NSDA (NOV-DEC): U.S. REGULATION OF CRYPTOCURRENCY

Aff Evidence

Safety

Safety because of regulation will increase investor confidence

Gebbing and Nöffke 2021 ("Regulating crypto is essential to ensuring its global legitimacy," Henrik Gebbing and Wilhelm Nöffke, August 16, 2021, techcrunch, https://techcrunch.com/2021/08/16/regulating-crypto-is-essential-to-ensuring-its-global-legitimacy/)

Activity can already be monitored through a collective database of users known to abide by international standards. This knowledge of approved users and vendors allows the industry to spot misconduct or malfeasance far sooner than usual, singling out and restricting illegitimate users. By means of a well-thought-through tweaking of the suggested regulations, a verified network can collectively be built to ensure trust and properly leverage blockchain's potential, while barring those bad actors intent on corrupting or manipulating the system. That would be a huge step forward in prosecuting international financial crimes and ensuring crypto's legitimacy globally. Crypto's outlaw days are over, but it's gained an unprecedented level of legitimacy that can only be preserved and bolstered by abiding with regulatory oversight. That regulatory oversight can't just be the old way of doing things copy-and-pasted onto blockchain transactions. Instead, it needs to be one that helps fight criminal activity, shores up investor confidence and throws a bone — not a wrench — to the very mechanics that make crypto a desirable financial investment.

Regulation is possible without creating negative impacts – compromise is key

Gebbing and Nöffke 2021 ("Regulating crypto is essential to ensuring its global legitimacy," Henrik Gebbing and Wilhelm Nöffke, August 16, 2021, techcrunch, https://techcrunch.com/2021/08/16/regulating-crypto-is-essential-to-ensuring-its-global-legitimacy/)

FATF's travel rule impacts two types of businesses: traditional financial institutions (banks, credit firms and so on) and crypto companies, otherwise known as virtual asset service providers (VASPs). In its original incarnation, the travel rule only applied to banks, but was expanded to crypto companies in 2019. In 2021, many of the FATF member jurisdictions began to incorporate the travel rule into their local AML laws. This regulatory shift sent shockwaves through the crypto sector. The stakes of refusal are high: Failure to incorporate the travel rule results in a service provider being declared noncompliant, which is a major obstacle to doing business. But, the travel rule is also a

major hindrance that doesn't take into account the novelty of crypto technology. It is problematic for crypto businesses to integrate due to the major amount of effort it poses when obtaining KYC data about the recipient and integrating it into day-to-day business. In order for crypto businesses to obtain this information for outgoing payments, data would have to be provided by the client and would end up being virtually impossible to verify. This is highly disruptive to the crypto's emblematic efficiency. Moreover, its implementation presents challenges regarding the accuracy of the data received by VASPs and banks. Also, it creates further data vulnerabilities due to additional data silos being created across the globe. When it comes to international standardization measures rather than those isolated within certain communities, there is a wide gap between exclusively on-chain solutions (transactions that are recorded and verified on one specific blockchain) and cross-chain communication, which allows for interactions between different blockchains or for combining on-chain transactions with off-chain transactions that are conducted on other electronic systems, such as PayPal. We must eventually find a halfway point between those with valid concerns about the anonymity crypto assets provide and those who see regulation as prohibitively restrictive on crypto. Both sides have a point, but crypto's continued legitimacy and viability within the larger financial markets and industry is a net positive for all parties, making this negotiation nothing short of crucial.

Regulatory measures don't deter traders

Feinstein 2021 ("Why Regulation Won't Harm Cryptocurrencies," Brian Feinstein, Knowledge @ Wharton, April 27, 2021, https://knowledge.wharton.upenn.edu/article/why-regulation-wont-harm-cryptocurrencies/)

Feinstein and Werbach put those concerns to the test and examined if price declines follow cryptocurrency regulation in a country. "The answer there is, 'Almost always not,'" said Feinstein. That finding was the result of an exhaustive study by Feinstein and Werbach of trading activity at several exchanges worldwide following key cryptocurrency regulatory announcements. Their study found "almost entirely null results," they wrote in an article published April 25 in the Journal of Financial Regulation. "From the creation of bespoke licensing regimes to targeted anti-money laundering and anti-fraud enforcement actions, as well as many other categories of government activities, we found no systemic evidence that regulatory measures cause traders to flee, or enter, the affected jurisdictions." Their findings "at last provide an empirical basis" for regulation of cryptocurrency trading, they added. "Crypto enthusiasts assert that limited regulation encourages trading on domestic exchanges

and thus attracts development activity around a promising frontier technology, while unfavorable regulations will cause trading to move offshore," Feinstein and Werbach wrote in a recent opinion piece in The New York Times. "But that wasn't the case in multiple countries, including the U.S., that are home to large and active cryptocurrency exchanges. Despite concern from some in finance that strong regulations would dampen enthusiasm for crypto or push trading to more laissez-faire countries, we found few hints of price movement around regulatory events and no evidence of capital flight."

