

## CBDC: “Danger Will Robinson! Danger!”

by Charles B. Wendel

There is lots of talk on social media about Central Bank Digital Currencies. Unfortunately, it has been feeding the conspiracy minded. Even more unfortunately, the conspiracy minded, as in other cases (JFK and MLK assassinations, Big Pharma’s power, Covid regulations, to name a few areas) may turn out to be right. People like Tulsi Gabbard, Robert G Kennedy, Jr., and Ron DeSantis all oppose CBDC. And a current *Newsweek* opinion piece features the ominous title, “CBDC will be the end of American Freedom.”

Yet most bankers (and customers) I know have spent little time thinking about what a CBDC is and how it might impact our lives.

*What is a CBDC?* Wikipedia offers the following objective definition: “A central bank digital currency(CBDC) (also called digital fiat currency or digital base money) is a digital currency issued by a central bank, rather than by a commercial bank. It is also a liability of the central bank and denominated in the sovereign currency, as is the case with physical bank notes and coins.”

Another Wikipedia definition : “CBDC is an electronic form of central bank money that can be used to store value and make digital payments seamlessly.” The article mentions that CBDCs may have been “inspired” by Bitcoin and may use blockchain technology. The US and 90 other countries are considering issuing CBDCs. On March 9<sup>th</sup>, the Biden administration issued an Executive Order to research issuing a US government CBDC.

A “digital dollar” seems straightforward. But why would the website “How-To Geek,” among others say “They [governments and their CBDCs] are coming for you and you bank sooner than you think.”

*First, some positives:*

- Offers a secure and reliable payments mechanism
- Provides financial inclusion to the unbanked (as claimed by proponents)

*Issues and concerns include:*

- A nation-state will control the currency. A least some cryptocurrencies operate in a decentralized fashion
- Using crypto is an option. Adopting CBDC may not be.
- Privacy concerns related to a centralized currency are significant. All transactions can be traced.
- The government could block transactions or freeze your account. Look at recent events in Canada as an example.
- It could curtail our economic freedom and create a surveillance state
- A *Forbes* opinion piece states, “Another potential drawback is that CBDCs could have a negative impact on the banking sector. Banks may face increased competition from CBDCs, which could lead to a decline in their profits and a reduction in the availability of credit.”

- Expiration. An article titled “CBDCs: A Monetary Highway to Hell” states “Your money could be programmed so that if you don’t spend the \$5000 in your CBDC account by next Saturday, it will expire. Think this sounds absurd? According to this [Wall Street Journal article](#), China has tested expiry policies with its own CBDC.
- Its impact on monetary policy is unclear.
- From the same “Hell” article above: “A government could segment its voters, identify communities where it is behind in polls, and deliver stimulus to these groups.” The buying of voters is bad enough today. Imagine how it could be taken to a new level.
- The Cato Institute states a cyber-attack on a CBDC could disable the entire network, stopping the ability to conduct transactions.

Ron DeSantis summarizes how many view CBDCs: “The Biden administration’s efforts to inject a Centralized Bank Digital Currency is about surveillance and control.” And concerns cut across to progressives and moderates like Kennedy, Gabbard, and others. But as of now, most of us are simply not paying attention to this phenomenon. So, the Deep State and typically uninformed and self-interested politicians and bureaucrats can continue to push us down a potentially dangerous road.

All banks but the very biggest could see further erosion in their business model and their ability to differentiate and compete. Community and regional banks should view CBDCs as a threat until it is demonstrated they are not. Management should be paying attention to and developing industry-wide strategies related to wholesale and retail CBDCs.

*FIC works with senior management and Boards on issues that are critical to a bank’s sustainability and growth. We emphasize practical solutions that we customize to a company’s capabilities and culture. Reach FIC at [cwendel@ficinc.com](mailto:cwendel@ficinc.com).*