FedNow – A Precursor to CBDCs, ‘Totalitarian’ Control?

Richard Werner, Economics Professor and Author of “Princes of the Yen,” and Michelle Makori, Editor-in-Chief and Lead Anchor at Kitco News, discuss the Federal Reserve’s FedNow instant payments system, and whether it will be used to usher in Central Bank Digital Currencies (CBDCs), digital tokens issued and controlled by central banks. Werner explains what CBDCs are, and warns that they will be used to bring about ‘totalitarian’ control and a surveillance economy. He also proposes that the recent banking crisis and consolidation of banks could be used as an excuse to bring about CBDCs, and suggests political solutions that might prevent CBDCs from being implemented. – Transcript below video, and printable option at the bottom of post.

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Summary

The transcript covers an interview discussing central bank digital currencies (CBDCs) and the Federal Reserve’s new FedNow payment system. Key topics include how CBDCs differ from existing digital money, the conflict of interest from central banks competing with commercial banks, programmability enabling unprecedented surveillance and control, bank runs possibly being intentional to justify CBDCs, and legislative efforts to block CBDCs that threaten privacy and civil liberties.

Introducing CBDCs and FedNow Payment System

The interview introduces central bank digital currencies, explaining they are digital forms of fiat currency issued by central banks. The Fed’s new FedNow payment system to facilitate transactions is also raised, along with its potential links to CBDCs and recent bank failures.

Totalitarian Risks and Conflicts of Interest

Concerns around CBDCs are discussed including centralization of power, conflicts of interest from central banks competing with commercial banks, and enabling unprecedented government surveillance and control over individuals’ finances.

Questioning Recent Banking Crises and Failures

Suspicions are raised that recent major bank failures and runs might be intentional to erode public trust and consolidate power, justifying central bank digital currencies with increased control.

Legislative Efforts to Block Dangers of CBDCs

Legislative initiatives aiming to block CBDCs that threaten privacy, civil liberties and limit freedoms are outlined, requiring congressional approval and preventing central banks from issuing CBDCs directly to individuals.

Transcript Begins

Michelle McCurry 00:08

Hello, I’m Michelle McCurry, you are watching KitCoNews. As global markets are grappling with the aftermath of several big bank failures, the Federal Reserve has announced that its FedNow Instant 24 -7 Payment Network will be fully launched in July.

This is widely seen as laying the groundwork of facilitating a CBDC or Central Bank digital currency also known as Fedcoin. Generally speaking, a central bank digital currency is the digital form of a country's fiat currency.

A CBDC is issued and regulated by a nation's monetary authority or central bank. It is programmable so it can be modified to work or not work in certain transactions and it allows authorities to monitor every single payment made and received, obliterating financial privacy and anonymity.

Now supporters of CBDCs claim that they will prevent money laundering, deter criminal activities and help maintain law and order. They say that CBDCs will very importantly improve the speed and security of transactions and that they can be used to fine -tune monetary policy and allow for financial inclusion.

Critics however warn that CBDCs are the ultimate tool of control, censorship and surveillance. Well I could or not, 114 countries are already in various stages of developing CBDCs including 11 countries that have launched theirs.

And here in the United States, President Joe Biden in March of 2022 issued Executive Order 14067 which facilitates the development of digital assets including CBDCs. In November of 2022, the New York Federal Reserve launched Project Cedar to test a wholesale CBDC for cross -border payments.

So our central bank digital currencies are a way to facilitate more efficient transactions or an Orwellian tool of oppression. And how does the FedNow payment system play into all of this, especially in the context of the recent major bank runs and failures?

Well joining me to discuss all of this and more is Richard Werner, Professor of Banking and Economics. Richard is the author of Princess of the Yen. He is the father of the policy concept known as Quantitative Easing and is an expert on central banking and central bank digital currencies.

Richard has diverse experience in government, academia and banking including senior roles at Jardine Flemmings and Bear Stearns and he’s also consulted for the Asian Development Bank, Japanese Ministry of Finance and Bank of Japan as well as others.

Richard, very good to have you with us. Welcome to Kitco.

Richard Werner 02:57

Thank you for having me, it’s a pleasure.

Michelle McCurry 02:59

All right, Richard, we have a lot to discuss, including the Fed Now system, and especially what it means in the context of the current banking crisis. But before we do that, I want to get more background and basics on CBDCs in general.

