



Augusta Precious Metals  
Your Premier Gold IRA Company

# Downside of a Digital Dollar





Federal Reserve actions in the early 2020s have made the central bank's use of digital currencies (CBDCs) more likely. This has raised many questions about what a digital-banking-based economy would look like. In this report, we will examine one of the greatest potential disadvantages of such a development in the U.S. economy: reduced financial privacy.

Augusta Precious Metals is providing this report because we believe physical precious metals ownership could help savers mitigate the potential economic negatives of digital currency as well as privacy risks.

For more information, please call 800-700-1008 and ask about Augusta's unique, one-on-one web conference designed by our on-staff, Harvard-educated economist.

## The Global Trend Toward Digital Currency

Bloomberg says more than 85% of the world's central banks, including the Federal Reserve, are now developing digital currencies.[1] China's digital yuan is up and running. The European Central Bank expects a digital euro in four years.[2]

The Wall Street Journal reports the Federal Reserve is studying potential benefits and risks of issuing a digital version of U.S. currency [3] It may not be all bad for everyone; the Journal notes a digital dollar could help bring into the financial system "people who lack bank accounts and provide an efficient way for the government to distribute financial aid."

But is financial inclusion really the objective behind development of the potential adoption of a digital dollar? Some suggest other motivations behind the drive toward digital dollars and a digital economy, including giving government the ability to track the spending habits of citizens.

## The Biggest Downside of Digital Currency: Financial Privacy

In the assessment of our education department and on-staff, Harvard-trained economist, there are a variety of potentially less-than-desirable implications associated with digital currency issuance, including greater ease of initiating new forms of monetary policy. For example, negative interest rates significantly below zero could be easier to implement with digital currency, because we could no longer store physical cash outside of the financial system.[4]

But it does seem that concerns over financial privacy are the biggest worry for people who might have to use digital currency. A survey conducted in 2021 by the European Central Bank found that the potential of the digital dollar to help central banks and governments breach financial privacy is consumers' single biggest concern about digital fiat.[4] One policy analyst says China's real intent behind the digital yuan is a broader effort to constrain personal freedom (see reference to Schell below).

Many potential implications associated with a digital dollar – including ease of implementing new monetary policy – are relevant to physical precious metals. But, given overriding concerns of so many people about privacy, we will take time to focus on that subject.

## Digital Yuan: "Unprecedented Control" by Chinese Government Says Concerned Analyst

No, the U.S. is not China. But the potential of the digital yuan to energize China's citizen-surveillance "machine" can demonstrate the financial privacy threat posed by CBDCs.

Let's turn the clock back seven years. In 2014, China began instituting a "social credit system" to monitor citizen behavior. It rewards – or punishes – based on behavior deemed acceptable or unacceptable by the government.

- ☑ According to an official 2014 Chinese government document, the social credit system "is an **important component part of the Socialist market economy system and the social governance system.**"[5]



- ☑ The document goes on to say the social credit system “uses encouragement to **keep trust and constraints against breaking trust as incentive mechanisms.**”
- ☑ The government sees the social credit system as an important tool “for strengthening the sincerity consciousness of the members of society...and stimulating the development of society and the progress of civilization,” and will do so by “**commending sincerity and punishing insincerity.**”

## So, how is one’s “social credit file” assembled and ranked in a digital economy?

Orville Schell, a director at the Center on U.S.-China Relations at the Asia Society, has some chilling insight. According to Schell, it’s accomplished by “aggregating police records, political files, financial data, medical records, travel movements, online activity and other information held on individuals to create ‘**trustworthiness scores**’ designed to rank each citizen’s dependability.”[6]

After years of planning and preparation, the digital yuan was rolled out for public testing back in April 2021. With this, Schell says the Chinese government will enjoy “unprecedented new levels of control over China’s 1.4 billion citizens by allowing it to track their financial transactions.”

The People’s Bank of China – China’s central bank – maintains the digital yuan will improve the country’s ability to fight money laundering, gambling and terror financing, as well as enhance efficiency in financial transactions.[8] But Schell believes it is just the latest tool of the Chinese Communist Party “to fortify China’s one-party state.”

