

Indiana Outlaws Central Bank Digital Currency

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This article comes from one of our regular article-sifters-and-sharers, and it's more grist for the mill as you consider what is behind the moves of so many states to pass various currency laws. Last week, for example, I offered a cautionary caveat on Texas's recent bills regarding the "backing" of digital "currencies" with gold or silver, and their apparent "convertibility." My caveat remains what it was: if you're going to have truly convertible digital currency with silver and gold backing, then certificates of deposit that one can carry in one's wallet – we know them as gold and silver certificates – must be issued and useable as currency. Otherwise, I smell a plot simply to hook people on digital and cashlessness via the hook of "bullion backed." Colour me a curmudgeon, because I'm not buying.

But this article about the Hoosier state's banning of Central Bank Digital Currencies has me wondering if this push back of the states against fiat money, the fed, and fedgov overreach, has real traction:

Consider what this article says very carefully:

Last week, Indiana Gov. Eric Holcomb signed a bill into law to remove a central bank digital currency (CBDC) from the definition of money in the state.

Sen. Chris Garten and a bipartisan coalition of 11 cosponsors introduced Senate Bill 468 ([SB468](#)) in January. The law makes a number of changes to Indiana's Uniform Commercial Code (UCC) including explicitly excluding a CBDC from the definition of money in Indiana, effectively banning its use as such in the state.

The law amends the definition of money to specify, "The term does not include a central bank digital currency that is currently adopted, or that may be adopted, by the United States government, a foreign government, a foreign reserve, or a foreign sanctioned central bank."

...

Digital currencies exist as virtual banknotes or coins held in a digital wallet on your computer or smartphone. The difference between a central bank (government) digital currency and peer-to-peer electronic cash such as bitcoin is that the value of the digital currency is backed and controlled by the government, just like traditional fiat currency.

Government-issued digital currencies are sold on the promise of providing a safe, convenient, and more secure alternative to physical cash. We're also told it will help stop dangerous criminals who like the intractability of cash. But there is a darker side – the promise of control.

At the root of the move toward government digital currency is "the war on cash." The elimination of cash creates the potential for the government to track and even control consumer spending.

Imagine if there was no cash. It would be impossible to hide even the smallest transaction from the government's eyes. Something as simple as your morning trip to Starbucks wouldn't be a secret from government officials. As [Bloomberg put it](#) in an article published when China

launched a digital yuan pilot program in 2020, digital currency “offers China’s authorities a degree of control never possible with physical money.”

The government could even “turn off” an individual’s ability to make purchases. Bloomberg described just how much control a digital currency could give Chinese officials. (Emphasis added)

Now, I applaud Indiana’s step here, and I think, were my paternal grandparents still alive in their little house in Lafayette, they would be applauding too. But the problem I *still* have with the Texas bill is that convertibility issue because this article highlights it: the absence of the mediating step of certificates of deposit. While the Texas bill *does* recognize gold and silver specie as legal tender, imagine trying to buy a car with it... and waiting while the sales force counted out your bags of silver coins. Unless Texas is planning to issue gold or silver coins in denominations of hundreds and even thousands of dollars (in terms of current bullion prices), that scene is unlikely. If in gold at current prices, then an ounce of gold – not a very big physical lump at all – will be worth about two thousand dollars, give or take a couple of hundred. That’s not a heavy amount of gold to lug around, but trying to use gold for an actual specie dollar would be microscopic in size, a mere flake or speck. Two thousand dollars of silver would have you lugging around about 80 ounces of silver coin if face and intrinsic value were more or less the same and at today’s price of about \$25.00 per ounce, or about five pounds of coins.

Thus the difficulty is that the Texas bill does not specify the valuation: given current prices-per-ounce of gold, a gold coin whose intrinsic value content is equal to the stamped value of one dollar would be either a very miniscule and probably undetectably small coin, or the gold content in, say,

a physical quarter would be so diluted that the process of trying to recover it would be prohibitively expensive and not worth the effort of actually minting such a coin, *or* one has to arbitrarily redefine the dollar as such and such a weight of gold or silver, and so on. My point is, for those who know this history of money (and as cursory and amusing as my little example may be), this isn't a small issue, as face (declared or stamped value) and actual intrinsic value, as everyone knows, are two different things, and this difference between the tell and the count can lead to some interesting "bookkeeping" practices if one isn't careful. A teller, incidentally, began as someone who was more like an *assayer*, determining the purity of a metal and its intrinsic worth. Notably, they have become mere *counters* of coins, bills, notes, or certificates, which are not the same things as each other, nor are their face values similar to intrinsic value.

My point is that thus far, in blogging about these types of news articles and the attempts of several states to address the issue of specie as money, and the prohibition of central bank digital currencies, one notices a distinct *lack* of mention of these issues (face or stamped value versus intrinsic value), and through such omissions, whole truckloads of mischief – Globaloney central bankster mischief – can be driven. An illustration might help, if the reader is still having difficulty with this difference between stamped, or face, value, and intrinsic value.

Imagine you own a proof condition Morgan silver dollar minted in 1880. That dollar, being in proof (virtually unused) condition would weigh in at almost exactly one ounce of pure silver. You get hungry for a taco, and realize you're just one dollar short of enough money in the drive through to get your taco (which costs five dollars and you only have four and some loose change), and your new debit card has not arrived yet from the bank, and you've really got to have that taco. Then you remember your Morgan silver dollar, and use that along

with the federal reserve notes to buy your taco. The cashier takes your silver dollar because it is still legal tender and currency, but accepts it at its stamped value: one dollar. Except that when it was minted, that dollar went a *lot* farther than it does now, and moreover, the *silver content* of that Morgan silver dollar is now worth about \$20-25 of your newer federal reserve notes. In other words, you just spent about \$29 tell dollars for a \$5 count dollars taco. The cashier, meanwhile, recognized the value of that strange coin, and immediately exchanged it for the federal reserve note in her purse, and later sold the silver dollar to a coin collector for \$25 count dollars. She could (here it comes) *tell* the difference.

So I'm left applauding these state efforts, but also issuing my caveats and warnings that *a lot more thought* that needs to be given to these specie money bills *and to the twin issues of legal valuation and convertibility*. Otherwise, when we try to convert our Texdigicoins to real gold bullion, we might have to wait a while for the clerk to find the microtweezers to give us our small microdot of gold worth one dollar, at current market prices of gold. It's *this* issue that has me concerned that Texas – and some other states – and playing Mr. Globaloney's and Mr. Central Bankster's game.

Of course, there's another monkey wrench here... and that is that there *is* historical precedent in our republic for the stated and legal definition of the value of a dollar in terms of bullion and more particularly, specie ... but that story goes way back there, and neither the digital currency advocates nor the central banksters will like it. But that's another story for another time perhaps.

One thing I think we can perhaps all agree on, though, and that is using cash is a way to fight serfdom.

See you on the flip side...

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