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U.S. Central Bank Digital Currency: Threat to Americans' Core Freedoms

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The Federal Reserve is getting closer to issuing the U.S. dollar as a central bank digital currency (CBDC), with the announcement of the around-the-clock, FedNow instant payment service starting in July. FedNow is a pilot program that was birthed last March, with President Biden's executive order (EO) initiating the study and support of technological advances in digital assets.

According to the White House, the Biden administration received nine reports within the EO's deadlines, from stakeholders that "articulate a clear framework for responsible digital asset development and pave the way for further action at home and abroad." Knowing the potential benefits and risks of a U.S. CBDC, those reports encouraged the Federal Reserve to continue its ongoing CBDC research, experimentation, and evaluation, which led to the new FedNow payment service.

But with the current banking crisis, and the notable instability of cryptocurrencies, is pushing for a Federal Reserve-backed CBDC in the best interest of Americans — our freedoms, liberty, privacy, and security? A new comprehensive report issued by the Cato Institute found no reason for the federal government to issue a CBDC. Cato's *Central Bank Digital Currency: Assessing the Risks and Dispelling the Myths* declared that CBDCs "threaten Americans' core freedoms—a cost that far outweighs the purported benefits that proponents promise."

Even though the FedNow program is not a CBDC, it is definitely an experiment toward gaining the American public's trust with what can easily be described as a CBDC prototype. But before the Fed can issue the U.S. dollar as a CBDC, specific requirements must be satisfied. According to the Federal Reserve, any U.S. CBDC should, among other things:

- provide benefits to households, businesses, and the overall economy that exceed any costs and risks;
- yield such benefits more effectively than alternative methods;
- complement, rather than replace, current forms of money and methods for providing financial services;
- protect consumer privacy;
- protect against criminal activity; and have broad support from key stakeholders.

All that sounds great, but do Americans trust the government to do the right thing? The Cato report shared a graph from Pew Research that showed a mere 20 percent of Americans trust their government. And to successfully turn the dollar into a digital currency, the government needs their citizens' trust.

Cato's report looked at what proponents of a U.S. CBDC say it would do, such as "promote financial inclusion, spur faster payments, protect the U.S. dollar's status as the world's reserve currency, and make monetary (or fiscal) policy easier to implement." All of these claims were investigated in the report, and Cato found that "all four arguments fail to stand up to scrutiny."

Going through Cato's analysis on CBDCs, many red flags appeared, clearly showing why a digital dollar is a bad idea and anti-American. Key to most Americans, especially those wanting to be free and have the government out of their lives, is financial privacy. Cato comments on that red flag:

> Americans have a right to privacy that is protected by the U.S. Constitution, but the right to *financial* privacy has been chipped away for decades. Laws designed to counter terrorism, deter money laundering, and collect taxes largely provide the government with the ability to conduct unchecked surveillance over financial information. Nonetheless, a CBDC could spell doom for what little protection remains because it would give the federal government complete visibility into every financial transaction by establishing a direct link between the government and each citizen's financial activity.

Another red flag shared in the report is how CBDCs would take away Americans' financial freedom, as "a CBDC would provide countless opportunities for the government to control citizens' financial transactions. Such control could be preemptive (prohibiting and limiting purchases), behavioral (spurring and curbing purchases), or punitive (freezing and seizing funds)."

Also, a U.S. CBDC would destroy any chance for the free market to prevail for any private banking institution; Cato found that the banking industry would find it difficult to compete with the government. Simply put, "private firms have to charge enough to cover their costs and earn a profit, whereas the government provider of the same service does not have to do so."

And then the big elephant in the room — can the government protect the central bank and the assets of hundreds of millions of Americans from cyberattacks? That concern alone is a perfect reason to say "No!" to a digital dollar.

Cato closed their analysis of CBDCs by recommending that "Congress should explicitly prohibit the Federal Reserve and Treasury from issuing a CBDC in any form."

The report's conclusion warns that we cannot allow the Biden administration to issue a U.S. CBDC:

> CBDCs have the potential to radically transform the American financial system, and all signs point to that transformation being a detriment to the American people. A U.S. CBDC poses substantial risks to financial privacy, financial freedom, free markets, and cybersecurity. Yet the purported benefits fail to stand up to scrutiny. There is no reason for the U.S. government to issue a CBDC when the costs are so high and the benefits are so low.