## Government Tracking – How Much Does It Worry You?

Publicly, central bankers such as Jerome Powell declare that citizen privacy concerns must be addressed fully before a CBDC could be issued “since a Fed digital currency system would in theory allow the central banks to see what every user did with the currency.”[9]

It seems that a digital dollar would not just theoretically but actually allow the central banks to see how citizens are spending money. Worries about digital currency, a digital economy and financial privacy are not necessarily dulled by the reassurances. It still appears that the government is moving in the direction of less – not more – financial privacy for Americans.

In an Augusta blog, our CEO discussed a [government proposal](#) that would initiate a reporting requirement to the Internal Revenue Service on behalf of all bank accounts reflecting balances of 600 dollars or more at any time during the year. The new requirement would also pertain to accounts that evidence gross inflows and outflows of 600 dollars or more per year.

The Augusta CEO also detailed [efforts being made by Democrats](#) to begin reducing high-earner access to IRAs. Included was the addition of a then-undefined new annual “reporting requirement” for employer-defined contribution plans – such as 401(k)s – with account balances of more than 2.5 million dollars.

Why is it so important for the government to know whether an American citizen has saved more than 2.5 million dollars in his or her 401(k)?

Against the backdrop of developments like that, it is understandable why some people can’t get comfortable with the idea of a currency that would enable tracking of purchases.

To some, it may seem like it’s being paranoid to think digital currency could have ominous implications for privacy and liberty. We might agree that it’s paranoid, but the government itself seems in favor of tracking the personal financial profiles of American citizens.



# How to Keep Financial Privacy Alive

Owning precious metals gives retirement savers an asset outside of the financial and banking systems. The potential adoption of a digital dollar would be highly relevant to both systems, so it appears that owning gold and silver could be an excellent overall risk-avoidance strategy.

For the people who are troubled by the question of worldwide government control through digital accounts, it could make sense to own some metals as cash purchases, which means they are entirely outside of a tax-advantaged retirement account.

The fact is that savers today have to weigh an array of factors as they consider the best way to go to both diversify and grow their hard-earned nest eggs. Some of those factors have to do with performance of assets in a volatile economic and geopolitical climate – and other factors have to do with reducing exposure of savings to government and central bankers. Physical precious metals can help on both counts. The issuance of a digitized version of the U.S. dollar is just one of those factors investors need to weigh.

If you would like to learn more and ask questions about physical precious metals, you are invited you to contact Augusta Precious Metals at 800-700-1008. When you call, you will have the opportunity to learn about our one-on-one web conference hosted by the support team in Augusta’s education department. This live, information-packed presentation was designed by our on-staff, Harvard-trained economist. It helps everyday Americans better understand a variety of aspects of the economy and precious metals. You will also learn potential red flags to watch out for with some gold IRA companies.

Let Augusta Precious Metals help you get clear information about how a gold IRA works—and help you set up an account easily through our streamlined process.

[1] Charles Lane, Washington Post, “Joe Biden isn’t a socialist, but his nominee to regulate banks has pretty radical ideas about the Fed” (October 13, 2021, accessed 2/21/22).

[2] John Greenwood and Steve H. Hanke, Wall Street Journal, “The Monetary Bathtub Is Overflowing” (October 21, 2021, accessed 2/21/22).

[3] Randall W. Forsyth, Barron’s, “As Inflation Roars, the Fed Faces a Thorny Choice” (December 12, 2021, accessed 2/23/22).

[4] Reuters.com, “Fed debating if balance sheet should be regular tool, Daly says” (February 8, 2019, accessed 2/21/22).

[5] Alan Rappeport, New York Times, “Mounting federal debt puts the U.S. at risk of a fiscal crisis, Congressional Budget Office warns.” (October 22, 2021, accessed 2/21/22).

[6] Jamie Redman, Bitcoin, “\$9 Trillion in Stimulus Injections: The Fed’s 2020 Pump Eclipses Two Centuries of USD Creation” (October 5, 2020, accessed 1/10/21).

[7] Federal Reserve, fred.stlouisfed.org, “Federal Reserve Total Assets” (accessed 2/21/22).

[8] David Schoenbrod and Brian Riedl, USA Today, “Cuts in Social Security and Medicare are inevitable. Delaying reform will make it worse.” (August 15, 2018, accessed 2/21/22).

[9] David Lin, Kitco.com, “Inflation is now at 7%, the highest in 40 years, and will stay until 2024 - Steve Hanke” (January 13, 2022, accessed 2/23/22).