FDTF Call Notes

*24 August 2021*

# Attendees

* Mike Bennett
* Pete Rivett
* Rob Nehmer
* Bobbin Teegarden

# Agenda

* Diagram the concepts we have been going through on money, currency etc.
* See slide deck ' 20210824 FDTF money Concepts Diagramming.pptx'

# Meeting Notes

## Aims

We might be able to ask a very targeted question about what is digital currency.

We think we know all about crypto but what about those digital currencies that are not crypto?

BUT

Do we really have a good definition of cryptocurrency?

There's things we address to both crypto and non crypto digital about the various mechanisms that make up money e.g. backing, pegging, proofs, exchangeability, fungibility etc.

We have a framework for asking those kinds of questions (of crypto and of others.

### Cryptocurrency Definition

a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority

### Account based v Token Based

Reference:

<https://libertystreeteconomics.newyorkfed.org/2020/08/token-or-account-based-a-digital-currency-can-be-both/>

**Quote:**

"In all of these papers, the distinction the authors make is that an account-based system requires verifying the identity of the payer, while a token-based system requires verifying the validity of the object used to pay. "

**Clarification from that reference**

It is common to make a distinction between account-based and token-based digital currencies, as in this [report](https://www.bis.org/cpmi/publ/d174.pdf) from the Committee on Payments and Market Infrastructures (on which some of us collaborated), this [working paper](https://www.bankofcanada.ca/wp-content/uploads/2018/12/swp2018-58.pdf) from the Bank of Canada, this [staff discussion note](https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/11/13/Casting-Light-on-Central-Bank-Digital-Currencies-46233) from the International Monetary Fund, and [this note](https://www.bis.org/publ/qtrpdf/r_qt2003j.htm) from the Bank for International Settlements, among many other sources. In all of these papers, the distinction the authors make is that an account-based system requires verifying the identity of the payer, while a token-based system requires verifying the validity of the object used to pay. This distinction adopts concepts presented in an [article](https://reader.elsevier.com/reader/sd/pii/S1042957308000533?token=14760F8849B1293BFB7A9D20DB0A86D15C9DA117292083F7C26A81E13D407BCA60D348111D722BC96FC4026A9B2D8D09) by Charles Kahn and Will Roberds, which was written before the current usage of the word “token” to denote a unit of a cryptocurrency became popular.

#### Discussion

BT: What about cattle?

What do you want to verify about the mombe – e.g. age, weight, gender, breeding status etc.

Answer: what are the characteristics that are valued about the thing in the economy / market i.e. else you can get for it in exchange.

See slides as well

### Circulation

New concept: Circulation.

See Investopedia

Currency in circulation refers to the amount of cash–in the form of paper notes or coins–within a country that is physically used to conduct transactions between consumers and businesses. Currency in circulation is all of the money that has been issued by a country's monetary authority, minus cash that has been removed from the system. Currency in circulation represents part of the overall money supply, with a portion of the overall supply being stored in checking and savings accounts.

#### Questions

What about money that lives on balance sheets – not 'in circulation'?

**Concept:** Money Supply

## Summary

See slides for more details from today

Next meeting: Start to firm up some of this

Lose the 'Account based' business; replace with a more coherent account of money supply and circulation.

Money supply aspect. – is orthogonal.

## Next Meeting

Try to diagram these things