



his Savings Trick

U.S. markets closed

S&P 500
4,391.34
-8.42 (-0.19%)



Dow 30
34,746.25
-8.69 (-0.03%)



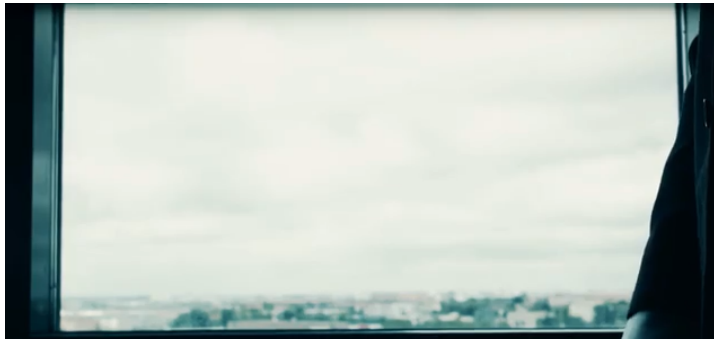
Nasdaq
14,579.54
-74.48 (-0.51%)



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'The end of physical currency, cash, is certainly drawing near': Economist



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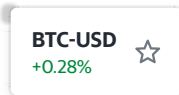
Quote Lookup

Related Quotes

Symbol	Last Price	Change	% Change
BTC-USD Bitcoin USD	55,068.21	+154.59	+0.28%

TRENDING

1. This crazy shipping crisis, explained



[Physical currency](#) and hard cash may soon be a thing of the past, Eswar Prasad, Cornell University economics professor and author of "The Future of Money" told Yahoo Finance Live.

"The end of physical currency, cash, is certainly drawing near, and cryptocurrencies, including bitcoin ([BTC-USD](#)), have certainly paved the way for that revolution," Prasad said.

The digitalization of transactions has been well underway for the past few decades, but serious discussions regarding a fully-digital dollar are relatively new.

The prospect of a central bank digital currency (CBDC) in the U.S. has gained traction in 2021, with [the Fed reportedly planning to begin a review process](#) of the costs and benefits associated with CBDCs as soon as next week.

While the chances of adopting a digital currency within the near future are slim, digital payments have grown exponentially within the past few years, [giving credence to the notion](#) that the U.S. is moving towards a digital economy.

But it is unlikely that cryptocurrencies will become the dominant form of payments in the future, Prasad says, because of their inherent volatility. Stablecoins like those pegged to fiat currencies, however, may become more widespread as the digital economy evolves.

"My own view is that cryptocurrencies may not ultimately prove to be viable mediums of exchange," he said. "Especially the decentralized ones like crypto coins that have very volatile value and that have a number of other impediments. But they've already given rise to stablecoins, whose value is

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backed by reserves of hard currency, such as the U.S. dollar and U.S. dollar securities, which could provide more efficient payment transactions.”

BITCOIN BACK OVER \$54,000

\$BTC-USD since 1/1/20



SOURCE: YAHOO FINANCE • PHOTO: GETTY IMAGES



Digital currency or cash: 'The objective is financial inclusion'

Government-backed digital currency could be an egalitarian benefit to a thriving private sector by allowing for greater financial inclusion, Prasad said.

"Banking the unbanked" has been a popular goal for enthusiasts of digital currencies and other fintech

these people greater leverage and control in their finances.

"In many countries, the objective is financial inclusion," Prasad said. "The idea [is that] the central bank makes a very low-cost digital payment system easily accessible to everybody, including low-income people who may not have access to a credit card or a bank account. That's going to help people bring people into the financial system and also act as a portal for basic banking products and services for credit, savings, and so forth."

China rolled out its own digital currency, albeit in a

series of trials, earlier this year, beating the U.S. to the punch to be the first country to establish its own digital currency.

However, this doesn't necessarily mean they are far ahead of the U.S. in the race to see which country serves as the global reserve currency, Prasad noted.

"I really don't think there's a first-mover advantage here," he said. "Certainly, if the digital yuan becomes widely used within and perhaps even outside the country someday ... You could see the renminbi being used more for international payments, to settle trade and financial transactions. But ultimately, as a store of value, as a reserve currency, it's not just economic size that matters or the depth of financial markets, but also countries' institutional framework."

The U.S. has several advantages over China, Prasad said, including its independent central bank, standard for rule of law, and institutionalized system of checks and balances. "In all these dimensions, I think China has a long way to go. So I don't worry too much that even a digital yuan is going to undercut the dollar's dominance as the global reserve currency."



A sign indicating digital yuan, also referred to as e-CNY, is pictured at a shopping mall in Shanghai, China May 5, 2021. REUTERS/Aly Song

Pumping the brakes on CBDC hype

Still, significant concerns regarding the feasibility and merit of a CBDC remain challenging. A [survey](#)

[carried out by the European Central Bank](#)

highlighted that both the public and financial professionals identified privacy as a top concern for a potential digital euro. Data security and privacy laws have been hot topics of debate in the EU legal sphere, especially within the past few years.

Issues have arisen with China's new digital currency as well, though the digital renminbi is still in its infancy. [Systemic risk for bank runs](#) was identified as one of the significant areas of risk found within China's rollout of its CBDC in [a 2021 Bank of International Settlements \(BIS\) report](#).

Confidentiality concerns could also be a risk when a centralized authority issues a digital currency.

"I think, ultimately, no central bank wants its money to be used for illicit purposes," Prasad said. "So, audit-ability and traceability of transactions, and therefore loss of privacy is, I think, a feature we're going to have to live with."

A balancing of concerns and power among private and public interests must be found in order for a CBDC to be successful, the BIS report said.

"For central bank digital currencies (CBDC) to work effectively, public and private institutions need to cooperate to ensure integration with existing payments systems; to anticipate customers' future needs; and to support innovation while preserving public trust, privacy and stability in the broader financial system," the authors of the BIS report noted.

For more information about cryptocurrency, check out:

[Dogecoin, what is it? How to buy it](#)

[Ethereum: What is it and how do you invest in it?](#)

[The top 21 crypto leaders to watch in the back half of 2021](#)