

Jonas Groß: Frank, at the Blockchain Roundtable you organized in January, you mentioned that you've been involved with Bitcoin since 2012. How did it come about that the topic of Bitcoin - or perhaps more broadly "crypto" - has become a topic for the entire FDP and thus also plays a role in the election campaign?

Frank Schäffler: We've done this before as well. In our last election program, we had already chosen formulations stating that we want a crypto-friendly environment in Germany, which we also consider important for Germany as a business location. And we even had friendly formulations in the coalition agreement. But what we have now that's new is that we want Bitcoin reserves at the central bank and that we approve of this.

Michael Blaschke: One observation from my perspective at least is that the FDP is taking a particularly positive Bitcoin stance now. And I'm wondering why this wasn't already the case earlier as part of the federal government? Why not demand a Bitcoin reserve in the first year of government?

Frank Schäffler: I've been dealing with this for quite some time. But it's always the case in parties: You need to have majorities and you need to assert yourself. And I've succeeded in doing that now. This sounds a bit like an accusation, but: nobody complained about Donald Trump changing his opinion 180 degrees within two years. Parties don't function in a way where someone just says, now we're doing this and then everyone does it, but rather it has to grow and you have to gain understanding.

I've always held the opinion that the topic of currency competition, decentralization of currencies, private currencies, is a very good topic for liberals because it matches our DNA. I'm very happy that Christian Lindner has also picked this up in the debate in the German Bundestag and that we've now written it even more clearly in our election program. And that's continuous work. It also makes me proud that I've succeeded in doing this in recent years.

In politics, of course, it's not enough if only the FDP demands something; in the end, you need political majorities. But just the fact that Christian Lindner said this in the Bundestag debate has also created an international movement. It's no coincidence that other countries in Europe are now also thinking about it. For example, the Czech Republic. This probably wouldn't have happened if there hadn't been an impulse from Germany - because many members of the European Union do look to Germany. This means you

shouldn't believe "it's coming tomorrow," but I believe the trend can no longer be stopped. Even if Ms. Lagarde currently says "we don't want that." Ms. Lagarde won't be ECB President forever, and then perhaps someone new will come along who sees things differently.

Jonas Groß: Let's dive deeper into the topic of Bitcoin Reserve. As an economist, I naturally have a few questions about how exactly the FDP envisions this: what concept do you have in mind for a Bitcoin reserve? For me, there would primarily be three questions: 1) Who invests? Is it the German state, the Deutsche Bundesbank, the European Central Bank (ECB)? 2) What is being invested in? A few weeks ago, there was a focus on a Bitcoin-only reserve. Meanwhile, Christian Lindner has also spoken more about a broader crypto reserve. 3) How is the investment made? Is it really about actively buying Bitcoins? Or is it primarily about holding confiscated Bitcoins?

Frank Schäffler: Well, it's primarily about central banks investing in Bitcoin as part of their reserves. I'm limiting this to Bitcoin. I know that the ECB has gold reserves worth 41 billion euros. The Deutsche Bundesbank has, I believe, 140 billion in gold reserves. This is about diversifying these investments, not putting all eggs in one basket, but in multiple ones. From my perspective, it's not about the state somehow keeping confiscated Bitcoin that law enforcement agencies have seized. In summary, I mean a Bitcoin reserve where central banks diversify part of their reserves - so the ECB or the Bundesbank. This is primarily a political message. The ECB and the Bundesbank are independent and they naturally invest their reserves as they want. In this respect, it's a political message that we as FDP are sending out. What the Bundesbank and ECB do is, of course, up to them.

The other question is what the state itself does. We have made the proposal for a stock-based pension, which should stabilize the state pension insurance in the long term by investing a portion in stocks. Here, I can, in principle, also imagine investing in crypto assets or just Bitcoin.

Michael Blaschke: Let's summarize the FDP's ideas. The central bank invests only in Bitcoin. This would certainly please the Bitcoin maximalists. Investments are made through active, systematic new acquisition. This means not just through holding confiscated Bitcoin, which definitely didn't happen in Saxony, for example. There, Bitcoin was unfortunately even sold, which meant a massive loss - or at least missed

gains. But clearly: Legal requirements necessitated the sale, so these positions had to be liquidated.

