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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 1, 2021

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Lael Brainard
Governor
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chair Powell and Governor Brainard,

I write to express my strong support for the Fed's efforts to study the possibility of a central bank digital currency (CBDC) or digital dollar in the United States. As Governor Brainard stated, "[g]iven the dollar's important role, it is essential that the Federal Reserve remain on the frontier of research and policy development regarding CBDCs."¹

The Federal Reserve must lead the way on CBDCs and other digital payments, just as the Federal Reserve has done in moving forward with its faster payments system, FedNow. The Federal Reserve's involvement in the United States payment system is critical to our standing in the global economy, monetary policy and financial stability, and a fair and equitable financial system. I applaud the Federal Reserve's participation in various international reports and working groups and their experimentation and research through the Federal Reserve Board's Technology Lab.² Some of our international counterparts are moving quickly to determine whether to implement a central bank digital currency.³ The United States must do the same. We cannot be left behind.

The threat of private actors attempting to dominate the payment system makes the need to study CBDC even more urgent. Recently, Bitcoin prices have tripled following announcements from private companies like Tesla and Square that they plan to buy Bitcoin.⁴ The potential for non-sovereign crypto-assets, like Bitcoin, to become more widely-used as a payment mechanism

¹ <https://www.federalreserve.gov/newsevents/speech/brainard20200813a.htm>

² <https://www.bis.org/publ/othp33.pdf>; <https://www.federalreserve.gov/newsevents/pressreleases/other20200813a.htm>;
<https://www.bostonfed.org/news-and-events/press-releases/2020/the-federal-reserve-bank-of-boston-announces-collaboration-with-mit-to-research-digital-currency.aspx>.

³ <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr201002~f90bfc94a8.en.html?source=email>

⁴ <https://www.cnbc.com/2021/02/23/square-buys-170-million-worth-of-bitcoin.html>.

poses significant monetary policy and financial stability risks, including risk to our climate. They are highly volatile and speculative, can be used for illegal activity, and consume incredible amounts of energy, driving up electricity use rates, and putting the resilience of local grids at risk.⁵

Despite significant criticism, Facebook has also decided to move forward with Libra, a digital currency run by a group of private companies. The G7 central banks, including the Federal Reserve, indicated that a global stablecoin project like Libra should not begin operation until it “addresses relevant legal, regulatory, and oversight requirements.”⁶ As I have urged in the past, the Fed should immediately address the privacy, systemic risk, and anti-competitive concerns that private sector digital currencies pose.⁷ But the Fed must not stop at regulating a privately-issued digital currency. It must go further and explore a publicly-issued digital dollar.

Privately-run digital currencies and other payment methods also raise important consumer protection concerns. Today, 22 percent of Americans do not have access to the financial services they need.⁸ Big Tech companies have made promises about how digital currencies and payment services like Libra can help underserved communities, but based on their track record, their products only lead to more discrimination and exploitation of the very people that they say they want to help.⁹ We can’t trust private companies – motivated by profit – to act in the interest of working Americans when their CEOs and wealthy investors are the ones who stand to benefit.

Secretary of the Treasury Janet Yellen agrees that central banks should be looking at CBDC. As she recently said, “We do have a problem with financial inclusion. Too many Americans really don’t have access to easy payment systems and to banking accounts, and I think this is something that a digital dollar – a central bank digital currency – could help with.”¹⁰ The only way to ensure a fair payments system is to ensure that it is a public good.

Last March, I introduced legislation to allow everyone in the United States to set up a free bank account, run by the Federal Reserve and available at local banks, credit unions, and post offices. The *Banking for All Act* would provide digital dollar wallets, or “FedAccounts,” so that people can receive money, take out cash, and make electronic payments without relying on costly alternative financial services. CBDC technology and digitization of the payment system can also help make this available to everyone. The Federal Reserve’s efforts to study the potential for a digital U.S. dollar is a natural complement to FedAccounts – both are intended to ensure that working families have the same access to the payments system as Wall Street banks and wealthy

⁵ <https://www.cnbc.com/2021/02/22/yellen-sounds-warning-about-extremely-inefficient-bitcoin.html>;
<https://www.financemagnates.com/cryptocurrency/news/washington-electricity-suppliers-concern-spike-in-illegal-bitcoin-mining/>

⁶ <https://www.reuters.com/article/us-g7-stablecoin/facebook-libra-must-not-start-until-properly-regulated-g7-draft-idUSKBN26X211>

⁷ <https://www.brown.senate.gov/newsroom/press/release/brown-federal-reserve-must-protect-economy-and-consumers-from-facebooks-monopoly-money>

⁸ <https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-banking-and-credit.htm>

⁹ The Digitization of Money and Payments: Hearing before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, 116th Cong. (2020) (testimony of Nakita Q. Cuttino)

<https://www.banking.senate.gov/imo/media/doc/Cuttino%20Testimony%206-30-202.pdf>

¹⁰ [Janet Yellen on Jobs, Debt, Taxes, Climate and Cryptocurrency - The New York Times \(nytimes.com\)](https://www.nytimes.com/2021/02/22/us/politics/janet-yellen-jobs-debt-taxes-climate-cryptocurrency.html)

corporations. The Federal Reserve's recent publication outlining the goals for a central bank digital currency is a step in the right direction.¹¹

Access to the payment system is critical to full participation in our economy. As we have seen through this crisis, it has only become more difficult to use cash, as people try to use digital platforms to reduce their exposure to the coronavirus. I encourage the Federal Reserve to continue to study this issue and work with the Treasury Department to establish a concrete timetable in deciding whether to implement a CBDC. The Federal Reserve must consider a publicly-issued digital dollar that is secure, maintains individual privacy, and operates side-by-side with cash, so that every American has an equal opportunity to interact with the economy in the digital world and the U.S. dollar maintains its preeminence in the global economy.

Sincerely,



Chairman Sherrod Brown

cc: The Honorable Janet L. Yellen, Secretary of the Treasury

¹¹ https://www.federalreserve.gov/econres/notes/feds-notes/preconditions-for-a-general-purpose-central-bank-digital-currency-20210224.htm?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter_axiosmarkets&stream=business