

**Gabriele Camera, Chapman**

**Introducing New Forms of Digital Money: Evidence from the Laboratory**

*Abstract:*

Central banks are considering issuing new forms of digital money (CBDCs). A strategic analytical framework is used to investigate this currency innovation in the laboratory, contrasting a traditional “plain” tokens baseline to treatments where “sophisticated” tokens yield small payoffs. This theoretically beneficial innovation precluded the emergence of a stable monetary system, and lowered welfare. Similar problems emerged when sophisticated tokens complemented or replaced plain tokens. This evidence underscores the importance of combining theoretical with experimental investigation to guide currency innovation and the design of CBDCs.

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