

US Digital Currency

I am pretty sure cryptocurrency is here to stay in some form (at least as a store of value, which is the only use case we have seen work at scale so far).

There was possibly a time when governments could have totally stopped it, but it feels like that's in the rearview mirror.

However, I think it's very possible that the dominant cryptocurrency hasn't been created yet (Google was years late to the search engine party, and Facebook came long after most people assumed the social network wars were won). And from the perspective of a nation, there are real problems with current systems, especially around pseudo-anonymity, ability to function as an actual currency, and taxability.

Although I don't think the US government can stop cryptocurrency, I do think it could create the winner—let's call it "USDC" for US Digital Currency—and fix some challenges that governments currently face with cryptocurrency.

I think the first superpower government to do something like this will have an enviable position in the future of the world, and some power over a worldwide currency.

The US government could decide to treat USDC as a second legal currency, which would be hugely powerful. (I think the US doing this would be significantly more impactful than the smaller governments thinking about it now.)

Ideally the initial coins would be evenly distributed to US citizens and taxpayers—something like everyone with a social security number gets two coins, one that is immediately sellable and one that you have to keep for 10 years.

USDC could require that certain transaction can only happen with wallets with known owners. It could even build a tax system into the protocol.

A tricky part of this would be how to balance letting the network have control over itself and letting the government have some special degree of input on 'monetary policy'. It's certainly ok for the government to have some, but I think the network needs to be mostly in charge (e.g., the government couldn't be allowed to arbitrarily inflate the currency when it wanted to).

The current practices seem to be for governments to mostly ignore cryptocurrency and cryptocurrency enthusiasts to mostly ignore government, which seems to me to be unsustainable in both directions. But I believe there exists a middle ground where the government can get a lot of what it wants, and cryptocurrency users can get a lot of what they want too.

The government can likely create a lot of de novo wealth for its citizens in the process.