Frank Schäffler: That's naturally not doable in our system of federalism. You can't now say that law enforcement agencies in Saxony confiscate Bitcoin and then the federal government invests these Bitcoins. That won't work. Rather, these are revenues that flow to the state of Saxony, and they must decide what to do with them.

Michael Blaschke: What would be the goals of a Bitcoin reserve?

Frank Schäffler: First, currency reserves are generally the last anchor for a central bank. See, for example, gold reserves. This anchor function also applies to Bitcoin. It also serves to create confidence in a currency. And that's the decisive factor from my point of view.

Jonas Groß: Let's now discuss a possible volume. In the US, a proposal is currently being discussed to acquire 1 million Bitcoins at the state level. At today's price, that would be a reserve volume of 100 billion euros. What might be a realistic volume for a Bitcoin reserve here?

Frank Schäffler: If you say that Bitcoin is digital gold, then I - as Bundesbank - would invest at least as much in Bitcoin as in gold. 141 billion euros are currently held by the Deutsche Bundesbank in gold, if I've seen that correctly.

Michael Blaschke: How realistic is it that we'll get a Bitcoin reserve in Germany in the next legislative period?

Frank Schäffler: That's naturally a difficult question. Politics is ultimately about formulating goals and then trying to implement them with a majority. And often things need a certain time until they arrive in other parties as well. We will fight for this to happen, but in the end, the FDP alone is not enough to implement something like this - we need parliamentary majorities - and we also need understanding in the central banks. We need the right personnel who show understanding for this. If you look at how this question is discussed - how it was discussed two or three years ago and how it's discussed now - there is already a fundamental change. And that's first what you have to aim for.

Michael Blaschke: How does a monetary system where the state or central bank has the money monopoly fit together with a decentralized technology, i.e., Bitcoin, where the state only has influence to a certain degree, if at all?

Frank Schäffler: The state unfortunately has no real interest in promoting this extensively because it creates competition for the state's way of financing its expenditures. The state does this through new debt, and money creation is naturally a very grateful instrument - to put it cautiously. And when a scarce asset, as Bitcoin ultimately is, enters into competition, then the original business model is rendered ad absurdum. And that's naturally a problem. But I believe that the international spread of Bitcoin will force states to think about it. Private competition will emerge. Whether states want it or not, they will try to regulate it, which they're already doing by regulating the intermediaries.

But in the end, I believe they won't succeed in prohibiting or restricting it. And therefore, modern states must react to it. They must ultimately learn to deal with it. And it's best to put yourself at the head of the movement and not let it pass you by.

Michael Blaschke: One has to fairly distinguish: Bitcoin as an asset or Bitcoin as money. What we're debating here is Bitcoin as an asset as part of a reserve. That doesn't immediately mean that Bitcoin is now being used as alternative money in Germany. But of course, it can be used as money in general: Using Lightning technology, payments are already being processed within Germany or across borders with Lightning. Nevertheless, it's simply exciting to see how the FDP positions itself today, that is, to what extent a perfectly decentralized monetary system can be married to state monetary autonomy at all.

Frank Schäffler: If you go into history, I've already published about this. In 2009, I wrote a large newspaper article about this with a few colleagues in the FAZ. I was always a friend of currency competition, in the Hayekian sense, because I believe that the debt crisis of states and banks worldwide can only be suboptimally solved through rules that we write in the constitution or that we pass in parliament. Much better is currency competition, which then forces state money to become "good money" by coming under pressure from private money. And I believe that would be a much better zero debt policy than a constitutional one that we have today and where everyone fiddles around and looks for exceptions and is only conditionally adhering to in the end. And therefore this Hayekian idea fascinated me early on because I believe money is a good like any other and

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therefore can be exposed to competition and doesn't have to be unified by the state, because this unification naturally has advantages. But it also has major disadvantages, namely that it's easy for the state to get into debt and to pass on this monetary inflation to the consumer without them really noticing it.

As a recommendation: I was fascinated by [The Denationalization of Money by Friedrich August von Hayek as a book](#). It has also been published in German. Hayek proposed this in 1976 during the oil crisis. He essentially anticipated the idea of Bitcoin. That's the exciting thing about it, that someone writes a book and says money is a good like any other, must be exposed to competition, and then the best one prevails. That this subsequently became reality with Bitcoin, I still find fascinating.

Jonas Groß: Back to the Bitcoin reserve: With all the optimism we have around the topic, what are the challenges from your perspective?