Now, initially, the idea was launched by the People’s Bank of China. Then one could say that anything that the People’s Bank of China champions should be questioned. But give us the background of its inception and the basics of what a CBDC is.

Richard Werner 03:32

Right, well, I think we should start with the name, because this name, CBDC, Central Bank Digital Currency, is clearly deployed as something that’s supposed to give the impression that this is something new.

It’s technical, it’s digital, it’s modern. It’s the central bank is simply upgrading with a, there’s a new tool, it’s a technical thing, don’t worry too much about it. But it’s a new thing. That’s also what this name suggests.

Well, how new is it? How true is this? The fact is we’ve been using BDC, if you wanna call it that, Bank Digital Currency, for decades, it’s an old thing. Because that’s actually the money that we’re using in our economies worldwide for many decades.

Money is transferred through the banking system. In fact, money is created and invented and put into circulation by the banks through the act of lending credit creation, money creation, that puts the money into the system.

Essentially, almost all the money we're using was originally created by banks through lending. So the money that we have, because you see Federal Reserve notes, paper money, is only 3% of the money supply, something like that.

So over 90% is bank digital currency. It's just that nobody called it that.

So you can really tell that there's an intention here with this name. To give the impression is something new, that's different, we need to have it. When really the fundamental concept is not new, we've had bank digital currency for ages and actually there's nothing wrong with bank digital currency.

You could argue perhaps that the settlement buy and through banks has been somewhat slow. That is where the new settlement system comes in. And therefore the timing is suspicious. Why do they roll this out now?

Why not 15 years ago or a decade ago? And of course the banking system has done its job well in terms of making transfers of funds and payments. So why do we suddenly need to change it? What is this CBDC about? Obviously the difference is the C, the central. What we've had so far in America has really benefited very much from is a decentralized monetary system consisting of literally thousands of banks. They're all creators of the money supplied through their decision of who gets along, which small firm and they're kicking the tires, they're checking the loan applications.

It's a very decentralized structure at the heart of the economy. And now there clearly is a drive to introduce something that is far more centralized, central bank digital currency. So that's one important aspect already that goes to the heart of the issue.

Do we want a centralized system? A centralized system with a central plan is in charge. Or do we want a decentralized system where many people make decisions? And the central planners are not so powerful because there’s many others that make important decisions.

So this centralization is a very, very important aspect of what’s going on. And of course there was a problem with centralization. The centralization, you see, once you start centralization, interest continues, you centralize more and more and more.

In fact, that’s really what’s already been happening for several decades in the banking system. What does it mean? Centralization, well, concentration, the number of banks actually declining. In the US in the last 35 years, 10 ,000 banks have disappeared.

In Europe, there’s a new central bank, the European central bank ECB. And it’s a young central bank, only 23 years old. And yet they’ve succeeded in killing 5 ,000 banks already under their watch through their policies.

And it’s an official policy. They say, there’s too many banks. We want fewer banks. Why? Well, there are central bank where the central planners work and central planners want to centralize. And when does this lead to?

If policies continue that are not really helpful for banks, and we can come to that in recent examples, runs on particular banks, and what’s the role of the central banks in this? Anyway, the number of banks will continue to decline until what is left is the central bank, only one bank.

Now, we’ve had this before. We’ve had this in the Soviet Union. The Soviet Union is the prime example of a centralized economy with central planners in charge. And you have one central bank. And the central planners are most powerful.

And they have a central, centrally planned economy. Now, this doesn't deliver success. The decentralized system, it's empirically very well established, is far more successful, more efficient, more effective, and more resilient to shops.

It's very flexible. And the decisions are likely to be better if you've got 100 ,000 loan officers in thousands of banks making these small decisions. The aggregate result is going to be far superior to 10 central planners making the decision how much money to create, who to give it to.

The second point, and then I'll end my response, is the CBDC also means something quite extraordinary, namely, when you watch a play of a game of football in Europe, we've got soccer. Anyway, there's always an umpire, somebody who's watching that the rules are being kept, and there's an equal level playing field.

And it's a fair game. Now, imagine this umpire suddenly says, well, I'm getting a bit bored here. I want to score some goals myself. and starts to run after the ball. And oh, somebody's trying to stop it.

Well, give the red card and soccer, the yellow card, you get off the field, I use my whistle, and make the way free. Who's gonna score most? Obviously the umpire.

score and win the game. So umpires shouldn't join the game. Well, that's what's happening when central banks issue CBDCs why? Because the other thing that the central bank digital currency really is, is an account at the central bank.

