OPPORTUNITY 26

SCOPE VISIONARY

UNCERTAINTIES

Systems, Collaboration

MEGATRENDS

Boundless Multidimensional Data

TRENDS

Artificial Intelligence
Cross-sectoral partnerships
Edge computing
FinTech
Government Agility

SECTORS IMPACTED

Communication Technologies & Systems
Consumer Goods, Services & Retail
Cyber & Information Security
Data Science, AI & Machine Learning
Digital Goods & Services
Financial Services & Investment
Government Services
Insurance & Reinsurance
Professional Services
Real Estate

What if we no longer needed monetary policy?

BALANCED BOOKS

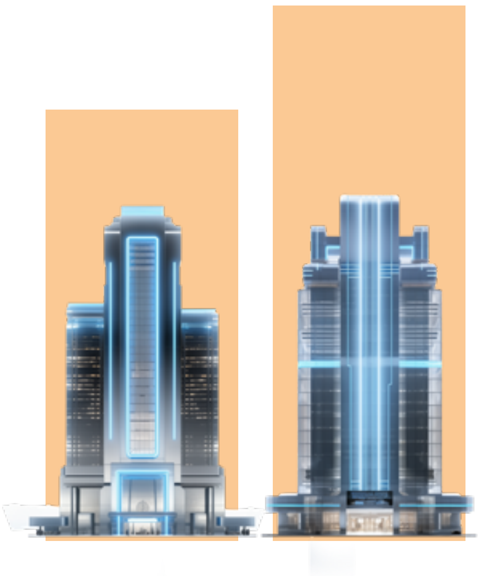
Advanced machine intelligence, edge computing, and the internet of things (IoT) make traditional methods like interest rate adjustments obsolete, enhancing financial stability and fostering sustainable growth.

WHY IT MATTERS TODAY

Monetary policy impacts on society. Lower interest rates can reduce savings returns, affecting retirees or those on a fixed income, while higher interest rates increase mortgage payments. Inflation raises the cost of living. Together with other shifts towards a new financial monetary system,[601] the previously independent roles of central banks and government fiscal policy are becoming increasingly interwoven.[602]

In the latest global financial stability report from the International Monetary Fund (IMF), global financial stability is fragile. Central banks may need to maintain tight monetary policies longer than expected because of high inflation, posing risks like asset repricing and banking vulnerabilities.[603] Global monetary policy synchronisation is decreasing as each nation faces unique economic conditions and opportunities for cooperation. In some cases, there is talk about shifting the stance on the global 2% inflation target to be higher in the short term.[604] Since at least the global economic crisis of 2008, lagging fiscal and monetary policy responses have resulted in heightened alerts and constant uncertainty, with calls to rethink approaches to monetary policy.[605]

Central banks are integrating artificial intelligence (AI) to support macroeconomic projections and forecasting[606] and are increasingly seeking to integrate new data sources, from real-time credit card data and social media data to Google Trends.[607] In 2019, more than 60% of central banks incorporated big data into their operational processes, and some 67% utilised big data in their policymaking decisions.[608]



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With advanced machine intelligence, edge computing, and the IoT, central banks become super-modellers continuously refining their approach, potentially making monetary policies, such as interest rate adjustments, obsolete. Addressing inflation, through various economic, social, and environmental inputs, allows central banks to accurately predict and automatically adjust to macroeconomic and national economic shifts.

This approach ensures real-time alignment of policy with economic realities, harmonising monetary and fiscal policies, strengthening financial stability, fostering sustainable growth, reducing the risk and costs of economic crises, and thus eliminating the usual tensions between those policies.[609]

BENEFITS

Mitigates risks to financial stability and promotes growth by monitoring shifts in real-time, fostering investment through interconnected national policies. Stable economies and price certainty enhance sustainable growth, benefiting all sectors and society.

RISKS

AI-guided monetary policy does not adequately address embedded bias or inaccurate information, leading to undesirable socio-economic outcomes.[610] AI-guided monetary policy may exacerbate global disparities favouring data-rich and technologically advanced nations. Exposure to cybersecurity threats and the potential for misuse leading to a financial shock that is challenging to resolve because of the AI black box.

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