Frank Schäffler: First of all, the central banks naturally have to implement this. And there, the establishment, as I would call it, is cautious at first. Ms. Lagarde recently rejected the idea that central banks in the Eurosystem invest in Bitcoin reserves. But the fact that she announces and addresses this at all in a press conference shows: We've come a whole step further. ECB presidents have never done this before. But of course, it's a challenge to convince the established world of this as well. And podcasts like yours contribute quite well to this.

Moreover, central banks are able to influence systems. That means a central bank can create money out of thin air. That means they can invest infinitely out of thin air - also in Bitcoin. But: Bitcoin transactions are traceable. In that respect, something like this wouldn't be completely anonymous, unlike with gold. We know historically that central banks have repeatedly influenced the gold price and the central banks themselves have no interest in a gold price exploding. Because that would be an indication of a crisis or problems in the monetary system. In that respect, this challenge naturally exists for Bitcoin to some extent as well. However, not as strongly as with gold.

Michael Blaschke: What would be the optimal share of Bitcoin in the total reserves for a central bank's portfolio?

Frank Schäffler: For me, the current discussion about the Bitcoin reserve is more of an appeal, the beginning of a discussion. We don't want to prescribe to the Deutsche

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Bundesbank how it invests its reserves, but we want to start a discussion about it. And we also need to get into discussion with the Bundesbank. They also have to justify why they're not doing it. They also have to deal with it contentwise. That's totally important from my point of view.

And a lot has happened in recent years. I can still remember: [2013. when I posed a written question on crypto tax policy to the federal government](#): Here it was said, Bitcoin is private money and it's treated tax-wise like this and that - gains are tax-free after one year. That was sensational back then. And many then said, "Bitcoin, what's that?" And meanwhile, it has reached the daily newspaper, the media, investors everywhere. So the topic has arrived in the middle of society. Unfortunately not yet at the ECB, unfortunately not yet at the Bundesbank, but that's the next step. And now we have to work on this together. This won't come all at once, but rather it's an evolution that's taking place.

Jonas Groß: And I see that as a task for all of us, to drive these topics forward. That's what we try to do with our podcast. That's why it's great that you're driving the topic forward from the political side. One more follow-up question about the Bitcoin reserve. Why should central banks rather than the state invest in Bitcoin as the primary focus from your perspective? I would assume that as a political party, you could more easily influence implementation on the state side rather than on the central bank side.

Frank Schäffler: Ultimately, that's also part of our ideas that we've proposed. The topic of Bitcoin reserve of central banks is naturally a bit more sexy than, for example, the stock-based pension. And therefore that's an important topic from my point of view. But as said, we want to focus more on the Bitcoin location Germany overall, because we believe that we have quite good conditions to advance this in Germany. We are one of the few countries that are also very attractive tax-wise. To my knowledge, there are hardly any other countries in the world where crypto or Bitcoin returns are tax-free after one year. We always complain about what doesn't work. But you have to sometimes acknowledge what positively distinguishes us from other countries.

Jonas Groß: Is there a danger that this tax exemption could change in the short to medium term?

Frank Schäffler: Yes, there's always that danger in tax law, especially in income tax law. That's naturally always a topic of legislation. I have been a member of the Finance

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Committee in the German Bundestag for a long time. You can change income tax law there at any time.

It's not quite as easy to change this tax exemption. Because then it would also affect many comparable forms of investment, including gold or currencies in general. It's not quite easy to differentiate Bitcoin here, but the finance ministers still manage to make an effort.

And then you can take action against it. So it's not set in stone, but in the end it also depends on political will. And we have created a bit of clarity in the end. In 2022, Christian Lindner in his role as the Minister of Finance, for example, [published regulations on staking, lending and airdrops, those don't specifically look at Bitcoin, but rather at the wider crypto world](#).

Michael: We thank you for the conversation, dear Frank. And also the FDP, not only for recognizing Bitcoin and blockchain as freedom technology and promoting it in the political opinion-forming process, but also specifically for demanding a Bitcoin reserve and thereby contributing to the topic being debated internationally. We naturally welcome this very much and wish you and the FDP much success in the election campaign. You probably have a stressful time because of this right now.

Frank Schäffler: I thank you. You have a great podcast - I wanted to say that again, which I also listen to privately. Can only recommend it.