And retail CBDCs, which is the type that for a long time the central banks have been pushing, means that ordinary people and companies have an account at the central bank, which means they don't need the bank.

So the central bank, which is the bank regulator, used to be an umpire, is suddenly stepping into the arena, into the, into the game, is participating, is competing against the banks. That’s an extraordinary development, because also it immediately shows, hang on, isn’t there a conflict of interest?

Michelle McCurry 11:05

Yeah.

Richard Werner 11:06

And with that in mind, because these plans have been around for a long time, it’s not a sudden thing, this idea of CBDCs, we should revisit the past 10, 15, maybe 20 years of central bank policies, because if their goal is, oh, there’s too many banks, we need to reduce banks, and by the way, we’re going to compete against banks, then maybe all their policies, monarchy policies, regulatory policies could have been affected by this conflict of interest, and maybe the policies were more or less designed to reduce the number of banks and allow the rollout of central bank digital currencies, which are, as you correctly pointed out, that’s the third feature, they’re not really a currency also, they’re a control tool more than anything.

Michelle McCurry 11:50

All right, a lot to break down there. And I get you’re making several points here, including that perhaps this was by design for a central bank national authority to have more control over the traditional financial system that consolidated power, as we know, is ultimately a bad thing.

You want more independent players for a number of reasons, certainly one of them being economic freedom. I get that digital payments have been around for a very, very long time. I mean, who practically uses cash anymore.

But let’s expand on the idea of the basics of a CBDC, how it’s potentially different because it operates on the blockchain, therefore allowing for transactions to be monitored 24 -7. And sure, governments can solicit or get the banking details from banks, but this would give governments a direct way to see every single transaction made, every single payment made, every single payment received.

So break down that idea for us how essentially it’s just a form of a fiat currency, but that is on a blockchain type of platform potentially, and that it eliminates privacy, eliminates anonymity, and can also be potentially programmable.

Expand on that for us, please, Professor.

Richard Werner 13:15

Yes, well, the key aspect is really the programmability. The blockchain, in a way, is a bit of a distraction because it could be on a blockchain or not. It doesn’t have to be. You have different options.

And ultimately, they could even just before launch change our mindset, or it’s not going to be distributed leisure blockchain. The key thing is it’s programmable. The technology is there to not just monitor every single transaction, but also to analyze this in real time and intervene, step in.

And you can have very quickly using algorithms, AI, ways to reshape society and essentially introduce a social credit system, as we’ve seen in China, where you get rewarded for certain activities. You get punished for others.

And the punishment will include, well, sorry, your money is not going to work for certain transactions. And the central plan is we’ll decide what’s good for you, what you’re allowed to buy, where you’re allowed to buy it.

Oh, you're outside your 15 -minute city area. Sorry, your currency, your CBDC is not working anymore. And you can then also even find you what type of things you're allowed to buy. This book is OK, but Princes of the Yen at quantumpublishers .blog.

Well, that one, we don't want you to read and find out how central banks have been manipulating the cycles and the economy to increase their power. And so it doesn't work. You can't buy it. They can essentially decide what's going to happen in society.

Now, that is such totalitarian power. And they've said this. They've said in various speeches, also at the BIS, the central bank of the central banks, where they've got a big project on CBDCs, how this is a marvelous, exciting technology that will give them so much power.

And so far, the tools that we've had and they've had, they don't give them these powers. And that's, of course, why they don't like cash. And they don't even like bank digital currencies, the bank money that we've been using.

Because the banks have been very good. They have not abused their position of power in the sense that they have not intervened to manipulate our transactions. They've, even to my knowledge, been quite good about bank secrecy, because we know that if you buy something on Amazon and other online retailers, all of them, the information of your transactions is being used.

Your searches in Google and so it is being used. Banks have, to my knowledge, essentially been lagging very much behind this and have not exploited the wide area of information they have on us on our transactions.

So based on this record, we should rather actually trust the banks, because their history has been less exploitative of the knowledge that is there. And with central bank discrepancy, it is linked to central planners who love to centrally plan and intervene and tell us what to do.

Michelle McCurry 16:40

Right. Is the idea here then a professor to create a totally cashless society? Because you have called this the most totalitarian control system in human history, that it is the ultimate tool of censorship and surveillance.

