

VoxEU: Getting funds to those in need during Covid-19

For policies to be effective and economies to function after Covid-19, payment systems and services must operate efficiently, reliably, and securely. In this article, [Biagio Bossone and Harish Natarajan](#) analyse for VoxEU the role that a central bank digital currency can play in this context



Covid-19 will accelerate CBDC developments

The economic effects of the Covid-19 pandemic are leading to unprecedented recessions across the world. We hope the health impact of the pandemic will be temporary, but its economic impact may not be. Governments and central banks worldwide are fighting hard to limit the damage through massive provision of liquidity to financial and non-financial entities and distribution of various forms of fiscal support to people and businesses.

Yet, as public authorities respond to the crisis, they are encountering significant challenges. Often, the complexity of public funding programs raises uncertainty and slows down the speed at which businesses and citizens receive the money. In various countries, small and medium-sized enterprises express concern that relief payments are taking too long (OECD 2020). Failure to address these challenges aggravates the macroeconomic effects of the crisis and diminishes the ability to weather them. There is a risk that the persistence of these challenges could contribute to social upheaval.

Governments must find ways of getting money to people and businesses more rapidly. Some have noted that a general-purpose central bank digital currency (CBDC) could play a special role in this context (see below). The pandemic will likely accelerate CBDC developments, such as the 'digital

dollar' discussed below, by amplifying calls to endorse its role and clearing the political way toward its introduction (Auer et al. 2020). Still, CBDC projects will take time to materialise, and other instruments will be needed in the meantime. Both issues are discussed below.

A key quote from the article:

Evoking Milton Friedman's incisive image of 'helicopter money', CBDC could be used during crises as way to deliver stimulus packages to households and businesses. This would be especially useful when businesses are at risk of closing because they run out of money, or if people lose jobs, or become ill, and also run out of money. An example is the recent proposal for a US House emergency Covid-19 stimulus bill, which referred to creating a 'digital dollar' to get stimulus payments to unbanked Americans. In practice, the US Treasury would make payments through direct deposits to recipient accounts (FedAccounts) held at Federal Reserve Banks (FRBs) or FRB-member banks through pass-through FedAccounts.

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