

Personal Liberty In The Digitally Networked Future Of Money

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*“Listen, my children, and you shall hear
Of the midnight ride of Paul Revere.”*

The opening lines of this once well-known poem were written by 19th century **Harvard Professor**, Henry Wadsworth Longfellow.

But what of the midnight ride that he refers? What was that?

Well, it was put in motion this very day 249 years ago when orders arrived in Boston for the local government to search private homes and public buildings in the surrounding area for private stores of arms and ammunition.¹ A few days later, a well-trained and equipped standing army rowed across the Charles and mustered in the middle of the night right here in Cambridge a few hundred yards from where we sit. The soldiers then marched under the cover of darkness out to the countryside. They out powerfully and confident of success. Yet, within 24 hours, they retreated raggedly back to Cambridge frightened and defeated.

How was that possible? Well, setting out from Cambridge that same dark night was a solitary rider: Paul Revere, a well-connected and socially prominent craftsman. In Lexington, he alerted Samuel Adams and John Hancock to the soldiers advance. He later connected with two other riders to journey wide, but in different directions throughout the countryside, but with the same mission: to sound the alarm.

As explained by Brandeis professor Paul Hackett Fischer, rather than the romantic, solitary ride depicted in Longfellow’s poem, Paul Revere’s task was to activate a decentralized,

¹ David Hackett Fischer, *Paul Revere’s Ride* (Oxford University Press, 1994).

regional network of partially acquainted college students, militia captains, local officials, townsmen, farms hands, church leaders, tradesmen and blacksmiths.²

By daybreak, that loose citizens network produced several thousand opponents to the armed incursion who went on to challenge it in the towns of Lexington and Concord and then decimate it along the road back to Boston.

In just one day, a centralized military force was defeated by a decentralized network of free citizens, setting in motion the American Revolution and political independence of Britain.

Less than a decade and half later, the US Constitution added the “Bill of Rights,” including the edict that,

“The right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures, shall not be violated...”³

In his masterful 2018 work, *“The Square and the Tower: Networks, Hierarchies and the Struggle for Global Power,”* Historian Niall Ferguson, looks at the historical coaction between centralized power and decentralized social networks and the threat that each have often perceived in the other.⁴

Two and a half centuries after the momentous events that began right here in Cambridge, we are gathered at the Harvard Blockchain Conference to discuss new and profound global societal changes. We are exploring a new information-based and digital network world, a clash between centralized power and control and decentralized social networks.

And this time, it about money! Oh, my, my...

In short, in the 21st century the Internet is doing to finance, banking and money what it has already done in the 20th century to: information gathering (Wikipedia), retail shopping (Amazon), entertainment (YouTube), social networking (Facebook & Twitter), photography (TicTok), journalism and so much more.

That is: increase speed, efficiency and automation, lower costs, further inclusion, unlock new business models, challenge traditional market structures, displace intermediaries and, perhaps, create new ones.

² Id.

³ U.S. Const. amend. IV.

⁴ Niall Ferguson, *The Square and the Tower: Networks, Hierarchies and the Struggle for Global Power*. (Allen Lane 2017).

It is also raising the question whether this new Internet of Value will truly enhance economic liberty and financial freedom. Or, will it rob free citizens of liberty in a similar way to how the second generation Internet centralized information and speech in the hands of a few BigTech giants.

So, what I'd like to do in the next 15 minutes is issue a challenge and, indeed, a call to action, not unlike that of Paul Revere.

That is, to make the future of digital finance one that is *worthy* of free society and *true to* New World values of human liberty and financial freedom.

To do this, we must first accept the reality that modern money is changing and changing rapidly. Money is expanding from fungible cash bills and electronic notations on the balance sheets of central and commercial banks to unique digital notations on new digital infrastructure operated by global decentralized collectives, national sovereign governments and private sector entities.

The Atlantic Council is just out with new information on the global adoption of various forms of central bank digital currency or "CBDC". The headline number is that 134 countries and currency unions, representing 98% of global GDP, are now exploring CBDCs.⁵ Four years ago, that number was only 35. In fact, 68 countries are now in an *advanced* phase of exploration—development, pilot, or launch. That includes 19 of the G-20, with China placing its digital Yuan - the eCNY- in over 260 million digital wallets and the E.U. planning to roll out a digital Euro by 2025.

At the same time, global stablecoin usage continues to increase dramatically. Stablecoins settled over \$11 trillion on-chain transactions in 2022, almost surpassing the payment volume of Visa and reaching 14% of the volume settled by ACH. The supply of stablecoins has grown from less than \$3 billion five years ago to over \$138 billion as of January, 2023.