And even given some examples now, and of course, as I said, there’s concerns about privacy, there’s concerns about government overreach. Fast forward, assuming this does not get prevented, and we’ll talk about that in a little bit, but fast forward, if we fail to stop this and this does in fact get implemented, what does that look like?

Paint that picture for me. Cash is taken out of the system. We’re all forced to use central bank digital currencies. How do we transact? How is it distributed? And what could that mean in terms of what you call the most totalitarian control system in human history?

Richard Werner 17:35

Yes, of course, the precondition for this to be so totalitarian is, as you point out, to eliminate alternatives. And that has been happening. Cash is being de -emphasized in some European countries. You literally, they don’t use cash anymore.

In China, they use digital payment systems. Also, cash is very, very rare in the big cities anyway. But the big alternative is bank digital currency. And that’s why it’s so concerning to see suddenly runs on reasonably large, medium -sized American banks.

Very strange, because it doesn’t have to happen. If the regulators do their job, then it doesn’t have to create such a, we don’t have to see such a situation. So the alternatives need to be eliminated.

Then you have central bank digital currencies left. Now, they say, perhaps quickly to address that, oh, this is good, because then we can, as you mentioned here, we can be more efficient with monetary policy.

We can have inclusion, financial inclusion. We can restrict money laundering, crime and things like that. Well, actually, all these problems can be addressed with other things. Quite well. And we don’t need the central bank to be involved.

Financial inclusion has been taken care of in many countries in other ways. And if the politicians want to address this problem, because that’s a political question, you can solve it. You don’t need CBDCs for that.

The same for criminal actions. Well, there are already tools for that and policies. The CBDCs not really needed for that. There’s alternatives. So it’s not convincing argument. What about monetary policy?

Well, that’s an example of what they can and will do. And they’ve told us already, when there’s only CBDCs left, they say, monetary policy works better. Why would you mean what’s going to work better?

Well, sometimes it will be necessary to move interest rates very low. In fact, have negative interest rates. Okay. Well, and if we have alternatives to CBDCs, if you can put your money into cash, then of course, we can’t enforce the negative rates.

Why? Because what is negative rates, it just means they will take away parts of your money every month will be booked out of your account automatically. Sorry, it’s a negative interest rate. It’s like a tax.

It’s like taking your money. And of course, if you know, if you have cash as alternative, well, thank you. I’m going to move all the money into cash is what people sensibly will do. That’s why they don’t want these alternatives so they can just take your money.

Now, this is just the beginning, because the real totalitarian aspect comes into it when the programmability is used, where it can be totally fine tuned down to the person. And in real time, influence our behavior by restricting us from doing certain things and allowing us to do only other things or whenever you use money, you know, essentially from now on, once you’ve got CBDC as the only option, you’ll need the permission of the central planners.

But is this the United States of America? Where is the freedom? I need to ask a central planner, bureaucrat, how to spend my money? Well, that’s the other thing because they want your money to be in an account with the central bank.

And you know, the legality of this is once you put your money with the central bank and the central bank issues your CBDC, legally, they own the money, they have the money. Legally, you don’t even own it anymore.

You have a claim. But sadly, this claim is subject to a number of conditions. That is the programmability. And so maybe if they like and agree, they will let you spend on this occasion. If you’re in the right place and you’re buying the right thing and haven’t used up your carbon credits or whatever scheme they want to enforce.

Michelle McCurry 21:50

Right. And professor, you know, people hear this and they go, that sounds crazy. The government isn’t going to tell you what you can and cannot buy or pay for. But we saw COVID just to the extent of how government overreach can go.

I mean, we had certain countries, certain places in the world, imposed in curfews. People weren’t allowed to leave their house after certain times. If you have a programmable digital currency, well, certain countries impose what are essential goods to buy.

A programmable digital currency will just be programmed to not work to buy certain goods that the government doesn’t seem to be essential at that time. And of course, we saw the example of how this could curtail freedom of expression and protests with the truckers in Canada.

We had the freedom convoy, the truckers who were protesting against the vaccine. A whole other issue, whether or not you’re for or against the vaccine, but here are people wanting to express their opinion.

And we have the government of Justin Trudeau effectively issue an emergency law telling the banks that they have to take these people out of the system. It’s still required some coordination with the bank, but with a programmable digital currency, you can do it just like that.

There’s also, of course, the threat that people know that this could be done so that forces people to behave accordingly for fear.

