

[JTC: This straightforward news article shows us exactly why it is critical to move transactions to the private web. Note carefully that every time the bureaucrats speak of “protection,” they are either demonizing the cryptocurrency industry or talking of protecting the establishment, the powers-that-be, not the regular citizen.]

ORIGINAL SOURCE: <https://www.kitco.com/news/2023-03-01/Former-Biden-adviser-says-a-digital-dollar-could-crowd-out-private-cryptos-and-improve-national-security.html>

Former Biden adviser says a digital dollar could "crowd out" private cryptos and improve national security



[Jordan Finneseth](#) Wednesday March 01, 2023 12:01

[\(Kitco News\)](#) - Daleep Singh, the former deputy national security adviser for international economics in the Biden administration, has suggested that the creation of a U.S. central bank digital currency (CBDC) would “crowd out” the private cryptocurrency ecosystem and serve as a protective measure for the national security of the U.S.

Singh made the comments on Tuesday during a Senate Banking Committee hearing, taking an oppositional stance towards the nascent asset class by highlighting his view that cryptocurrencies facilitate ransomware attacks and contribute to the evasion of U.S. sanctions.

For that reason, Singh believes it would be in the best interest of the U.S. to release a digital dollar, saying it’s the “single best step that we could take [to protect the national interest] because it would crowd out the ecosystem of crypto.”

The phrase “crowd out” relates to an economic theory that posits that rising public sector spending and investments will drive down or eliminate spending and investment in the private sector.

Federal Reserve Vice Chair Lael Brainard used the same phrase [during a speech regarding the digital dollar](#) in September, saying “The central bank won't seek to crowd out private business activity in payments or otherwise.”

Brainard specifically mentioned concerns about a CBDC that could result in the Fed directly banking customers using the digital dollar – which could potentially diminish the role of private banks in the economy – and said the central bank needs to explore questions related to transfer limits and interest-bearing accounts as part of the debate over whether a digital dollar is required.

In Singh's case, "crowding out" cryptos with a digital dollar is a desirable outcome as it will help to protect the financial interests of the U.S. The e-dollar is still in its early pilot testing phase and has a long way to go before the average American will have access to it.

China, on the other hand, is leading the way when it comes to developing a CBDC, with its digital yuan pilot now [ongoing in more than 17 provinces](#), including 26 large cities and 5.6 million merchants. In early January, the People's Bank of China (PBoC) [included the e-CNY in its official cash reports for the first time](#), with the digital fiat accounting for 13.61 billion yuan (roughly \$2 billion) in circulation. That figure represents roughly 0.13% of the 10.5 trillion yuan in circulation at the end of December.

According to Yaya Fanusie, the policy head for the Crypto Council for Innovation and a former CIA analyst, the late arrival of the U.S. to the CBDC game may result in it losing its grip on the global financial system.

During a Bloomberg [interview](#) on Tuesday, Fanusie explained that sanctioned states are looking to conduct cross-border transactions using financial infrastructure that isn't controlled or heavily influenced by the U.S., and state-issued CBDCs could be a part of that solution. If the U.S. has little influence over these new standards, it "impacts U.S economic statecraft," he said.

"The potency of our sanctions power comes from the centrality of the U.S. to the financial global infrastructure," said Fanusie. "So if that shifts a little bit, it doesn't mean that China is going to take over or that the yuan is going to displace the dollar but if there's a viable new rail where sanctioned actors can now transact, that's trouble."

While the Fed has made some progress on the digital dollar, including the [release of the latest version](#) of its white paper on Jan. 18, it has yet to receive approval from the government to move forward with the CBDC project.

Fanusie noted that China is now clearly benefiting from a first-mover advantage, having already processed "millions of transactions" across "millions of wallets" and "has an array of pilots that are in the hands of people testing out smart contracts and programmability of money, so they actually have data that they are iterating on. And they are helping other countries with standards, and they are collaborating on CBDC to CBDC transactions."

It remains to be seen whether China will push to make the digital yuan a global leader, or if they will instead focus on establishing domestic dominance rather than trying to beat the U.S. dollar, as some have suggested.

[Data](#) from the Atlantic Council shows that 114 countries, representing over 95% of global GDP, are currently exploring the creation of a CBDC. Of those, 11 countries have fully launched a digital currency, and 2023 will see more than 20 countries "take significant steps towards piloting a CBDC." Australia, Thailand, Brazil, India, South Korea and Russia all intend to begin or continue testing in 2023, and the European Central Bank is likely to start a pilot next year.

As of December, all G7 economies have progressed into the development stage of a CBDC, while [Project Cedar](#), which is the New York Federal Reserve's wholesale CBDC experiment, has shifted the U.S. from research into development.

Nearly every G20 country has also made significant progress and invested new resources into the creation of a CBDC in recent months, with 18 out of the 20 members now in the advanced stage of development, and seven countries already in the pilot phase.

[By Jordan Finneseth](#)

For [Kitco News](#)