Oral Remarks before the

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES
Task Force on Financial Technology

Hearing on

"Digitizing the Dollar: Investigating the Technological Infrastructure, Privacy, and Financial Inclusion Implications of Central Bank Digital Currencies"

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Thank you Chair Lynch, Ranking Member Davidson, and members of this Task Force. In the interests of brevity, I will focus my remarks on three key points.

First, when it comes to designing digital dollar infrastructure, Congress should resist falling into the trap of thinking that "there can only be one." Instead, the United States should pursue and coordinate multiple, concurrent avenues of experimentation and innovation through different agencies and institutional arrangements.

Contrary to popular misconception, the Federal Reserve is not and has never been the only entity responsible for issuing currency or providing public payments services. Throughout American history, the Mint, Bureau of Engraving and Printing, Bureau of the Fiscal Service, and the U.S. Postal Service have all designed, issued, and operated various forms of public monetary technologies.

It is thus a mistake to equate and reduce the wide spectrum of digital fiat currency architectures and arrangements to the more limited category of "central bank digital currency," which refers only to models in which central banks are the exclusive issuers and administrators. The universe of possibilities that we should be exploring at this stage extends beyond what the lens of CBDCs allows us to consider.

To be clear, I believe the Federal Reserve should and will play a central role in any future digital dollar regime. At the same time, however, I also believe Postal Banking infrastructure should be a top priority and non-negotiable component of any legislation to establish a digital dollar.

Equally importantly, and to my second point: Congress should direct the Treasury to establish its own system of token-based "eCash" cards and virtual wallets as a complement to the account-based banking services provided by the Fed and Postal Service.

Contrary to certain narratives, account- and token-based monies are not competing substitutes but complements. They provide different functions and safeguards, and should be developed in a parallel, coordinated manner.

As the federal agency currently responsible for coins, paper notes, and pre-paid debit card services, the Treasury is the most appropriate actor to lead the development of a token-based eCash system.

Interestingly, I am not the first to make this suggestion to Congress. The Electronic Money Task Force of the Treasury Department first proposed a commission to look into developing a Mint-issued, stored value "eCash" card over twenty-five years ago.

In an October 1995 hearing on the "Future of Money" before the House Banking Subcommittee on Domestic and International Monetary Policy, then-Director of the U.S. Mint, Philip Diehl, testified that the Mint's "main interest" in eCash cards at the time was as "a potential substitute for coins and currency."

Rather than promoting financial inclusion within the banking system, eCash would preserve and maintain the same transactional freedoms and capabilities in the digital economy as physical cash has historically provided in the traditional economy.

Which brings me to my third and final point. It is not uncommon to hear policymakers claim that designing a digital dollar system to allow for anonymous peer-to-peer transactions would be "radical" or "extreme." I profoundly disagree.

Transactional anonymity, like anonymity more broadly, is a public good and core bedrock of political freedom in a democratic society. It is difficult to imagine what America would be today if the Federalist papers had not been published under a pseudonym, or if the U.S. Supreme Court in 1958 had ruled in *NAACP v. Alabama* that the NAACP turn over its records of membership dues to the Governor of Alabama as part of his harassment campaign against their desegregation efforts.

Preserving the right to make peer-to-peer payments without third-party approval is, in fact, a small-c conservative defense against the socially disruptive effects of digital technology and the internet. It reflects a "first, do no harm" approach, that ensures we carry the same freedoms into the future as we have enjoyed and fought for in the past.

When it comes to digital transactions, we have a right to what professor Joel Reidenberg calls "privacy in public." If there is no compelling reason for public authorities or private platforms to know when I buy a meatball sub from a street vendor, then they shouldn't know. It's that simple. The way to limit the risk of data abuses is to not collect unnecessary data in the first place.

Above all, Congress should adopt a principle of "currency neutrality," similar to "net neutrality," whereby digital fiat currency platforms and technologies are treated as common utilities, available to all as a public good.

If the digital dollar is to stand for more than surveillance, data-mining and political censorship, like China's digital Yuan or Facebook's Diem, American policymakers must be willing to articulate and defend a different set of principles and commitments, even when it entails difficult choices.

Thank you, and I look forward to your questions.