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REGULATORS · RON DESANTIS

## Ron DeSantis proposed a bill to ban CBDCs. A trade policy professor calls that ‘a little ludicrous’

BY **BEN WEISS**

March 22, 2023 at 1:28 PM EDT



Florida Governor Ron DeSantis speaks during a book tour in Des Moines, Iowa.

RACHEL MUMMEY—THE WASHINGTON POST/GETTY IMAGES



Florida Gov. Ron DeSantis on Monday announced legislation to ban the use of central bank digital currencies, or CBDCs, in his state.

“The Biden administration’s efforts to inject a Centralized Bank Digital Currency is about surveillance and control,” he said in a [statement](#), asserting that it “will stifle innovation and promote government-sanctioned surveillance.”

Neither Congress nor the president have ordered the creation of a digital dollar, and there’s little precedent for a state’s rejection of a hypothetical form of legal tender.

Why did DeSantis, who may compete against Donald Trump in the race to become the next Republican presidential nominee, wade into the controversial fray of digital currencies backed by central governments? And, if the Federal Reserve were to mint digital dollars, would his proposed legislation have any teeth?

The Biden Administration’s creation of a central bank digital currency is about one thing – control.

I am calling on the Legislature to prohibit the use of a so-called CBDC in Florida, protecting Floridians from government surveillance and control of their personal finances. [pic.twitter.com/ob1E90R5Gn](https://pic.twitter.com/ob1E90R5Gn)

— Ron DeSantis (@GovRonDeSantis) [March 21, 2023](#)

## **Constitutionally illegitimate**

The Florida governor’s proposed legislation is most likely constitutionally illegitimate, according to four experts on CBDCs.

Citing the legal doctrine of “[preemption](#),” or the idea in which federal law supersedes state or local law when they conflict, Richard Epstein, a law

professor at New York University who has written about the implications of government adoption of digital currencies, told *Fortune* that Florida can't simply weasel its way out of a federal mandate.

"The monetary policy in the United States calls for uniform currency," he said in an interview. "Constitutional law was passed pursuant to the supreme law of the land, no matter a state law to the contrary."

Eswar Prasad, a professor of trade policy at Cornell University who wrote *The Future of Money*, which covers the rise of cryptocurrencies and CBDCs, was less adamant in his belief in the bill's illegality. He said there are gray areas, including a state's legal discretion to control payment systems. However, he remained skeptical.

"It does seem a little ludicrous for a state government to take precedence over the Federal Reserve in determining the form in which the national currency is provided," he told *Fortune*.

## Are DeSantis's concerns valid?

The Florida governor's worries about CBDCs are not entirely misplaced, according to Jiaying Jiang, an assistant law professor at the University of Florida who researches cryptocurrency regulation.

"There are a lot of privacy concerns," she told *Fortune*. Just like with Bitcoin and other cryptocurrencies with public ledgers, a database of digital dollars, where the government potentially could surveil a citizen's every transaction, may lead to privacy breaches.

However, she added, DeSantis's claim CBDCs would threaten community banks and smaller financial institutions is misinformed. Most countries exploring the implementation of a government-backed digital currency likely would release it to banks, which would then distribute the tokens to the public.

"Financial intermediaries they are dealing with customers every single

day,” Jiang told *Fortune*. “They have the infrastructure. They have the technology.”

The movement to establish a central bank digital currency is an attempt to surveil & control the finances of Americans. It would violate privacy, limit consumer choice & undermine market competitiveness.

CBDC has no place in FL & we are proud to lead the fight against it.  
[pic.twitter.com/7DTOkVAhua](https://pic.twitter.com/7DTOkVAhua)

— Ron DeSantis (@GovRonDeSantis) [March 21, 2023](#)

## Why ban something that doesn't exist?

While the White House is [rumored](#) to be pushing for the creation of a digital dollar and has recently released a [framework](#) to guide the “responsible development of digital assets,” the executive branch doesn't have the authority to unilaterally declare a new legal tender.

“When we are thinking about digital money, that authority lies with the Congress,” Jonathan Dharmapalan, founder and CEO of eCurrency, which builds technology for central banks to issue digital currency, told *Fortune*.

Moreover, Prasad, the Cornell professor, said DeSantis's proclamations of the current administration's support for CBDCs are overblown.

“I don't think the Biden administration has taken a strong position on this other than to say that this is an issue that the Fed should look into,” he told *Fortune*, “because the reality is that digital payments are becoming the norm.”

“This,” Prasad concluded, “is largely a political gesture with limited substantive meaning.”

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