

# The Case Against CBDCs

Rhode Island Bitcoin Policy Initiative | March 2026

*Central Bank Digital Currencies (CBDCs) are digital versions of government-issued money, controlled and monitored by central banks. This paper examines how CBDCs fundamentally differ from both cash and Bitcoin in ways that threaten financial privacy, enable government overreach, and risk displacing decentralized innovation.*



## 1. WHAT IS A CBDC?

A CBDC is a digital form of a country's fiat currency, issued and controlled directly by the central bank. Unlike cash, which is anonymous, or bank deposits, which are intermediated by private banks, a CBDC gives the central bank direct visibility into and control over every transaction.

Feature	Cash	Bank Account	Bitcoin	CBDC
Privacy	High	Medium	Pseudonymous	None
Government Control	Low	Medium	None	Total
Programmable	No	Limited	Yes (open)	Yes (restricted)
Censorship Risk	Low	Medium	Very Low	Very High
Supply Control	Central bank	Fractional reserve	Fixed (21M)	Central bank

## 2. PRIVACY CONCERNS

A CBDC would give the federal government complete visibility into every transaction every citizen makes. This goes far beyond current bank reporting requirements (which only flag transactions above certain thresholds). China's digital yuan (e-CNY) has already processed over **\$286 billion in transactions**, and researchers have documented instances of the government freezing individual wallets and tracking spending patterns for social credit scoring.

*The Fourth Amendment protects Americans from unreasonable searches. A financial system where the government can see every purchase — without a warrant — fundamentally undermines this protection.*

## 3. PROGRAMMABLE MONEY AND GOVERNMENT OVERREACH

CBDCs can be "programmed" with restrictions: expiration dates that force spending, geographic limits, merchant category restrictions, or even negative interest rates that penalize saving. While proponents frame this as "smart monetary policy," the implications are profound. A government could theoretically restrict purchases of firearms, limit donations to

disfavored organizations, or expire stimulus payments if not spent quickly enough.

## 4. THE BITCOIN ALTERNATIVE

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Bitcoin achieves many of the goals that CBDC proponents cite (faster payments, financial inclusion, reduced costs) without the surveillance and control risks. Bitcoin transactions settle in minutes, work across borders, and are accessible to anyone with a smartphone. Lightning Network enables near-instant, low-cost transactions suitable for everyday commerce.

The policy choice is not between the status quo and a CBDC. It is between a government-controlled digital currency and an open, permissionless system that respects individual rights.

## 5. POLICY RECOMMENDATIONS FOR RHODE ISLAND

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- Support H.7957/S.2196 (Private Key Protection) to establish digital property rights before any CBDC framework emerges.
- Pass a resolution opposing mandatory CBDC adoption at the federal level, joining the growing coalition of states pushing back.
- Invest in Bitcoin-friendly policy (S.2021, H.7413) that provides the benefits of digital payments without the surveillance risks.
- Include CBDC analysis in the Study Commission's (H.7956) research agenda.

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## SOURCES

<sup>1</sup> Atlantic Council, CBDC Tracker, 2026

<sup>2</sup> People's Bank of China, e-CNY Transaction Reports, 2025

<sup>3</sup> Cato Institute, "The Risks of Central Bank Digital Currencies," 2024

<sup>4</sup> Federal Reserve, "Money and Payments: The U.S. Dollar in the Age of Digital Transformation," 2022

<sup>5</sup> Electronic Frontier Foundation, "Digital Currency and Financial Privacy," 2025