What Would a Digital Dollar Mean for Americans’ Privacy?

When asked whether a Federal Reserve or Central Bank digital currency might be on the horizon, Federal Reserve Chairman Jerome Powell told a congressional committee this year, “We’re nowhere near recommending or let alone adopting a central bank digital currency in any form.”

Powell admits that while the central bank continues to work on a digital currency, he realizes the obstacles to success at the present time are insurmountable.

For starters, the Fed knows a Central Bank Digital Currency or CBDC could wreck the nation’s banking industry, threaten the dollar’s status as the world’s reserve currency and even threaten the Fed itself.

Financial Expert Nick Anthony of the CATO Institute and author of Digital Currency or Digital Control?, says CBDCs don’t do much of anything well, except spy on you and control your money.

Anthony says the government can’t be trusted with CBDCs “…because they’re so ripe for abuse. The government would have Americans’ data by default. It would be on their servers, a click away.”

Digital money could be programmed for use only toward certain purchases, at certain times, or with an expiration date. It could also be used to manage the economy, such as encouraging spending by charging negative interest on those who don’t spend.

It could also be turned off, like how the Canadian government froze hundreds of bank accounts to stop the Canadian truckers' blockade over COVID restrictions.

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"Programmability has been something that many central banks and many governments have been looking into where payments could be programmed or the money itself could be programmed," Anthony says. "It's really only limited by the 'creativity' of government officials."

Americans already have digital money, from credit and debit cards to apps like PayPal and cryptocurrency.

In addition to competing directly with those financial tools, a Central Bank Digital Currency would be able to divert funds that private banks need to survive.

Anthony says, "If we think about the current banking system where deposits come in and then banks use those deposits to fund loans, a CBDC poses a fundamental threat to that. Where every dollar that's held as a CBDC instead of in a savings account, for example, would mean that that's a dollar less that the banking system can use."

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