

Discussion on “Best Before? Expiring Central Bank Digital Currency and Loss Recovery“ by Charles Kahn, Maarten von Oordt, Yu Zhu

Martin Diehl, October 22, 2021

About the idea

– **Considerations on potential properties of digital central bank money**

- Some relate to interest of users: privacy
- Other relate to interest of issuer: interest rate (also: negative interest rate)
- Some try to provide special services: programmability, off-line functionality
- Other try to avoid negative implications: limits, use restrictions

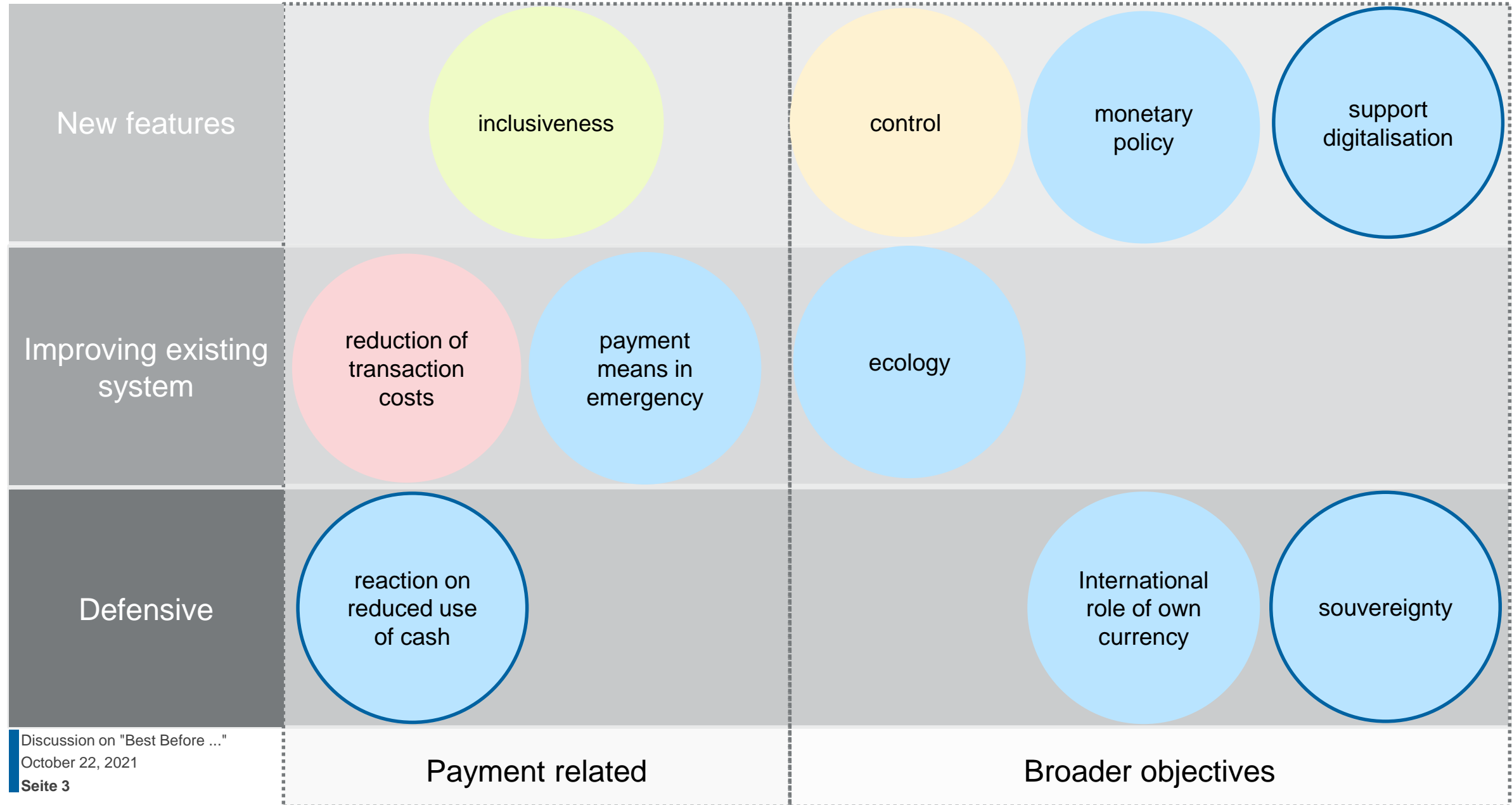
– **Discussion lacks in general**

- Missing clear objectives of central banks
- Missing clear demand of users for retail CBDC
- Missing understanding of potential technical feasibilities

– **This paper: expiry date to enable loss recovery**

- Partial analysis by means of a theoretical model
- Interesting result: asymmetry of expiration time around the optimal expiration date

Motivations for digital central bank money



Discussion of the idea „Best before ...“

– **Relevance?**

- How often do people lose money? How often do they lose their smart phone? How often is money or a smart phone stolen?
- How long do outages really occur?

– **Best solution?**

- Isn't it easier to track the whereabouts of a smart phone?
- Misleading incentives
 - Loss recovery entails a significant risk of fraud
 - Don't lose money!

– **Main critique: Don't destroy the trust in central bank money**

- A Euro is a Euro. Everywhere. In every form. In eternity.
- Money is a derived social construction. It's just cotton with some imprint. A promise by governments. Governments break their promises rather often. Most governments are burdened by extremely high debts. Inflation reduces the debt burden. Inflation starts to rise. Now they issue money with an expiry date ...
- Keep money simple with no hidden features!

⇒ **Best without** an expiry date.