Doris Ritzberger-Grünwald
Director
Oesterreichische Nationalbank

Introductory remarks: Digital money and digital banking

Central banks and the banking system have been the institutional backbone of the monetary system for roughly three centuries. Today digitalization is making inroads into both of these domains. While it is still unclear how transformative these changes will turn out to be for money and banking as we know it, the discussion, both among academics as well as among practitioners, has gained momentum in the past few years.

We want to take up the major themes and issues of this debate right at the beginning of our conference on the future of the financial system, which will obviously be a future profoundly shaped by digitalization.

In the debate, some have embraced a rather utopian interpretation of the recent technological advances in money and banking. For them, digitalization promises a future of higher financial inclusion, and unprecedented user-friendliness by broadening the availability of financial services and by slashing the costs of providing these services. At the same time, it is argued, we can expect improvements in financial stability because thanks to their decentralized nature, the new technologies of digital money and banking, in particular the blockchain technology, will increase the resilience of the financial system.

Others are more concerned with potential downsides, fearing, in particular, the retreat of the state from money and banking, monetary chaos, financial instability and financial exclusion rather than inclusion as well as negative labor market implications for those in the financial industry who will be made redundant.

How is it possible that the participants' views in the debate differ so widely, with even contradictory interpretations of the implications of recent developments for the near or mid-term future? One obvious reason is that we tend to have a poor understanding of many aspects of the issues at stake. While we discuss at length particular aspects, say, cryptocurrencies and blockchain technology, FinTech and banks, peer-to-peer lending and payment innovations, very rarely due consideration is given to the bigger picture, taking into account how the different parts interact and influence each other. For instance, we still know very little about how the digital revolution in money will interact with the digital revolution in banking. How will monetary policy work in a digital world? Should central banks actively adopt new technologies or pursue a more passive strategy? Is it necessary to develop regulatory tools now, or is it better to pursue a "hands-off" approach and not to impede financial innovation?

In the end, the discussion of the implications of digital change in money and banking forces us to rethink the foundations of our monetary and financial system and the key economic functions it has to and should fulfill.

In this session, we will have two papers that can help us with this task. Our first speaker, *Michael Kumhof*, senior research advisor at the research hub of the Bank of England, will present a paper about the macroeconomics of central bank-issued digital currency. Michael and his co-author, John Barrdear, see great potential in an activist approach, where central banks embrace and actively use the new technology of digital currencies for monetary policy and macroeconomic stabilization. Our second speaker, *Thomas Puschmann*, will shed light on the digital revolution in banking. He can draw on rich experience as the head of the Swiss FinTech Innovation Lab at the University of Zürich and Executive Director of Swiss FinTech Innovations, an independent association of Swiss financial institutions committed to driving collaboration and digital innovation in the financial service industry. Based on this experience he will discuss the question whether technological change in banking will lead to an effective end of banks as we know them and lead us into a future of "banking without banks."