Regulators are protecting cryptocurrency traders

Feinstein 2021 ("Why Regulation Won't Harm Cryptocurrencies," Brian Feinstein, Knowledge @ Wharton, April 27, 2021, https://knowledge.wharton.upenn.edu/article/why-regulation-wont-harm-cryptocurrencies/)

In some cases, state regulators are taking the lead in protecting cryptocurrency investors, Feinstein said. He pointed to the recent investigation and punitive actions by the New York Attorney General into Tether, a cryptocurrency trading platform. "New York recognizes how having regulations that facilitate cryptocurrency trading and encourage exchanges to locate in its state can have real positive spillovers for its economy." To build on their relationship with regulators, cryptocurrency firms and markets ought to focus on the fundamental issues such as ethical conduct, he noted. Feinstein had some advice for regulators on how they could approach cryptocurrencies. "First, they shouldn't worry that their actions will drive offshoring of [cryptocurrency] activity," he said. "Instead, they should be focused on regulations that increase investor trust in their jurisdictions."

Deterring crime

Regulation helps to deter crime and incentivize genuine investors

Feinstein 2021 ("Why Regulation Won't Harm Cryptocurrencies," Brian Feinstein, Knowledge @ Wharton, April 27, 2021, https://knowledge.wharton.upenn.edu/article/why-regulation-wont-harm-cryptocurrencies/)

For sure, the cryptocurrency market takes a hit when regulators crack down on illegal activities. "When countries enact anti-money laundering measures, we can see price declines, and that's obvious to the extent that people using cryptocurrencies for illicit reasons are trading them," said Feinstein. "But across all the other categories of regulation — think tax treatments, securities law treatments, cyber security and anti-fraud measures — none of that affects price [or] trading volume. So when a country imposes a new restriction, we don't see crypto traders fleeing that jurisdiction for more permissive countries." Regulators also help temper cryptocurrency prices when they purge the market of illegal activities and thereby provide a safer environment for genuine investors. "[With regulation], a group of bad actors — people who are interested in using cryptocurrencies for money laundering and other sorts of illegal activities — would be spooked," said Feinstein. "But another group of investors is getting more and more prominent, and they are legitimate investors, from day traders to major investment firms," he continued. "Those investors get more comfortable with cryptocurrencies, as its regulation drives out some of those bad actors." The valuation of Coinbase is an example of how regulation can inspire confidence, Feinstein said. (The share price of Coinbase has dropped since its IPO, taking its market capitalization down from $85 billion to $60 billion, but investor sentiment continues to be strong.) "[That valuation] is possible in part because they operate in the U.S., so investors are confident that their trades on Coinbase are subject to U.S. regulation, which tends to be quite strong," he added. "With anti-fraud and cybersecurity measures, investors can be assured that trades on a U.S.-based exchange are more secure and safer than on some other jurisdiction's exchanges."

More regulation is key to the safety of cryptocurrency and the deterrence of crime

Gebbing and Nöffke 2021 ("Regulating crypto is essential to ensuring its global legitimacy," Henrik Gebbing and Wilhelm Nöffke, August 16, 2021, techcrunch,

https://techcrunch.com/2021/08/16/regulating-crypto-is-essential-to-ensuring-its-global-legitimacy/)

Ultimately, we need to regulate with efficacy, which necessitates legislation that is applicable specifically to digital assets and does not hinder the market without really solving any AML-related problems. The already global nature of the traditional financial industry underscores the value of and need for FATF's issuance of an international framework for regulatory oversight within crypto. The criminal financial trade — money laundering, illegal weapons sales, human trafficking and so on — is also an international business. Thus, cracking down on it is, out of necessity, an international effort. The decentralized nature of blockchain, which runs contrary to the central-server standard we know and use nearly everywhere, presents a formidable challenge here. Rules and regulations for traditional financial institutions are being implemented part and parcel onto crypto — a misstep and misunderstanding that ignores the innovation and novelty this economic ecosystem and its underlying technology entails. Traditional forms of regulation from the fiat world do not reciprocally apply to every aspect of crypto nor to the fundamental nature of blockchain technology. However well intentioned they may be, because these imposed regulations are built on an old system, they must be adapted and modified. The creation of fair restrictions on the technology's use requires a fundamental understanding and cooperation within the limits and characteristics of those technologies. In traditional financial circles, the topic of blockchain is currently subject to more impassioned rhetoric than genuine understanding. At the heart of the issue is the fundamental misunderstanding that blockchain transactions are anonymous or untraceable. Blockchain transactions are pseudo-anonymous and, in most circumstances, can offer more traceability and transparency than traditional banking. Illegal activity conducted on the blockchain will always be far more traceable than cash transactions, for example. Technology with such immense potential should be made accessible, regulated and beneficial for everyone. Blockchain and digital assets are already revolutionizing the way we operate, and regulatory measures need to follow suit. The way forward cannot simply be delivering old-school directives, demanding obedience and doling out unfair punishments. There's no reason a new way forward isn't possible.

