

## Podcast with Michael Barr and Adrienne Harris of the University of Michigan

**\*Note that transcripts may sometimes contain errors and that transcript timing notations do not match the posted podcast**

- Jo Ann Barefoot: [00:01](#) We have an amazing special episode today because I am in Ann Arbor, Michigan, at the University of Michigan, and we have just finished the conference on the Central Bank of the Future that has been put together by our guests. They are Michael Barr, who is the dean of the Gerald R. Ford School of Public Policy here. Welcome Michael.
- Michael Barr: [00:24](#) Thank you.
- Jo Ann Barefoot: [00:25](#) And Adrienne Harris, who's a professor of the practice in the same school, and you two have taken on what I think is one of the most exciting projects anywhere on the topics that we talk about, and that is that you're doing a project for the Gates Foundation on the future of the Central Bank, and you're pushing people to think out 30, 50 years into that future. So I want to ask you to talk about... So this is just a short introduction. This is just a little taste of what's coming on your project and when you put your report out, we'll sit down and have a more thorough conversation, but I just wanted to share this in the moment when it's so exciting and everyone has just been thrilled with this event here. So I'd love for you to tell us about the project and then about the conference.
- Michael Barr: [01:16](#) Well, maybe I'll get started. The project is a project that Adrienne and I began with the Gates Foundation to try and explore what the Central Bank of the future might look like given not only advances in technology that we're seeing today, but trying to make some predictions or forecasting about the direction of technology in the future, which is always fraught. The technology that we have today has changed so dramatically just in the last 10 years in the financial technology space. I don't think that people would have been that good at predicting 10 years ago where we'd be today.
- Michael Barr: [01:58](#) So we are doing this, undertaking this project with a great deal of humility, but also a passion and a belief that we need to think about the right direction for the future because if we don't, institutions will change and evolve, technology will change and evolve in ways that may exclude millions of people from the financial system or may result in many people not getting the financial services they need to actually live fulfilling lives, which is the main point of financial inclusion. So we're really trying to take this hard look because we think that regulators, the public,

nonprofits, philanthropy, the academic sector, it needs to really be intentional about answering the question.

Jo Ann Barefoot: [02:53](#) And we should say that the Gates Foundation's financial mission is focused on global financial inclusion. So we talked about a lot of issues about central banks, but the topic here is what is the role of the future of the central bank in financial inclusion? So, Adrienne?

Adrienne Harris: [03:12](#) Yeah, I think as Michael said, and then you both alluded to, it's a challenging topic and a big topic partly because we're dealing with a set of conservative actors and they're intentionally conservative because they have a very important mandate in how they think about price stability in monetary policy and bank supervision, but we're also talking about the future of those institutions and how they can keep up with technology and how they can produce technology to help foster this social good, that is financial inclusion. So part of the challenge here is inherent tension, but it's also what makes it so interesting to think about, and for the mandate, we've got to think 20, 30, 40, 50 years out. The prediction is very hard, but it's also freeing to think about how you might unencumbered yourself from the constraints of regulatory architecture or technology as we know it today, and really be able to do a blue sky exercise and think about what's possible in the space.

Jo Ann Barefoot: [04:14](#) That is just fantastic. I want to talk in a moment about some of the topical highlights, but first talk about the group of people you brought together here because I've really rarely been at any of that, that had such an interesting cross section of people.

Michael Barr: [04:29](#) Well, we really tried working with the Gates Foundation and with our own team to put together a mix of academics, central bankers, policymakers, regulators, community activists, nonprofits, experts in the financial services realm, and to do that with real geographic reach, a global reach, to do that in a way that made sure that we were drawing on the strengths of the diversity of the people who are working in this field all around the world, and I think that it really enliven the conversation, enrich the conversation a great deal.

