Remarks by Prof. David Yermack
NYU Stern School of Business
NBER
Payments in the pandemic

Credit transfer and contactless card usage strongly increased in 2020

<table>
<thead>
<tr>
<th>Value</th>
<th>Volume</th>
<th>Source of contactless card payments within all card payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of GDP</td>
<td>Percentage of GDP</td>
<td>Per 1000's inhabitants</td>
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Sources: CPMI Red Book statistics; OECD main economic indicators and national accounts.

Source: https://www.bis.org/statistics/payment_stats/commentary2112.htm
Disruption in the private sector

JPMorgan Chase & Co

How JPMorgan’s plan to kill credit cards split the bank

Jamie Dimon warned executives to put aside rivalries and deliver critical ‘pay-by-bank’ project
Pres. Biden’s executive order
March 9, 2022

• Explore a U.S. Central Bank Digital Currency (CBDC) by placing urgency on research and development of a potential United States CBDC, should issuance be deemed in the national interest. The Order directs the U.S. Government to assess the technological infrastructure and capacity needs for a potential U.S. CBDC in a manner that protects Americans’ interests. The Order also encourages the Federal Reserve to continue its research, development, and assessment efforts for a U.S. CBDC, including development of a plan for broader U.S. Government action in support of their work. This effort prioritizes U.S. participation in multi-country experimentation, and ensures U.S. leadership internationally to promote CBDC development that is consistent with U.S. priorities and democratic values.
The Treasury Department’s response

September 20, 2022, after six months of deliberation

U.S. Department of the Treasury
Office of Public Affairs

Press Release: September 20, 2022
Contact: Treasury Public Affairs, Press@Treasury.gov

Fact Sheet: Treasury Report on the Future of Money and Payments

Recommendation 1: Advance work on a possible U.S. CBDC, in case one is determined to be in the national interest.

- The Treasury Department will lead an inter-agency working group (the “CBDC Working Group”) to support the Federal Reserve’s efforts and to advance further work on a possible U.S. CBDC. The CBDC Working Group will continue to assess the merits of a CBDC, and coordinate and consider implications of a U.S. CBDC for policy objectives such as national security, democratic values, the smooth functioning of the international financial system, financial inclusion, and privacy.
The Atlantic Council’s CBDC Tracker
CBDC can reduce the Tax Gap

Gross and Net Tax Gaps Over Time

Note: Due to updated methodologies, these estimates are not directly comparable. The estimate for TY 2006 has been revised to reflect methodologies used for the TY 2008-2010 estimate, and the TY 2008-2010 estimate has been revised to reflect methodologies used for the TY 2011-2013 estimate. The TY 2019 estimate, which is preliminary, reflects an even newer methodology.
Source: Internal Revenue Service, Treasury Department.
CBDC can improve precision of federal government spending
CBDC is necessary for payment of negative government interest rates

Source: Schmelzing (2019)
Hoarding of cash by the public

In many countries, cash in circulation grew at the fastest pace in a decade in 2020

Source: https://www.bis.org/statistics/payment_stats/commentary2112.htm