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It is far from certain whether Basis or similar private sector efforts will be successful, at least in the short term. However, think of the ramifications if they were. Retailers, large and small, loathe paying interchange fees on card transactions, as much so as consumers hate getting trapped in high account fees. One can imagine they would be eager to start using digital currency as payment, bypassing the banks. That could prompt a different kind of run on banks, as fiat money quickly migrated out of deposit accounts into digital coins.

That would be very bad for the banking system, but also the Fed, as its current monopoly on currency issuance would be threatened, as would its ability to control the money supply. To avoid that result, the Fed needs to get serious now about evaluating the relative merits of issuing its own digital currency. If it does not stay ahead of this technology, not only could banking be disrupted — but the Fed itself could also be at risk.

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