Plymouth Institute for Free Enterprise

Reject a Federal Reserve CBDC

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TOPLINE: Congress should permanently prohibit the Federal Reserve from creating a central bank digital currency (CBDC). A CBDC could concentrate credit allocation in the hands of the central bank and replicate the financial-surveillance model of the Chinese Communist Party (CCP).

BACKGROUND: CBDCs would be issued directly by the Fed, far different from money created through private banking deposits and lending. This poses risks to economic freedom and privacy since CBDCs can be designed to be programmable and traceable. A January 2022 Federal Reserve paper promoted the idea of a retail CBDC. Although President Trump's EO 14178 in January 2025 halted federal CBDC work, Federal Reserve Chairman Kevin Warsh has expressed support for the concept. The enacted 21st Century ROAD to Housing Act only bars the Fed from issuing a CBDC through December 31, 2030.

Action Items (Congress):

- **Make permanent the recently passed, temporary prohibition on CBDCs**.
- **Codify that the Fed lacks statutory authority to issue a CBDC** and require it to halt all related research and pilot work.

Why the Primary Arguments for a CBDC Fail:

- CBDCs are not necessary for dollar reserve status, which is threatened by aggressive money printing, federal debt, and slowing growth.
- Zelle, Venmo, and Apple Pay—along with privately issued, fully reserved stablecoins—already meet most consumer demand for fast, low-cost transfers.

A CBDC Would Put America's Money at Risk with Concentrated Financial Power:

- A CBDC would make it easier for government to lock or block the financial assets of disfavored citizens. Possible transaction limits, expiration dates, interest rates, and programmed balance erosion could become policy levers wielded by Fed central planners.
- Users could be required to submit personal information to use a CBDC, with the possibility of every transaction being traced.
- CBDC balances held directly at the Fed would compete with and crowd out deposits at commercial banks, shifting credit-allocation power to the Fed.
- CBDCs can be programmed to restrict specific transactions, enabling capital controls, social-credit scoring, and climate or ESG mandates.

Related Legislation: No CBDC Act (S. 464, H.R. 1430).

BOTTOMLINE: A CBDC would give the Fed unprecedented power over Americans' money and create opportunities for financial surveillance that mirror the CCP's model. Congress should make the temporary ban on CBDCs permanent.