Adrienne Harris: [05:14](#) And I think it was important, Michael was so intentional about at the Gates Foundation, we really spent a lot of time making sure that the gender representation was what we wanted, the

ratio, the geographic, the sector and expertise backgrounds that we had, that we really were casting a broad net, and I think sometimes it meant saying no and pushing ourselves quite a bit so that we wouldn't get the usual suspects around the table, but that we were really pushing ourselves to think about diversity in a variety of ways.

- Jo Ann Barefoot: [05:42](#) Yeah, that was really impressive. It's small enough that it's just been an environment where there's just such a high quality of thought and conversation, and you can just see the relationships forming everywhere you look. We've been here a day and a half and it's just been amazing.
- Michael Barr: [05:58](#) That's great.
- Jo Ann Barefoot: [05:59](#) So do you want to sum up some of the questions that you put to the group?
- Michael Barr: [06:06](#) Sure, Adrienne, why don't you start with the basic framing questions that you put together and then maybe we can talk about some of the topic areas we push deeper into?
- Adrienne Harris: [06:16](#) Yeah, absolutely. So there is this basic question of should the central bank, or should a central bank or a financial regulator be involved in financial inclusion in the first place? We decided to take that question for granted as a yes and then push past that into, what are the things that banks can do or maybe should not do in order to foster financial inclusion? I think there were some buckets that we put in place for purposes of the conversation and they overlap with one another, and others I think were created during the course of the conversation, but first was examining the traditional pillars of a central bank, and thinking about if you're adding financial inclusion as part of the core mandate, does that change the central pillars of the way we think about central banks today or is this an additional pillar that should be added?
- Adrienne Harris: [07:04](#) And so that was one discussion. How does the mandate of the central bank change over time? The next piece of it was thinking about a central bank as a utility. So are their public goods in the financial services space that should be provided by central banks or financial regulators where maybe the private sector has fallen down and not done the job that we would like them to do? And the third bucket of topics was about digital currency

and distributed ledger technologies in all the things that are happening there, whether it's fiat versus non fiat currency, and how we use distributed ledger in a sup tech or reg tech context.

Jo Ann Barefoot: [07:44](#)

Yeah, did you want to add any?

Michael Barr: [07:45](#)

Yeah, I would just say within that framework, we are trying to drill down deeper into some particular areas. So for example, looking very carefully at the role of central banks in the payment system. Central banks provide important rules for payments. They're obviously at the core of the interbank payment system. To what extent should the central bank be a provider of payment services? Should that include retail payment services? Should it provide the basic infrastructure and then get out of the way of innovation in the private sector and payments innovation? So trying to think about that line between utility provision of public goods and private sector innovation is a core question.

Michael Barr: [08:30](#)

A second area that we've been exploring is anti-money laundering, an issue that I know is near and dear to your heart, where the real question is, how can we be much more effective at catching the bad guys without having all this enormous downside effect on financial inclusion? And I think there, technology could play a really important role, and there are questions about what aspects of those roles might be within the central bank, worrying about identity, worrying about verification of that identity versus out in the private sector?

Michael Barr: [09:09](#)

A third area that we've been exploring is around the risk of cybersecurity, which is obviously a core issue for the private financial sector, but is a deeply difficult issue for the public sector as well, and where the public sector is often really behind the times and not able to attract the same level of talent that is necessary to keep up. So it's a real risk not only in the developing world, but also in the developed world, and a core area that we've been looking at. And then another key issue is thinking about the line between supervising banks and supervising non-bank institutions. Non-bank players, even very large social media platforms, big tech companies, are increasingly participating in the provision of financial services, how should they be regulated and by whom is one of the core questions we're exploring as well.

Jo Ann Barefoot: [10:05](#) Absolutely, I'll tell you, I'm becoming more optimistic about the public sector being able to attract talent because these problems are so interesting and so important. I can't tell you how many people recently I've heard say, "I could have gone to a Silicon Valley company and maybe tweak their algorithm, but if I come into this sector I can really make an impact and there's so much to do here also."

Michael Barr: [10:31](#) I think that's right. The mission critical nature of the work I think is a real selling point.

