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Cato Survey Shows Few Americans Support Central Bank Digital Currencies

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This week the Cato Institute's polling team released a new survey of Americans' views on central bank digital currencies. The new survey shows that twice as many Americans—34%—oppose, rather than favor, adopting a CBDC. It also shows Americans' opposition skyrockets when they are informed about the potential risks of CBDCs.

For instance, 74 percent of Americans would oppose adopting a CBDC if it meant the government could use the CBDC to control how people spend their money. Similarly, 68 percent would oppose a CBDC if it allowed the government to monitor their spending, and 59 percent would oppose one if the government could freeze the digital accounts of political protestors.

When asked about using a CBDC to implement monetary policy, 64 percent of Americans would oppose a CBDC if the government could tax those who don't spend enough money (to satisfy the Fed's economic goals) during recessions.

Some may argue Cato's survey stacked the deck against CBDCs, but the survey gave equal time to potential CBDC benefits. And, even when confronted with potential benefits, most Americans do *not* support adopting a CBDC.

At most, one third of Americans would support a CBDC if, for example, the CBDC made instantaneous financial transactions possible, made it easier for people without bank accounts to gain equitable access to the banking system, or helped the Fed combat recessions. In fact, even if a CBDC could reduce the risk of money laundering and fraud, less than half (just 42 percent) would support adopting a CBDC.

While the survey found that just under half of Americans don't yet have a strong opinion on adopting a CBDC, that is likely because they're not familiar with exactly what a CBDC is. (An information blind spot my colleagues and I at the Cato Institute are working hard to change.)

Contrary to arguments made by its supporters, a CBDC is not "just another form of money." A CBDC is a digital national currency, but it is very different from the digital forms of the U.S. dollar that currently exist. And while it is easy to view a CBDC as a government-run version of BitcoinBTC -1.2%, there are major differences between CBDCs and cryptocurrency.

For starters, the core innovation behind cryptocurrency is that it offers a way to digitally store and exchange value securely by relying on cryptography *rather than* on the government or other third parties. To use Bitcoin, for example, one doesn't need the permission of the Federal Reserve, Congress, any company, or any individual.

A CBDC, on the other hand, is the epitome of money centrally provided and controlled by the government. While some of the underlying technology might be the same as that used in crypto, a CBDC allows the central government to determine exactly who gets to use money and precisely how they get to use it. A CBDC represents a move by the government to solidify its control over money and payments, the exact opposite of the idea behind cryptocurrency. (For more on the differences, see here.)

In fact, a CBDC is ultimately a complete government takeover of something the private sector can, should, and does provide. (And most people are happy with the private sector—Cato's survey found that 8 in 10 Americans trust private banks more than the government.) Although people seldom think about it, the private sector—the banking sector, in particular—creates the bulk of the money circulating in the economy.

Because the Fed has the final say in how banks settle their transactions and because the federal government extensively regulates banks, there is a public-private relationship when it comes to money creation in the U.S. Aside from the fact that such an arrangement is not necessary, a CBDC would remove the need for the *private* portion of this public-private arrangement.

A CBDC makes digital money a direct liability of the Fed. Private firms cannot use these liabilities to fund loans or build capital. The supply of the country's money would be fully nationalized. (Paper Federal Reserve notes are also a liability of the Fed, but that distinction is almost meaningless because once someone has possession of a paper dollar, the Fed is out of the equation. A CBDC, on the other hand, leaves the Fed in control of the equation.)

So, it's not *just* privacy and security risks that make CBDCs dangerous. CBDCs are a risky surveillance tool, but they're potentially much worse.

The level of control the government could exert over people would be limitless with a CBDC. Fully delivering on the promised benefits of a CBDC, in fact, requires all money to be purely electronic and provided solely and directly by the government. In other words, it requires the end of cash and cryptocurrency alike.

To improve monetary policy, for instance, a CBDC would have to give federal officials control over the money going into and coming out of every person's wallet. And the government could not allow alternatives to exist because doing so would allow people to stop using the CBDC, thus removing the government's leverage to influence peoples' behavior.

The fact that China has implemented a CBDC should be a cause for concern in the U.S., but that concern should solidify government officials' resolve to never implement a CBDC in the United States. Instead, many officials want the U.S. to launch its own device of autocratic control to prevent losing some kind of digital race with an autocratic government. It makes no sense.

The better approach would be to improve Americans' economic freedom and financial privacy through better laws and rules that strengthen the private sector. If people highly value these concepts, they'll continue to value the U.S. dollar more than anyone's CBDC.

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