

Will the US Have a Cryptocurrency? What to Know About Biden's Bid for a Digital Dollar

Here's how the White House is setting the stage for a federal digital assets policy.



President Joe Biden's executive order has an eye toward consumers, banks and national security.

Tom Williams/CQ-Roll Call, Inc/Getty Images

To date, the federal government has largely stood by during cryptocurrency's meteoric rise. But that may be changing. On March 9, President Joe Biden [issued a historic executive order](#) calling on the Treasury

Department to consider creating a government-controlled digital currency. Biden's order also [directed government agencies](#) to investigate the risk crypto poses to consumers, investors and financial markets, as well as to develop policy solutions.

Here's what to know about the executive order, including what it entails, why it was issued and what it could mean for cryptocurrency regulation.

What is the executive order on digital assets about?

The White House's executive order, labeled "the first whole-of-government strategy to protect consumers, financial stability, national security, and address climate risks" of digital assets, focuses on six areas: consumer and investor protection, financial stability, illicit activity, US competitiveness, inclusion and accessibility, and responsible development.

It directs the departments of Treasury, Commerce and Justice, as well as the Federal Reserve, the Office of Science and Technology Policy, and other government agencies to research the risks and rewards of cryptocurrency, a market now valued [at approximately \\$1.7 trillion](#).

While the order doesn't announce any new industry regulations, it hints that such regulations could be on the way.

The Department of the Treasury is also expected to determine whether it would be feasible to issue a US-backed central banking digital currency, also known as a CBDC or "digital dollar," similar to the ones China, Sweden, the EU and other nations are [working on](#).

Why did Biden issue the order?

Some 40 million American adults, or 16% of the entire population, have used, invested in or traded cryptocurrencies, according to the [Pew Research Center](#).

The White House is eager to shore up oversight of something that involves so many Americans and, according to the order, "safeguard against any systemic financial risks posed by digital assets."

Just last month the Department of Justice [seized \\$3.6 billion in stolen bitcoin](#) associated with the 2016 hack of cryptocurrency exchange Bitfinex, the largest financial seizure in history.

This is also a chance for the US to regain its foothold as the dominant economic world power. The order tasks the Department of Commerce with "establishing a framework to drive U.S. competitiveness and leadership in and leveraging of digital asset technologies."



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There are concerns about [the environmental impact](#) of digital assets, with Biden's order noting their substantial implications for "climate risk" and calling for "responsible development, design, and implementation" of cryptocurrency.

To mine bitcoin, warehouses of high-power computers run 24 hours a day, consuming more energy in a year than all of Finland, [The New York Times reported](#) -- or nearly 0.5% of all electricity consumption worldwide, a tenfold increase from 2017.

Why is the administration interested in cryptocurrency now?

While Biden insisted the directive has been in the works for months, it comes on the heels of the US and its allies issuing [strict economic sanctions against Russia](#) over the Ukraine invasion, including freezing assets of individuals and corporations.

The executive order calls for measures to mitigate the "illicit finance and national security risks" that bad actors could pose and directs agencies to work with America's allies "to ensure international frameworks, capabilities, and partnerships are aligned and responsive to risks."

Officials in Washington have raised concerns that cryptocurrency, a decentralized system that's encrypted and harder to track than traditional financial transactions, [could be used by the Kremlin to elude sanctions](#). In [a letter to Treasury Secretary Janet Yellen](#), Sen. Elizabeth Warren and other lawmakers raised concerns that "digital assets and alternative payment platforms may facilitate evasion of US and global sanctions" in Russia.

During a March 4 hearing, Warren [told Federal Reserve Chairman Jerome Powell](#) that cryptocurrency was a "shadow, unregulated world" that Russian politicians, billionaires and companies could exploit.

The White House asked cryptocurrency exchanges like Coinbase and Binance to block all Russian users, according to [Bloomberg](#). The exchanges [have refused to comply](#), though they have already banned thousands of individual Russian users.

How has the crypto industry reacted?

In most industries, even vague regulatory talk is usually met with groans. But crypto traders responded overwhelmingly favorably to Biden's order.



Coinbase chief policy officer Faryar Shirzad said the White House understands digital assets "have become an integral part of the fabric of American life."

James Martin/CNET

Coinbase's Chief Policy Officer Faryar Shirzad said he was optimistic about the directive from Washington.

"The White House seems to understand and embrace the transformational potential of digital asset technology, and the importance of maintaining American leadership," Shirzad [tweeted](#). "Digital assets are now widely embraced by millions and there's growing interest in it from officials across government. They've become an integral part of the fabric of American life. Today, the White House has confirmed they know this, too."

Jake Chervinsky, head of policy for the Blockchain Association, said the order was "about as good as we could ask for."

"Anyone worried that President Biden's executive order would spell doom & gloom for crypto can fully relax now," Chervinsky said [on Twitter](#). "The main concern was that the EO might force rushed rulemaking or impose new & bad restrictions, but there's nothing like that here."

And Binance CEO Changpeng Zhao [jokingly tweeted](#), "I'm guessing crypto is not going away."

Cryptocurrency markets surged in response to the executive order, with top-dog bitcoin rising nearly 9% last week to about \$42,000. Ether, the second-largest cryptocurrency, hit nearly \$2,800.

What's the next step?

Governmental agencies are now expected to commission studies over the next two to six months to explore the risks and benefits of cryptocurrency. Their recommendations may be adopted as departmental regulations or

passed off to Congress to incorporate into new legislation.

Industry insiders will be watching closely, especially in regards to the development of a digital dollar.

"Adoption of US CBDC could fundamentally alter the role of both central and commercial banking," Lisa Ledbetter, a partner at corporate law firm Reed Smith and former Treasury Department attorney, [told Yahoo Finance](#).

"Weighing all of the factors in the [executive order] is a policy and practical balancing act," Ledbetter added. "A US CBDC would have international consequences making it imperative that the private sector, foreign central banks and other stakeholders have a seat at the table."