

Senator John Kennedy Opening Statement
Economic Policy Subcommittee—Senate Banking Committee

Building a Stronger Financial System: Opportunities of a Central Bank

Digital Currency

June 9, 2021

Thank you, Chairman Warren. This is a very important topic, and this hearing is an opportunity to explore if a Central Bank Digital Currency (CBDC) would work for the United States and what additional value a CBDC could provide to U.S. monetary policy.

As technology emerges in the payment system, the demand for digital payments and the influx of non-legal tender, like cryptocurrencies, has exploded. These forms of payments have operated outside our traditional payments infrastructure and have proved to be volatile, controversial, and even speculative, as it has been with Bitcoin.

Further, with cryptocurrencies and stablecoins on the rise, we need to examine the risks that a decentralized currency would pose to the Federal Reserve's control of monetary policy.

The U.S. is leading the world in innovation and technology, and the U.S. dollar has remained the world's primary reserve currency.

As many governments around the world are exploring a CBDC for use in today's digital world, so should the United States. However, moving forward, we must understand whether public demand exists, who stands to benefit most from a CBDC, and if the juice is worth the squeeze when it comes to cost and security risks.

China has created its own digital currency, the digital yuan, which it uses to monitor the everyday transactions of its citizens, and to broaden its massive surveillance system. Additionally, China's using its CBDC to maintain greater control over its economy and grow China's monetary influence in the world.

The United States must analyze the implications of a Chinese CBDC on global competitiveness, international commerce, and what that means for the U.S. dollar's position as the global reserve currency.

Security must be the foremost priority during any consideration of a CBDC. As the Federal Reserve looks to develop a digital currency, ensuring a safe network while prioritizing privacy for consumers must be first achieved.

Additionally, I am very concerned with proposals that would use CBDC to fundamentally change the current banking system. CBDC should not replace the paper dollar, or bank deposits. If the U.S. chooses to hold a CBDC, it should do so in a way that complements our current financial system.

We must strike the right balance, and I look forward to that discussion. In closing, I would like to thank the witnesses for being here and lending your expertise on the issue. With that, I turn it over to Chairman Warren. Thank you.