Richard Werner 23:23

Exactly, precisely.

Michelle McCurry 23:25

Now, you said the word they several times in your answer there. Who is the they of which you speak?

Richard Werner 23:31

Well, I was quite specifically referring to the central planus. And essentially, it’s well known in, for example, in political science. There is a so -called theory of bureaucracy. What happens when you establish a bureaucracy that has certain powers, for example, to issue permits and licenses and authorize, and they have powers to intervene in the economy and society?

Well, we know human nature, and we have a long track record in history of what happens. That is always the same. So the theory of bureaucracy says that bureaucracies, even maybe they start out with the good intentions and you attract people to work there with good intentions for the benefit of society.

But ultimately, the pressures are on you in a hierarchy and they’re following the logic of their organization. Ultimately, the goal will become just to increase the power of that bureaucracy. And that’s always the tendency.

Now, put that together with the power of money and the power that control over money gives you and you have a central planning, central bank bureaucracy. And so it was referring to these central planus.

And they’re only human. That means they’re subject to the temptations that all humans are subject to when they’re given too much power, which is why decentralized systems historically have been superior because mostly humans can’t handle too much power.

Lord Acton says power corrupts. Absolute power corrupts. Absolutely.

Yeah, absolutely, Professor. Before I break down a couple of other issues, just on the pragmatic side of things, wouldn’t something like this be more susceptible to cyber attacks potentially? And what happens to a digital currency if we are completely cashless and we are completely digital when the power goes down?

Exactly. And these are some of the weakness and flaws in their arguments. And essentially, they've just come up with the longest possible list of reasons why we need this. But almost on every single point, you can show that we know we don't need it.

There are alternatives. There's some more resilience and better, some superior alternatives, usually decentralized and not relying so much on the particular quite narrow and sophisticated technology.

Because we know the more complex systems get, the easier actually they are to break down. And just to give an example, what if there is, as you say, the cyber attack or we just have a power failure, which is now not really out of the extraordinary in some countries in Europe even.

Some are running out of energy and these things do happen. Well, sorry, then nothing works because you do need electricity for the system to work. And that is not even mentioning the possibility of various software problems and errors that, you know, and, you know, the software we use in our computers, I mean, the ones that I'm using are very, very faulty.

And to then actually have to rely on this for crucial and really necessary functions always is a concern. You're increasing the vulnerability.

Michelle McCurry 26:55

For sure, a number of points of vulnerability, especially as the world is grappling with an energy crisis, many would say a self -imposed energy crisis in certain parts of the world. But nonetheless, there is rising incidences of power outages, which sort of negates much of the argument of the efficiency of a digital currency.

I want to discuss the Fed now idea before we talk about how this is being perceived in the United States and what can be done about it. Because as I say, we're in the middle of this banking crisis, and the Fed says that it's ready to launch its FedNow system, which shares goals with CBDC.

It doesn't use cryptocurrency or distributed ledger technology, but it has been advanced as a complement, if you will, to central bank digital currencies. And many are saying that this is a precursor, that this will precede a CBDC.

So firstly, help us understand what FedNow is exactly.

Richard Werner 27:59

What it is a settlement system for financial transactions that is offered by the Fed and run by the Fed. In that sense, it's not really new either because in other countries we have these systems already run by the central banks and they've been in place for a long time and there have been no issues.

So it is possible to have the system and it can run smoothly and doesn't need to be a cause for concern and can increase speed of settlement and things like that. What is concerning is that we know that this has not been introduced so far in the United States and why is it just rolled out right now at a time when we do have concerns about the intentions of the central planners because they have told us about those intentions.

And central planners at the central banks have said, oh, banks, there are too many banks and well, we need to improve the system by having more centralization. Well, that together with this introduction now is somewhat suspicious and I think that is really actually the underlying reason why we have still worries about the banking system at the moment in the US.

Once, if you have the central bank on your side as a bank and in general the banking system, then it's rare that you have bank runs. But I think what people have realized is, well, hang on, there’s a conflict of interest.

The central bankers want to compete against banks so we can’t really trust them anymore to really take the benevolent policies that are good for society and create stability. Maybe there’s a different agenda.

Maybe it’s all about rolling out their central bank digital currency and you see, that’s why this is a genuine concern and really the central planners, the burden is on them to demonstrate that they actually have everyone’s benefit and welfare at heart.

