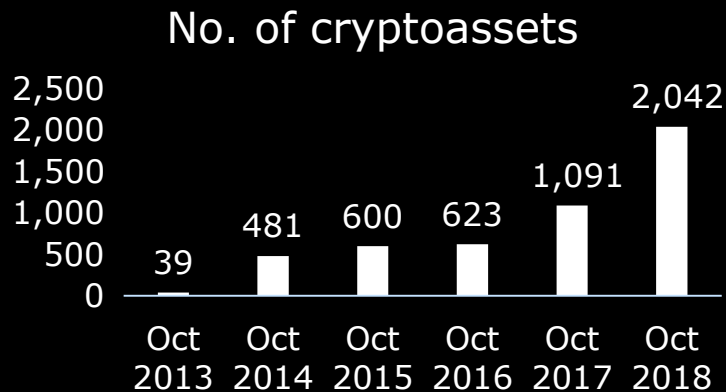


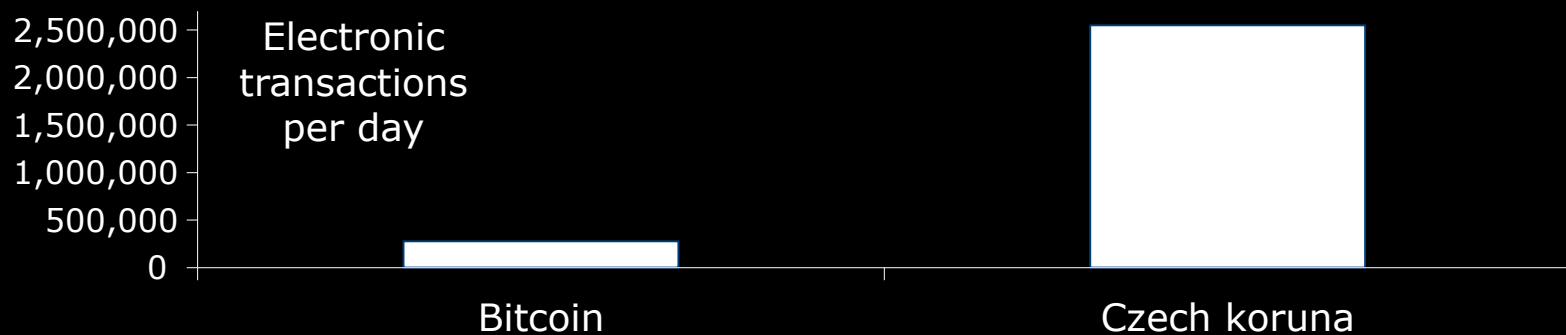
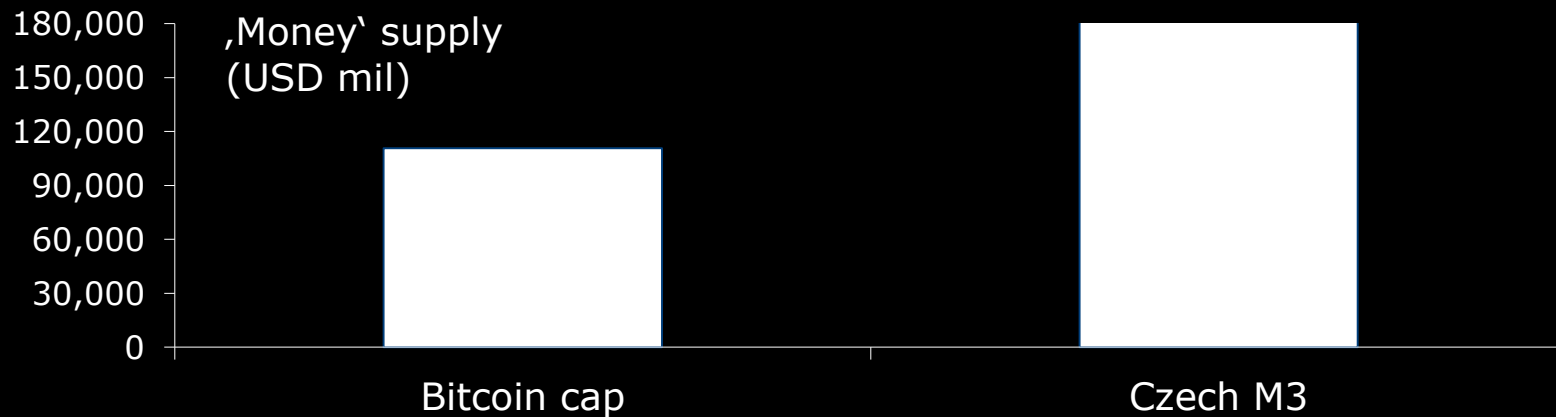
Chart shows price volatility during the last six months (gold volatility normalised to 1).

