

Banka Slovenije
in cooperation with
**the Research Centre of the School of Economics and
Business**, invites you to a seminar

The Optimal Quantity of CBDC in a Bank-Based Economy

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The seminar will be held in the
Great Hall (Avla) of Banka Slovenije
on Thursday 26 May at 14:00 CEST

Abstract:

Recent studies suggest that the risk of bank disintermediation through deposit substitution could undermine the potential benefits of issuing a central bank digital currency (CBDC); a technologically superior means of payment issued by a central bank. First, we provide evidence on the estimated impact of digital euro news on euro area bank stock prices. The expected impact of CBDC on bank valuations and lending supply crucially depends on the design features aimed at calibrating the amount of CBDC in circulation. Then, we develop a quantitative DSGE model that incorporates these trade-offs and a selection of mechanisms through which the issuance of a CBDC could affect bank intermediation and the real economy. The sign and magnitude of the impact depend on the design of a CBDC as well as on the response of the central bank balance sheet and its collateral framework. Welfare-maximizing CBDC policy rules are effective in mitigating the risk of bank disintermediation and induce significant welfare gains. The model suggests that the welfare-maximizing amount of CBDC in circulation for the case of the euro area lies between 15% and 45% of quarterly real GDP in equilibrium.

About the speaker:

Frank Smets was Director General Economics of the European Central Bank until the end of 2021 and is Professor of Economics at the Department of Economics of **Ghent University** in Belgium. At the **ECB** he was until recently leading the economics department, responsible for the economic analysis of the euro area economy, including the macroeconomic projections. Previously he was Director General Research at the ECB. He was also Secretary for Monetary Policy of the ECB's Governing Council and Chair of the Monetary Policy Committee, the Eurosystem committee that prepares ECB monetary policy decisions. He coordinated the ECB's monetary policy strategy review as chair of the project office. His research fields are monetary economics and applied macroeconomics. He obtained his Ph.D. in economics in 1993 from Yale University.

How to sign up:

Please send an email to sign up for the seminar to seminar@bsi.si. You can sign up by Monday 23 May 2022. The seminar will be in English.