No more Tooth fairy !

Disadvantages of CBDCs

That all sounds rather interesting, doesn't it? But if you haven't detected it yet, there are some worrying disadvantages.

1: Traceability: *You will no longer transact anonymously*

Physical cash will not be delegalized immediately. CBDCs will initially be a convenient add-on to the existing system, helping drive transactional efficiency and improve cross-border transactions. But make no mistake, the disappearance of cash is inevitable.

This is significant because it eliminates our ability to transact in a fully anonymous manner. in the same way your debit card transactions are visible to your bank, your financial activity will be visible to your central bank. We'll come to why that may be a bigger problem than it first sounds shortly.

#2: Negative Rates: *There will be no option to hold physical cash*

In CBDC world, you cannot withdraw your digital tokens and hold them under the mattress. Eventually there is no option for physical cash.

This gives central banks greater flexibility to implement negative interest rates. In doing so, people will be encouraged to use the money or lose the money, increasing consumer spending.

There can be little doubt that with interest rates bound to the floor since the 2008 financial crisis, central banks will not hesitate to drive them through to the basement given the tool in their arsenal

#3: Programmability:

New weapons for serial economy killers

Here's where things get more worrying. **, CBDCs give central banks a unique opportunity to make money "programmable".**
The major problem central banks encounter with monetary stimulus is that they control the *price* of money (interest rates) but not the *velocity* of money. CBDCs change that, offering the opportunity to implement policy to increase or decrease velocity according to their perspective.

Let me give you some examples of how that might affect policy in practice:

1. **Expiration:** CBDCs could permit a currency expiration policy. Your money could be programmed so that if you don't spend the $5000 in your CBDC account by next Saturday, it will expire. Think this sounds absurd? According to a Wall Street Journal article, China has tested expiry policies with its own CBDC.

2. **Helicopter money:** CBDCs are a means of delivering helicopter currency quickly and efficiently to the pockets of citizens.

3. **Lending:** With a diminishing role for commercial banks, (more job losses) it's probable that central banks will begin to play a role in lending decisions.

Granted, this situation isn't going to happen overnight. It may take five years. Incrementalism will be the key to successful implementation. And while ideas may sound insane now, they are legitimate possibilities later.

Summary

•A central bank digital currency (CBDC) is a form of electronic money issued by central banks. It is digital token of the national currency.
•Advocates of CBDCs argue that they will help to simplify monetary policy, promote financial inclusion, improve cross-border remittances, reduce illegal activity, and support the fintech sector.

•But CBDCs have some worrying drawbacks. These include the loss of privacy due to traceability, an open goal for negative interest rates, programmable money, and customizable monetary policy by individual.

Time will tell where we end up with CBDCs. For now, I strongly encourage readers to do their own research and reach their own conclusions. Work is happening right now, whether we like it or not, and the initial implementation is closer than most think. It will pay to research and prepare accordingly.



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WHY ARE WE DOING THIS ?

Whatever your view of the world, some things are indisputable realities.

One such reality is that the last year or so has seen **unprecedented worldwide government and central bank intervention**. While governments have used the idea of safety to inflate the role of the state, **central banks** have simultaneously used the consequences of these interventions to inflate the supply of traditional fiat currencies. Even in the face of world war, we have never seen interventions of this scale before.
These two parallel roads have complex moral, ideological, psychological, economic and public health implications. It is not, as some may wish for you to believe, a simple debate.

Of all the changes ahead, Central Bank Digital Currencies (CBDCs) may represent the most likely candidate for this convergence of government and monetary policy.

CBDCs are not a conspiracy theory. They are not a fictitious dystopian fantasy. They are literally in development *and* in use right now.

CBDCs Around the World

- China: Digital Yuan/ e-CNY (DCEP)
- Sweden: e-krona
- Bahamas: Sand Dollar
- Nigeria: eNaira
- Eastern Caribbean Area: DXCD
- Marshall Islands: Sovereign (SOV)
- Russia: Digital Ruble
- Cambodia: Bakong



The Bahamas 'Sand Dollar' is the world's first CBDC to be released and available nationwide. The Sand Dollar was released on 20th October 2020 to all 393 residents of the Bahamas. Each Sand Dollar is pegged to the Bahamian dollar, which is pegged to the US dollar.

What Is a Central Bank ?

Let me issue and control a nation's money and I care not who writes the laws." - Mayer Amschel Rothschild

Every nation or region has a central body that is responsible to oversee its economic and monetary policies and to en"sure the financial system remains stable. This body is called the central bank. Unlike commercial and investment banks, these institutions aren't market-based and they are not competitive.

Many central banks are concerned with inflation, which is the movement of prices for goods and services. They keep inflation in line with interest rates.

The majority of the world's central banks are independent yet answer to their federal governments and, therefore, the general population.

In Canada it's commonly known as The Bank of Canada



Central Bank Of Canada

In the U.S. is known as the Federal Reserve

This legal tender is called fiat money, whose value is backed by the government that issued it. This differs from money that is backed by some physical asset that sets the standard of its value, such as gold.

fiat currency is backed by the resources of the government that issues it, while its *value* is determined by a number of factors, including economic supply and demand, interest rates, and the money supply.
This includes your taxes

Pros of a fiat currency

The biggest reason why countries stopped using a gold standard is that it limits a government's ability to respond to economic events.

Cons of fiat currency

There are really two major risks with fiat currency:political instability

and
mismanagement of the money supply.
(*this is where we are today) I

What are CBDC's ?



What Is a Central Bank Digital Currency (CBDC)?

A central bank digital currency (CBDC) is a form of electronic money issued by central banks, which represents a digital token of the national currency. CBDCs could be used by households and businesses to make and receive electronic payments of currency issued by the central bank, as well as offering a range of use cases for monetary and fiscal policy.

Wholesale CBDCs vs. Retail CBDCs

CBDCs could take various forms but they are broadly categorised into two categories: wholesale CBDCs and retail CBDCs.

A wholesale CBDC would be exclusively issued for financial institutions that hold reserve deposits with a central bank.
Wholesale CBDCs would streamline transactional flows, eliminating unnecessary intermediaries and in turn reducing counterparty risk.

A retail CBDC would be issued by the central bank for the general public. A retail CBDC would provide a new level of efficiency and **traceability for monetary flows** in the economy, as well as presenting a range of new monetary policy tools for central bankers.

While the concept of retail CBDCs would potentially pose an existential threat to traditional banking systems, **(They will probably eventually disappear)** central bank project papers have so far presented a hybrid model .ALL of your buying, spending , lending will be tracked and traced…... imagine if you wanted to loan or give your kids some money, or throw a dollar to the buskers, yard sales, marketplace sales