And, of course, decentralized cryptocurrency, like Bitcoin and Ethereum, continue to grow in notional value, computing power and distributed ownership. Bitcoin has now surpassed the Swiss Franc to become the 13th largest currency in the world.

Thus, whether or not any one country deploys central bank digital currencies, global citizens will be dealing with: CBDCs, stablecoins *and* crypto in the century to come. The sometime fashionable debate between CBDCs, stablecoins and crypto is a false choice.

The future is *all of* the above.

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Four years ago at the World Economic Forum in Davos, we announced the launch of the Digital Dollar Project. The Project operates a neutral, non-profit forum to consider how best to

⁵ Atlantic Council, *Central Bank Digital Currency Tracker*, at: <https://www.atlanticcouncil.org/cbdctracker/>

modernize the U.S. Dollar and preserve its reserve currency status and the values it represents and in a coming world of decentralized and centralized, digital currency networks.⁶ The Digital Dollar Project provides a “safe space”, if you will, where thoughtful consideration can take place away from the polarization of contemporary politics and social media.

Over the past four years, the Project’s engagement with both the public and private sectors has delved into critical topics of CBDC privacy, risk, security, cross-border payments, and interoperability.

From hosting privacy roundtables at leading educational institutions to releasing the first in a series of risk and privacy working papers, the Project been engaged in helping define the “bill of rights” for CBDC privacy in a digital age and understanding the implications and necessary next steps for thinking of the future of money.

Additionally, the Project published the first ever US wholesale CBDC pilot study with DTCC and first ever US retail CBDC pilot study with Western Union and BDO Unibank, as well as a working paper focused on catalyzing a broader, global dialogue about CBDC standards.

To be clear, the Digital Dollar Project *does not* call for deployment of a US CBDC and is very supportive of stablecoin development. The Project asserts that the U.S. should only consider issuing a CBDC once key design elements of privacy, security, distribution, and economic stability are properly understood and democratically addressed.

But, the Project does encourage the U.S. and other free societies to assert principled leadership in CBDC experimentation at home and digital currency standard setting abroad that is consistent with civic norms and values.

A few months ago outside of Washington, the Digital Dollar Project co-hosted with the Atlantic Council a first-of-its-kind gathering of international policymakers, technologists, financial services providers, innovators, and consumer and privacy advocates from across the globe to explore the digitally networked future of money. The three-day long event brought together Deputy Governors and Ministries of Finance from 13 central banks, including twelve U.S. Federal Agencies and was live-streamed to over 100,000+ viewers.

I am here to report to you that after those three days at the conference, two conclusions were very clear:

- 1) digital currency networks (both sovereign and non-sovereign and centralized and decentralized) are coming very fast;
- 2) the time for global standards – *dare I say, enlightened democratic standards* - is now.

⁶ See: <https://digitaldollarproject.org>

The backdrop to the quickening advance of digital currency networks is an increasingly multipolar, complex and fragmented world, one riven by war, global conflict and political and social division.

The later 20th century financial system, dominated by multinational banks and the US Dollar and Pax Americana, is gradually yielding to a 21st century worldwide kaleidoscope of overlapping and partially interoperable, digital networks of value. Some are decentralized like Bitcoin. Others will be variously centralized and operated by global banks and Big Tech companies. And others will be deployed by national governments and, even, exported for sale as white label, “CBDCs in a box” for the developing world.

Here’s the danger:

Those centralized digital currencies that emerge – *both sovereign and non-sovereign* - will be gathering points for massive amounts of data about the economic and financial activities of users, citizens and voters.

Many thoughtful people across the political spectrum and across the globe are appropriately concerned about misuse of such “honeypots” of private financial information. They are concerned about direct access by central governments, global banks and Big Tech to such troves of personal data.

They anticipate political and commercial pressure on private-sector actors to conduct surveillance, gather information, report on activity and, even, disable financial transactions with disfavored groups and activities in a similar fashion to the now increasingly evident and deplorable censorship of speech on social media by both government and BigTech firms.

Just last month, the U.S. Supreme Court heard arguments on whether the Federal government can coerce social media platforms to censor speech it doesn’t like.⁷ Unsurprisingly, the central government argued that may rightly and robustly coerce censorship of internet speech. That, by itself, is troubling.

In a future where the provision of wallet and digital currency services likely will be subject to Federal or state licensure, commercial providers may find their licenses jeopardized if their digital currency products are used to pay for things some current or future bureaucrat does not want citizens to have, however legal.

⁷ Podcast, Wall Street Journal, “Is Fighting Misinformation Censorship? The Supreme Court Will Decide,” Mar. 21, 2024 at: <https://www.wsj.com/podcasts/the-journal/is-fighting-misinformation-censorship-the-supreme-court-will-decide/89b10061-d4e2-4c9f-a564-a23824972c87>

What if a Federal stablecoin authority decided to revive “Operation Choke Point,” a U.S. government initiative of a decade ago to pressure financial institutions into denying services to lawful, but politically disfavored businesses, such as pawn shops, same-day check cashers, gun manufacturers and so on.