We haven’t seen much evidence of that.

Michelle McCurry 30:18

Look, many are saying that the timing is very, very curious. We’ve had a slew of bank failures in the US, Silvergate, Silicon Valley Bank, Signature Bank, liquidated hundreds of billions of dollars in assets in Europe, credit suise given a $54 billion credit line from the Swiss government to shore up its banking operations.

We’re seeing consolidation in the traditional banking system, which as we discussed earlier in this interview is not a good thing, not a good thing for a number of reasons, certainly economic freedom being one of them.

And some have speculated that these ongoing crises will be exploited to bring about CBDCs. Nick Carter, who’s the general partner at Castle Island Benches, a big VC firm, which was an early investor in BlockFi and Bitwise, who’s very vocal about these things, he tweeted out, the political case for CBDCs became much, much stronger this weekend.

The issue with CBDCs was always disintermediating commercial banks, but now that no one trusts commercial banks, dot, dot, dot. So I think the implication is that since people don’t trust their money with the banks, perhaps they'll be more open to this idea of a CBDC and money in their CBDC digital wallet.

And this could be a way to sort of manipulate perception of this issue. What do you make of Nick Carter's assessment or views there?

Richard Werner 31:44

Well, there's no doubt that this is how many people will see it. We can't trust the banks and what alternatives are there? Oh, the central bank is offering this very good. But at the same time, more and more people are realizing, as I'm sure he is, that this is intentional.

Now, already 23 years ago, I warned about what I called regulatory moral hazard. Why also alternative called a central bank risk. The risk that the central planners, the regulators of the banking system, have a different agenda because we've always rewarded them for each failure, for each crisis, by giving them more powers.

And literally, you're back to any major financial crisis. In the aftermath, the story is always, well, it's too bad this happened. And obviously, we need more powers to prevent this next time. They say this each time.

And each time we give them more powers. Literally, more power to make decisions, interfere. And it's been quite dramatic in Europe. The ECB has become even more powerful, really was the most powerful central bank in terms of lack of accountability and so on.

And so this regulatory moral hazard. So I want, as a result, we're likely to see more and more crises because the key decision makers who could stop and prevent that, they benefit. They just get more power each time from each crisis.

Michelle McCurry 33:15

You said that this is intentional. I mean, that's a pretty big statement. Intentional by design or intentional as a byproduct of not the best thought out policies. What exactly do you mean by this was intentional?

Richard Werner 33:35

Well, what I said is it looks like it could be intentional and a market player. Some are saying it's intentional. Now, whether it is or not, we have to see in each case. But certainly the suspicion is out there and there's plenty of people tweeting that, hang on, you know, why are they doing this?

Where was the Fed when, you know, 48 billion dollars in deposits were withdrawn from Silicon Valley Bank Thursday a week ago?

Michelle McCurry 34:02

saying intentionally designed to bring down some of these big players, Silicon Valley Bank, second largest bank in the United States, intentionally intended to create then lack of confidence in Iran on other banks, which then goes to consolidate the system.

Well, like, expand on that.

Richard Werner 34:23

Any policymaker that makes policies, the presumption has to be that whatever policy they're actually taking is intentional. That is the presumption. I'm not the only one presuming this in many cases.

Presumably, when the Federal Reserve makes a decision about action or inaction, it is due to analysis of the situation and rational action based on that within their powers and legal framework. That is called intention.

Do you think that the Fed is constantly as good, their eyes blinded, and they're running around like a headless chicken? Is that really the pattern? Well, actually, the pattern is quite a consistent pattern over a long time period.

There's actually an approach in economics started by Paul Samuelson, one of the most famous economists in the last half century. He called it revealed preference. He said, in applying to central banks, paraphrase, this means don't really listen to what they say, watch what they do.

Their actions tell you, their actions tell us what their real intentions are because what they're doing, that is what they want to do, particularly when they're powerful and they have a choice of actions.

Clearly, the burden of proof is on them to show them what they're doing was an accident or something.

Michelle McCurry 35:53

Well, you know, they say by their actions, you shall know them. But at the same time, and again, just to play devil's advocate here, there is also the expression, don't attribute to malice what can be explained by stupidity or inefficiency.

So is this again by design?

Richard Werner 36:10

banks among the smartest people in the world.

Michelle McCurry 36:16

So this isn't, in your mind, they don't know what they're doing. They're doing this in tension. No, I think, no idea.