Competition among cryptoassets



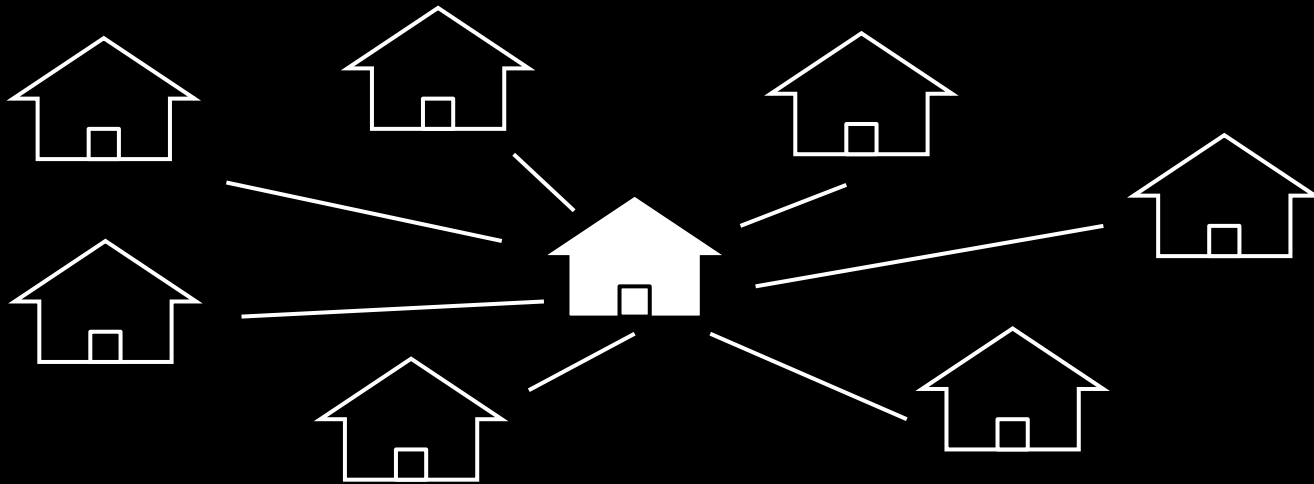
Total capitalisation of cryptoassets (USD bn)
 Bitcoin market share (right axis)

Bitcoin is globally much less important than CZK



- Discussions mostly due to psychological effects (little systemic importance)
- No unified approach at EU level
 - But a clear FSB consensus: cryptoassets are no currencies, they are rather commodities or an asset class per se
- ESMA evaluates all ICOs; outcomes mostly limited to verbal warnings for consumers
- CNB approach: do no harm, do not ban, but also do not actively promote cryptoassets

Original „land registry“:



Relative success of bitcoin underpinned by providing economic incentives for verification.

