

China's central bank mulls issuing digital currency

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The People's Bank of China on Wednesday said it wants to issue its own digital currency to cut the costs of circulating traditional paper money, boost policymakers' control of money supply and improve the efficiency of global transactions.



The central bank set up a research team in 2014 to study digital currencies and application scenarios, according to a statement posted on the regulator's [website](#).

The PBOC said it consulted with teams from Citigroup and Deloitte, though it didn't specify what technology it would be using to issue its digital currency or how it would work in relation to the yuan.

"The team ... should set up a clearer strategic target for launching digital currencies, overcome the key technological barriers ... and aim for an early launch of the central bank's digital currencies," the PBOC said.

Virtual currencies can also help boost the transparency of economic activities and curb money laundering and tax evasions, it added.

Bitcoin, the most prominent digital currency, is mined with high-powered computers and contains the payment history of every circulation. China has become one of the biggest markets for Bitcoin and miners, as Chinese regulators have largely taken a hands-off approach with Bitcoin exchanges and businesses, said Bloomberg

"They've recognized the opportunities the digital currencies have," Zennon Kapron, managing director of Shanghai-based consulting firm Kapronasia told [Bloomberg](#). "If they did have something the government could monitor and use, that could fit into their longer-term plans."

[ZeroHedge](#) says this is part of a war on cash and a way for China and the International Monetary Fund to control the world's money through virtual (cash-less) currencies. It defines the "war on cash" as governments restricting the amount that can be withdrawn from banks, and limiting what can be purchased with cash or what are broadly called "capital controls."

According to ZeroHedge, governments want to ban physical cash because they anticipate bail-ins, steeply negative interest rates and hefty fees on cash, and want to close any opening regular depositors might have to safeguard their money from bail-ins and bankers' control.

Governments suddenly want to force owners of cash to either spend it or gamble it in the financial-market casinos because citizens hoarding cash instead of spending it can result in recession. “The solution to recession is thus to force all those stingy cash hoarders to spend their money,” said ZeroHedge.

ZeroHedge concludes: The big problem with this thinking is that capital — which begins its life as savings — is the foundation of capitalism. If you attack savings as a scourge, you are attacking capitalism and upward mobility, for only those who save capital can invest it to build wealth. By attacking cash, the central banks and governments are attacking capital and upward mobility.

The benefits to banks and governments by eliminating cash are self-evident:

1. Every financial transaction can be taxed.
2. Every financial transaction can be charged a fee.
3. Bank runs are eliminated.

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