



Welcome to 1984

Description

I've been addressing the war on cash lately, and for good reason. While everyone's attention is focused on the war in Ukraine, inflation and the Supreme Court, government plans to eliminate cash are accelerating.

For example, central bank digital currencies (CBDCs) are coming even faster than many anticipated. The digital yuan is already here; it was introduced in China last February during the Winter Olympics.

Visitors to the Olympics were required to pay for meals, hotels, transportation, etc., using QR codes on their mobile phones that linked to digital yuan accounts. Nine other countries have already launched CBDCs. Europe is not far behind and is testing the digital euro under the auspices of the European Central Bank.

The U.S. was lagging, but is catching up fast.

The Federal Reserve was studying a possible Fed CBDC at a research facility at MIT. Now the idea has moved from the research stage to preliminary development.

Fed Chair Jay Powell said, "A U.S. CBDC could... potentially help maintain the dollar's international standing."

But this has little to do with technology or monetary policy and everything to do with herding you into digital cattle chutes where you can be slaughtered with account freezes, seizures, etc.

NOT Crypto

First off, CBDCs are not cryptocurrencies. The CBDCs are digital in form, are recorded on a ledger (maintained by a central bank or finance ministry and the message traffic is encrypted. Still, the resemblance to cryptos ends there.

The CBDC ledgers do not use blockchain, and CBDCs definitely do not embrace the decentralized

issuance model hailed by the crypto crowd. CBDCs will be highly centralized and tightly controlled by central banks.

The CBDC ledger can be maintained in encrypted form by the central bank itself without the need for bank accounts or money market funds. Payments can be done with an iPhone or other device, with no need for credit cards or costly wire transfers.

Who needs bank accounts, checks, account statements, deposit slips and the other clunky features of a banking relationship when you can go completely digital with the Fed?

CBDCs are a technological advance, but they do not replace existing reserve currencies.

Not a New Currency

It's important to understand that a CBDC is not a new currency. It's just a new payment channel. A digital dollar is still a dollar. A digital euro is still a euro. It's just that the currency never exists in physical form. It is always digital, and ownership is recorded on a ledger maintained by the central bank.

You will have an account showing how many digital dollars you own. They are transferred by an app on a smartphone or a desktop computer.

Of course, in many ways, dollar transactions are already digital. Most people receive money by wire transfer, go shopping with credit cards and pay bills online. All of those transactions are digital and encrypted. The difference with CBDCs is that you don't need banks or credit card companies or even PayPal.

Again, everything can be done through the Fed with a single account for payment and receipt. CBDCs could disintermediate the entire banking and credit card sectors to a great extent.

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The other big difference is that it will give the government control of your money and the ability to put you under constant surveillance. In a world of CBDCs, the government will know every purchase you make, every transaction you conduct and even your physical whereabouts at the point of purchase.

It's a short step from there to negative interest rates, account freezes, tax withholding from your account and even putting you under FBI investigation if you vote for the wrong candidate or give donations to the wrong political party.

If that sounds like a stretch, it's not.

China is already using its CBDC to deny travel and educational opportunities to political dissidents. Canada seized the bank accounts and crypto accounts of nonviolent trucker protesters last winter.

These kinds of “social credit scores” and political suppression will be even easier to conduct when CBDCs are completely rolled out.

How does this relate to what is sometimes called the Great Reset? This would be the movement toward a single global reserve currency.

CBDCs and the Great Reset

Displacing the dollar would involve a meeting and agreement similar to the original Bretton Woods agreement of 1944. The agreement could take many forms. Still, the process would conform to what many call the Great Reset.

Still, things don’t happen that quickly in elite circles. Even Bretton Woods took over two years to design and another five years to implement even under the duress of World War II. The transition from sterling to the U.S. dollar as the leading reserve currency took 30 years from 1914 to 1944.

As they say, it’s complicated. Still, there are some huge changes that could emerge from the Great Reset.

For example, a new global currency regime would be an opportunity to devalue all major currencies in order to steal wealth from savers.

All currencies cannot devalue against all other currencies at the same time; that’s a mathematical impossibility. Yet all currencies could devalue simultaneously against gold. This could easily drive gold prices to \$5,000 per ounce or much higher to increase the “inflation tax” (I’m sure you agree that you’re paying more than enough already!).

The Surveillance State on Steroids

Another change would be that CBDCs make it much easier to impose negative interest rates, confiscations and account freezes on some or all account holders.

This can be used for simple policy purposes or as a tool of the total surveillance state. Surveillance of incorrect behavior as defined by the Communist Party is the real driver of the digital yuan more than any aspirations to a yuan reserve currency role.

All of these shifts are now underway. The U.S. won’t adopt its own CBDC overnight, but it’s coming sooner or later.

The endgame for CBDCs would closely resemble George Orwell’s dystopian novel *Nineteen Eighty-Four*. It would be a world of negative interest rates, forced tax collection, government confiscation, account freezes and constant surveillance.

You might not be able to fight back easily in the world of CBDCs, but there is one nondigital, nonhackable, nontraceable form of money you can still use.

It's called gold.

Regards,

Jim Rickards
for *The Daily Reckoning*

Category

1. Freedom-Free speech-Resistance & H-rights
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3. NWO-Deep State-Dictatorship-Tyranny

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