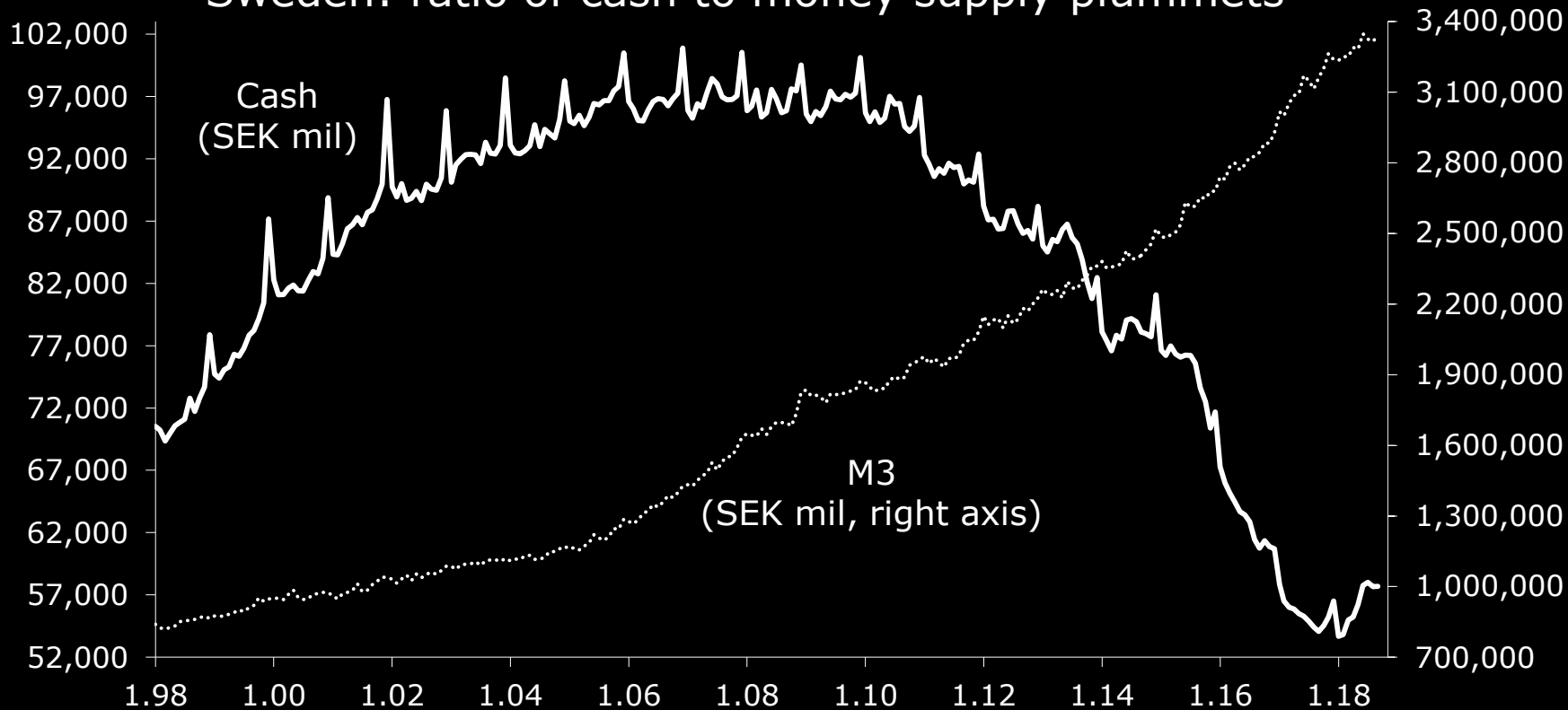


Airships were the symbol of the future once...

- Blockchain verification notoriously inefficient in terms of (inter alia) energy use
- For example, in Iceland households consume about 700 GWh of energy per year. Crypto mining consumes 840 GWh
- Benefit: Iceland uses cryptoasset mining as a transatlantic electricity distribution system
- Crypto mining can also provide unlimited batteries for homes with solar panels

Some central banks issue less and less money

Sweden: ratio of cash to money supply plummets



- The greatest contribution of cryptoassets is intellectual stimulation
- What will central banks do in the next crisis?
- One possible tool is helicopter money. But in the current system, joint venture with the government is necessary...
- With CBDC, central banks can directly support consumption in a deep recession (Hampl and Havránek 2018, EconStor Preprints 176828)

Thank you for your attention

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Data used in this presentation were obtained from the CNB, Thomson Reuters, and coinmarketcap.com. The *Schneekoppe in der Zukunft* picture was obtained from MF DNES.