Crypto is currently vulnerable to crime – change is needed

Pazzanese 2021 ("Regulators put cryptocurrency in crosshairs," Christina Pazzanese, September 29, 2021, The Harvard Gazette, https://news.harvard.edu/gazette/story/2021/09/regulating-the-unregulated-cryptocurrency-market/)

GAZETTE: The SEC chairman called this an asset class “rife with fraud, scams, and abuse.” Is this industry operating in a rule-free, “Wild West” atmosphere, as he suggested? KOMINERS: I haven’t read the full Gensler remarks, so I can’t comment explicitly on his overall take, but I can comment on some of the individual elements you mention. It’s clear that this space needs much more consumer protection, and we’re starting to see that. Right now, if a hacker gains access to your crypto wallet, they can drain it and you may have no recourse. But the newer waves of wallet technologies and crypto exchanges are thinking hard about all the things consumers expect out of banking products and equities trading accounts. They’re trying to create more security and protections at the consumer-interface level. And then, of course, you also need regulation to prevent financial crime and scams, just like we have in other parts of the financial-services industry.

Regulation will legitimize cryptocurrency and protect investors from crime

Blenkinsop 2019 (“Crypto Regulation: Is It Good or Bad for the Industry?” Connor Blenkinsop, cointelegraph, December 16, 2019, https://cointelegraph.com/news/crypto-regulation-is-it-good-or-bad-for-the-industry)

Not everyone agrees that regulation needs to be calamitous for blockchain and crypto. Again, referencing initial coin offerings, some argue that the introduction of stringent regulations has the opportunity to introduce some vital investor protections that those on the stock markets take for granted. Regulation could also deliver the much-needed seal of approval that has been holding many institutions from taking the plunge — injecting billions of dollars’ worth of capital into the industry and driving regulation forward. Ensuring that crypto startups meet the same standards as companies going through initial public offerings could also increase the quality of new projects. However, this wouldn’t be without cost. Initial coin offerings, initial exchange offerings and security token offerings often take place with speed and efficiency — and stringent regulations and disclosure measures would inevitably slow things down. There’s also the oft-quoted issue of crypto scams. The industry has been around for more than a decade now, and yet it has still been struggling to shake off the issue of fraudulent ventures that continue to cost vulnerable investors millions of dollars. Some argue that the fact these incidents are continuing to happen with such frequency serves as proof that the crypto world needs experience to gain legitimacy. On the other hand, others say self-regulation is the solution — an opportunity to create checks and balances by getting crypto businesses to mark each other’s homework and ensure that everything remains above board.

Sustainability

In the status quo, cryptocurrency is a major source of emissions

Mellor 2021 ("Elon Musk is right: Bitcoin mining is bad for the planet. Here's how bad," Sophie Mellor, May 13, 2021, Fortune, https://fortune.com/2021/05/13/musk-bitcoin-mining-bad-planet-heres-how-bad/)

According to the report, rising Bitcoin prices have led to an "astronomical" surge in CO2 emissions. Over the past two years, the historic rise of Bitcoin has caused emissions to increase by over 40 million tons—equivalent to 8.9 million cars added to the road, the BofA report said. The BofA report also found that Bitcoin produces more carbon emissions than American Airlines, one of the largest airlines in the world with over 200 million passengers in an ordinary year. Bitcoin's emissions are also comparable to those of the U.S. federal government, which employs over 2 million people. If that is not proof enough. Consider this: Mining the currency emits more CO2 than the whole of Greece. And that could worsen. If the price of Bitcoin were to rise to $1 million, BofA calculates, the digital currency could turn into the fifth largest CO2 emitter in the world, surpassing Japan. If $1 billion of hard cash went into the currency, and its value rose by 11%, that would cause the CO2 footprint to rise by 5.4 million tons—equivalent to 1.2 million cars. And finally, the BofA report said that no other human activity has a higher carbon footprint—that is, per dollar invested. It's equivalent to powering 632,000 homes with electricity. When Musk first made the announcement to accept Bitcoin as payment for Tesla back in March, there was instant backlash from critics who noted the hypocrisy of the "low-carbon" Tesla accepting the high-emission currency. But even if Musk went for an alternative, BofA notes that other crypto assets are only slightly better. Ethereum, the second largest cryptocurrency, has seen its energy consumption double from eight terawatt-hours (TWh) to 17 TWh in the six months it took to see its currency rise to $2,000.

