

E-note: central bank digital currencies (CBDCs) and cryptocurrencies

Updated: February 9, 2023 (in major revision)

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Central banks in most countries are eagerly looking to introduce a centrally controlled form of ‘virtual’ or digital money (a CBDC) for routine retail payments. Secure, reliable, efficient, convenient, private. Governments everywhere consider CBDCs to be essential for a vibrant and competitive economy.

On March 16, 2022, the Bank of Canada announced a 12-month research collaboration with the Massachusetts Institute of Technology (MIT) to explore a CBDC for Canada. The Bank of Canada seems eager to introduce a CBDC but claims to have not yet made a final decision (as of March 16, 2022).

Central banks intend to carefully control and regulate their CBDCs. This would help ensure a stable currency value, just like money in a bank account. CBDCs would be usable only for commercial or retail payment transactions and would have no investment value. Hoarding of digital ‘dollars’ would not be possible. ‘Virtual CBDC dollars’ might even have an expiry date.

CBDC transactions would also be trackable, denying users the anonymity that ‘cash’ provides. While this monitoring could ostensibly help catch illegal transactions like money-laundering or tax evasion, it could also be used to track activities considered to be merely ‘unacceptable’ or outside approved societal ‘norms’. A government could easily limit, block, or cancel a CBDC account for activities considered ‘incorrect’.

A decentralized cryptocurrency like Bitcoin, on the other hand, would have no direct Central bank control or regulation. Transactions would be anonymous, not routinely tracked, and carried out on ‘permissionless’ public and open blockchain networks. Unlike a CBDC, a decentralized cryptocurrency would be usable as both a retail currency and investment asset.

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Cryptocurrencies are volatile assets, well-suited for investment speculation. However, because of constant currency value fluctuations within a cryptocurrency account, this type of account would not provide the stability and predictability of a highly controlled CBDC.

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Central bank digital currencies (CBDCs) basics:

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- **[Central Bank Digital Currencies \(CBDCs\): The Battle for the Future of the Monetary System is Underway – Are You Ready?](#)** Brian Shilhavy. Vaccine Impact. February 3, 2023.
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- **[Going Cashless: Norway's Digital Currency Project Raises Privacy Questions.](#)** David Attlee. Global Research. January 23, 2023.
- **[Ask Catherine Excerpt: Bitcoin. Risks, rewards, precautions needed for investing in the Crypto sphere.](#)** The Solari Report. January 13, 2023.
- **[How to Be Your Own Bank: Holding Actual Custody of Your Digital Assets.](#)** Ben Bartee. Global Research. January 7, 2023.
- **[CBDCs: Digital Wolves in Sheep's Clothing.](#)** John Butler. Activist Post. January 7, 2023.
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