Richard Werner 36:21

I will always give each person the benefit of doubt. And I've met really, literally very smart central bankers and mostly the majority of staff at central banks are actually very well intentioned, but they are organizations and bureaucracies and each individual has restrictions on what they can do.

And even though the majority of individuals will do whatever, if they can, will do whatever's best for the US in America, the trouble is there's a limit, they have a boss, the boss has a boss, there's a structure that policies and it's an organization.

So within these restrictions, the result may be quite different from the individual intentions of a lot of the very well -meaning staff. But we've seen this in many organizations, that's nothing new.

Michelle McCurry 37:13

All right, Professor, I know we're running out of time here, but we have to address this very important issue before we let you go. And that is whether this is, in fact, inevitable, or if this can still be stopped.

Now, Fed Chair Jerome Powell says that they're still exploring the idea that it could take years until officials decide to implement a central bank digital currency. There does seem to be consensus that this, at the very least, would require congressional approval.

Now, because CBDCs could be used as tools of surveillance and control, thankfully, there is some pushback against this. House Majority Whip, Tom Emmer, has introduced the CBDC Anti - Surveillance State Act, which would ensure that any digital version of the dollar must uphold our American values of privacy, individual sovereignty, and free market competitiveness, as he puts it.

And Representative Emmer is pushing for oversight over the Fed. He wants to prevent central bank digital currencies being issued directly to individuals, which he says would erode

American’s rights to financial privacy.

And he’s rightly concerned. He’s rightly concerned that this opens the door to the development of what he calls a dangerous surveillance tool. Representative Hill, one of the co - sponsors of the bill, says that the government cannot and does not have the authority to issue a CBDC directly to individuals without explicit congressional approval.

And he says that he, quote, aims to protect the financial privacy of individuals, their civil liberties, and stop efforts of federal overreach to surveil Americans. So it’s reassuring to me, at least, that there is awareness, that there is pushback.

Can this CBDC idea still be thwarted? And if so, how?

Richard Werner 39:05

I think it’s a good idea and it’s good to get politicians involved. They should be involved because in many countries, the trouble has been that it’s considered a very technical issue. CBDCs, you know, it’s a technical thing.

Let the experts do it. That’s how central banks, central planners have been trying to position themselves for decades already with whatever they’re doing. Or, you know, this is technical. You don’t have a PhD in economics, which is not really that helpful to understand what they’re doing very often, by the way.

But you can’t join the conversation. Sorry, you’re not an expert. That’s how they do it, how they like to do it. So it’s really important that we go out and the public needs to discuss this, needs to become a big topic for general conversation, perhaps in the context of all the restriction we’ve seen in the last three years.

And a lot of people have woken up. Well, hang on. This is a bit odd, you know, so many unnecessary restrictions with very strange logic and contradictory logic, what’s going on here. And this is a key example.

And by the way, of course, in March 2020, many central banks immediately stepped up while a COVID pandemic was declared. They stepped up their argument that we need to push for digital IDs. And it was linked to, of course, some kind of vaccination passport system and things like that.

But the real aim was digital ID, which you need for your CBDC. So there is a link in terms of the timing. And we should get our politicians involved. Everyone should write to their local politician, to their local representative, to their senators to get involved in this debate.

This is somewhat un -American. This is in the Soviet Union. You’d probably think, OK, or China, you know, this is sort of what we know from regimes where there is a lack of individual freedom at times.

But it’s not really very American. And of course, you could say, well, but they won’t use these powers. Yes, probably a first generation will be much more well -meaning and maybe they won’t use it. But how do we know the next generation?

By that time, some shocks happen, some crises, some other crises happen. And suddenly, I’m sorry, but it’s necessary for your protection, for your good, that we’re going to use this in a much more totalitarian way.

I mean, you can just see how it’s padding out.

Michelle McCurry 41:39

Yeah, once the toothpaste is out of the tube, it’s very hard to put it back into the tube and control how it would be used and administered and that politicians will be responsible in using this. Professor, I know we’re out of time.

We have a lot more that we wanna discuss with you. So we will have you back on KitCo News very, very soon to unpack more of these issues, including where the various currencies are in stages of development around the world.

We’ll have to have you back on to chat about that. And also whether the US can not go along with us if the rest of the world does. But for now, thank you so much for joining us. Really appreciate it, Professor Richard Werner.

Thank you for your time.