

Biden orders work to begin on future digital dollar

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As the world's dominant reserve currency, an official US digital dollar could be a game changer for the global financial system.

President Joe Biden on Wednesday ordered government agencies to begin work on creating a digital US dollar, weighing the risks and

benefits of a move that could be a game changer for the global financial system.

Coming amid the explosive rise of private crypto currencies like bitcoin, the US effort will place "the highest urgency on research and development efforts into the potential design and deployment options of a United States" digital currency, according to an executive order signed by Biden.

"A United States CBDC may have the potential to support efficient and low-cost transactions, particularly for cross-border funds transfers and payments, and to foster greater access to the financial system," the order said, adding it could also be less risky than private digital assets. CBDC stands for central bank digital currency.

The world's largest economy will join more than 100 countries that are exploring or have launched pilot programs with their own central bank digital currency, including China's digital yuan.

Treasury Secretary Janet Yellen said agencies will "evaluate the potential financial stability risks of digital assets and assess whether appropriate safeguards are in place."

And due to the global implications of using digital assets, Washington will work with other governments on the effort that "will also address risks related to illicit finance, protecting consumers and investors, and preventing threats to the financial system and broader economy," Yellen said in a statement.

Governments and investors around the world rely on the US greenback as a secure investment, and the dollar is central to commerce as well, including to the global oil market.

White House economic adviser Brian Deese said on CNBC that "maintaining US global leadership" is a central goal of the effort, but noted the study will also look into "unintended consequences."

'Very deliberate'

Mark Sobel, a former Treasury official who is now a senior adviser at the Center for Strategic and International Studies, said the order is a "welcome development" in preparing the United States for the "future of money."

He called for the establishment of a "legislative framework" to handle digital assets like crypto currencies and CBDCs, which could ensure financial stability without compromising innovation.

Biden's executive order will have agencies including the Treasury Department examine issues including consumer protection, financial inclusion and use of digital assets for illicit activities.

The reporting deadlines are staggered, ranging from 30 to 180 days, and will include consultations with the private sector.

The United States "can move quickly, but we can also move in a way that's smart and that's inclusive," a senior administration official told reporters.

Administration officials have downplayed competition from Beijing, with one saying the US dollar "has been and will continue to be crucial to the stability of the international monetary system as a whole" and those issued by foreign central banks "do not threaten this dominance."

In addition to China, Nigeria in October launched its own virtual money, while El Salvador has allowed bitcoin to serve as legal tender.

Need for oversight

Digital assets, including crypto currencies, have seen explosive growth in recent years, surpassing a \$3 trillion market cap last November, from \$14 billion just five years prior.

The White House said around 16 percent of adult Americans—approximately 40 million people—have invested in, traded or used crypto currencies.

However, "without oversight, the explosive growth in crypto currency use would pose risks to Americans, to the stability of our businesses, our financial system and our national security," the official said.

Another official stressed the need to ensure all Americans benefit from advances, since "earlier forms of financial innovation have ended up hurting American families while making a small group of people very rich."

The Federal Reserve released a report in January noting that digital currencies could offer potential benefits to American consumers and businesses, but said it is not clear they would outweigh the potential risks.

The executive order encourages the Fed to continue that study.

There are concerns that digital currencies could be used to evade sanctions like those imposed on Russia for its invasion of Ukraine, but the official said they have not been a "viable workaround" for the "financial sanctions we've imposed across the entire Russian economy."

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