Unfortunately, legislation currently moving through Congress may allow “stablecoins” to become the next vehicle for government suppression of free speech. That is because the legislation does not forbid government licensing authorities the discretion to coerce stablecoin protocols or even commercial servicers such as digital wallet providers to deny services to lawful, but politically disfavored businesses. Commercial operators, after all, will not be bound to uphold Constitutional freedoms and privacy rights.

This gap needs to be addressed to prevent political pressure being placed on digital service providers to bar transactions with legal, but politically unpopular industries.

The simple fix to this problem is to provide that federal and state government licensing authorities have no discretion to pick and choose among otherwise lawful activities and condition licensure on the stablecoin’s denial of legal transactions.

This fix would enable stablecoin operators to reject overweening government pressure to disable otherwise legal transactions and provide legal certainty to stablecoin customers. Without it, stablecoin transactions will be frighteningly beholden to the shifting political winds of Washington. Proposed legislation should enact it as a matter of law.

More broadly, regardless of the form of digital currency – *sovereign or non-sovereign, CBDC or stablecoin*, it is imperative that free society thoughtfully consider privacy implications and insist that the emergence of digital networks of value be consistent with Constitutional values, social norms and civil rights.

Designed properly, a Digital Dollar or, indeed, a Digital Euro, Digital Pound and any digital currency system – both CBDCs and stablecoins - should run on systems that are operationally and objectively transparent, providing the public with independent assurance about technical function, security and resistance to impermissible monitoring, data mining and other exploitation.

Citizens should not have to rely on a government or a stablecoin operator to say, “*trust us, we’re not invading your privacy and we’re not influencing your economic choices.*” Digital Currency users should be able to see for themselves that they are not being surveilled and manipulated.

In fact, individual economic privacy and censorship resistance should be affirmative design features and competitive advantages of digital systems of value worthy of free societies and open economies. By encoding individual economic privacy into its very architecture, CBDCs and

stablecoins should serve as a desired instruments for people the world over who aspire to financial autonomy and inclusion consistent with basic human rights and civic values.

As an American, I feel anything less is a betrayal of American independence and the U.S Constitution.

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As I start to close, I want to reference a terrific book just published by Frank McCourt, founder of Project Liberty, and my good friend, the digital journalist, Michael Casey.

In “*Our Biggest Fight – reclaiming Liberty, Humanity and Dignity in the Digital Age*,”⁸ McCourt and Casey explain how in the second-generation phase of the Internet, information has become centralized and controlled by BigTech. In this Web2 world, we have lost control over our lives in what McCourt calls “digital feudalism.”

“It’s as if we are marching back toward the Middle Ages. Our sense of agency has been seized from us by a clutch of corporate behemoths. By scraping and stealing our data, hiding the influence of their proprietary algorithms and persistently surveilling our online activity, they have stripped us of our agency, of our capacity to set the course of our lives.”

McCourt and Casey have it exactly right about the state of Web2.

But what about Web3 and the coming Internet of Value?

Will Web3 live up to its promise if the BigTech and/or Big Government behemoths centralize the coming Internet of Value with control over our everyday economic choices, our economic liberty?

In the free market economies of the 21st Century, what is liberty after all but how we are make a living, invest for the future and support the people, causes and institutions we believe in?

Are we willing to compromise those financial decisions to the priorities of BigTech, BigBanks and BigGovernment?

Thirty years ago, the first wave of the Internet rolled across the globe. Then, the US, the E.U. and other leading democratic nations – the heirs to the Age of Enlightenment - made sure that that *Internet of Information* reflected the values of open and free societies, rather than closed and repressive ones.

⁸ Frank McCourt & Michael Casey, “*Our Biggest Fight – reclaiming Liberty, Humanity and Dignity in the Digital Age*,” (Crown 2024).

Today, the free world and free people must again work together to make sure that the coming *Internet of Value* reflects similar values of financial freedom and economic liberty.

Together, we must drive global standards for digital value networks suitable for human worth and dignity.

So, here is my plea to you this afternoon:

Let's work together as our enlightened predecessors, as those Massachusetts yeomen did...to ensure that the future of digital currency networks is one that enhances the free world.

Let's set standards for digital currencies – sovereign and non-sovereign - that are worthy of human liberty and people everywhere who aspire to it.

Let's get to the task at hand. Let's not be intimidated by this innovation, but seize it to enhance the dignity of our fellow men and women.

Let's shape the future of finance, banking and money itself in accordance with our finest and noblest human values.