Jo Ann Barefoot: [10:38](#) And part of the fun of being here for the last day and a half has been me and so many of the students that are in your various programs here who are just awesome. So I know we only have a few minutes, let me end by saying that I arrived yesterday thinking that your task was incredibly daunting, and I am leaving thinking it's even more [inaudible 00:11:01]. When I got here yesterday, we had some... our brains are just flooded with ideas and a wide variety of views on all of this. So do you want to offer any preliminary takeaways that are... when you think about what we've talked about?

Michael Barr: [11:22](#) I'll say for my part, I'm still learning. One of the joys of being able to bring people together as we did over the last two days is that you learn so much from top people in the field in a very short period of time. A lot of really key challenges to basic assumptions about what is a central bank? We had long discussions about what is money.

Jo Ann Barefoot: [11:46](#) Yes, we did.

Michael Barr: [11:46](#) And so really trying to use that opportunity to regroup, test our focus, see whether we're heading in the right direction and then continue to learn over the course of the next year or so. I didn't come away with definitive answers to the questions that we posed, but I think we'll be able to pose the questions better in the project because of what we learned.

Adrienne Harris: [12:10](#) I will say, because this task is so big and so daunting, one of the things we did as part of this conference was issue a call for papers that is available on the Central Bank of the Future website is part of the center on finance law and policy, and it's not just a call for papers like you might see at many

conferences. We've also asked people for tech proposals and policy proposals.

- Jo Ann Barefoot: [12:30](#) Great.
- Adrienne Harris: [12:31](#) So all that information will be up on the site and we look forward to engaging the ecosystem to get some help in clarifying our questions and finding some answers so that some of those ideas come out in next year's conference.
- Jo Ann Barefoot: [12:43](#) We will link to that in the show notes. Do you know off the top of your head what the URL is for that?
- Adrienne Harris: [12:49](#) I do not. I do not know.
- Jo Ann Barefoot: [12:49](#) All right, we'll find it and put it in here.
- Adrienne Harris: [12:50](#) Yeah.
- Jo Ann Barefoot: [12:52](#) Yeah, so when do you think the... Do you have a timeline for finishing the [crosstalk 00:12:58]?
- Michael Barr: [12:56](#) We do. We're going to be done in January of next year.
- Jo Ann Barefoot: [13:04](#) Wow.
- Michael Barr: [13:05](#) So not much time.
- Adrienne Harris: [13:06](#) January of 2021.
- Michael Barr: [13:08](#) 2021.
- Jo Ann Barefoot: [13:09](#) Oh, okay.
- Adrienne Harris: [13:09](#) Yes.
- Jo Ann Barefoot: [13:10](#) I was [crosstalk 00:13:10].
- Michael Barr: [13:12](#) Yes, 2021. We're going to be done in January of 2021. So we have another year and a couple months to go.
- Adrienne Harris: [13:18](#) Yeah.
- Jo Ann Barefoot: [13:19](#) Got it.

Adrienne Harris: [13:19](#) Yeah.

Jo Ann Barefoot: [13:20](#) Well, when that happens, I feel like our listeners have their appetites ratted on this. I know everyone's going to be so fascinated by it. So when you're ready to put the report out or have put it up, we will sit back down and try to help share the word on it, and meanwhile, where do people get information on the school itself and the public policies there?

Michael Barr: [13:44](#) The best thing to do is to go to the website of the Ford School, the Gerald R. Ford School, and it's easily Googleable, findable online.

Jo Ann Barefoot: [13:51](#) Great.

Michael Barr: [13:52](#) And within that, you can also learn more about the center on finance on policy.

Jo Ann Barefoot: [13:57](#) Fantastic. Michael Barr, Adrienne Harris, I want to thank you for being my guests today. This is so exciting.

Adrienne Harris: [14:04](#) Thanks for having us.

Michael Barr: [14:04](#) Thank you.