

The Fed's apparent split on CBDC and stablecoins may not be a bad thing

Back in the spring, Federal Reserve Chairman Jerome Powell said the Bank would 'soon' release research on a central bank digital currency. It's now November and there's still no research in sight. But focusing on the Fed's inability to converge on a single CBDC opinion misses the point



There is one obvious explanation for the delayed CBDC paper: there are fundamental differences in the Fed board on CBDC and stablecoins. While some are clearly supportive of CBDC, and primarily see stablecoins as a means of payment that need to be tightly regulated (e.g. just like banks, see [our take on the recent President's Working Group report](#)) other Fed board members are wary about the need for a central bank digital currency. Fed Governor Christopher Waller [said last week](#) that his scepticism stems from the rapid innovation taking place in payments. In simple terms, "payments innovation, and the competition it brings, is good for consumers," he said.

Waller goes on to say that he is happy to see stablecoins grow and prosper, developing a competitive market for payments, driven by bank deposits, stablecoins and possibly others. This perspective is diametrically opposed to the view that money is a public good, and that the central bank should have a strong presence in digital payment markets by issuing a CBDC. The latter position is similar to the prevalent view in Europe, although anxiety over bigtech is also a

factor in the discussions there.

The role of the public vs private sector in the provision of money, and the role of transparency vs more proactive user protection, are two very fundamental debates highlighted by Waller's speech.

One could scoff at the Fed board openly airing its divisions on these fundamental points. I'd rather congratulate them on putting these very important issues on the table for public consideration.