Regulation is necessary to ensure environmental sustainability

Pazzanese 2021 ("Regulators put cryptocurrency in crosshairs," Christina Pazzanese, September 29, 2021, The Harvard Gazette, https://news.harvard.edu/gazette/story/2021/09/regulating-the-unregulated-cryptocurrency-market/)

GAZETTE: Besides fending off regulations, what are the industry's other challenges?
KOMINERS: One basic challenge is around taxation of crypto income. This isn't just

about tax avoidance concerns — a lot of people would like to pay taxes on their crypto but have absolutely no idea how to do so. We don't have clear crypto categories for taxation purposes, so it's extremely complicated to figure out which parts are ordinary income versus capital gains, as well as when the associated income has accrued. Organizing the tax treatment of all these assets — and then, of course, ensuring tax payment — is essential. Another challenge is environmental: A lot of the most popular crypto technologies at the moment require tremendous amounts of energy to run. And so, we're going to start seeing government leadership and regulation driving a shift toward versions of this technology that are more environmentally sustainable. Bitcoin and other early blockchains use a technology where you have to prove that you solved a very hard computational problem to record transactions securely. And solving those computational problems is taking up absurd amounts of energy. Newer blockchains use much less energy-intensive ways of validating transactions. And so, my guess and hope is that the way we're going to get away from environmentally harmful cryptocurrency transactions is through continual improvements in the technology, alongside regulation and market forces pushing toward technologies that are much more efficient.

There are past examples of jurisdictions imposing environmental regulations on crypto

Myscofski 2021 (Megan Myscofski, May 25, 2021, "Cryptocurrency Has Raised Environmental Concerns — Local Governments Are Stepping In," National Public Radio (NPR), https://www.npr.org/2021/05/25/1000274002/cryptocurrency-has-raised-environmental-concerns-local-governments-are-stepping-)

MYSCOFSKI: Those lights were on racks and racks of computers they used to generate the cryptocurrency Bitcoin by solving complicated mathematical problems. That requires intense amounts of computational power and electricity. And HyperBlock grew rapidly to become one of the largest Bitcoin mining operations in North America. Concerns about how much energy it used drew the attention of Missoula's county commissioners. They say at its peak, the data center used as much energy as about a third of all households in the county. They started crafting new regulations. Missoula County sustainability program manager Diana Maneta. DIANA MANETA: We thought quite a lot about this, not wanting to prohibit this industry in the county but wanting to figure out, how do we make this compatible with the county's values and the county's goals, especially the goals related to climate change? MYSCOFSKI: The new rules require cryptocurrency companies to develop or buy renewable energy equal to the amount they use. Jason Vaughan with HyperBlock says the rules, along with a pandemic dip in Bitcoin's value, drove his company to bankruptcy just as it was preparing to expand its

operations by three times. VAUGHAN: The majority of it came down to the zoning that was enacted. MYSCOFSKI: Nikhilesh De is a managing editor at CoinDesk, a website that tracks the cryptocurrency industry. He says Missoula County appears to be the first to enact local regulations on it. NIKHILESH DE: And I haven't seen anything like this yet, but it wouldn't surprise me if this is a model that gets followed. MYSCOFSKI: De says putting the burden on the companies to reduce their energy demand could mitigate the problem. Right now they're operating in a Wild West atmosphere, says Marjella Lecourt-Alma, the CEO and co-founder of Datamaran, a firm that analyzes environmental, social and governance investing. MARJELLA LECOURT-ALMA: On the one hand, you have such a push at current for sustainable investing, right? And then at the same time, you have this massive attention for cryptocurrencies. And that has nothing to do with sustainable investing. MYSCOFSKI: Lecourt-Alma says senior leaders and policymakers are giving attention to both the economic boom cryptocurrencies represent and their energy consumption and climate impacts. She says social pressure and public perception could push more investors towards forms of cryptocurrency that source greener energy than Bitcoin currently uses. So for now, the old plywood mill that used to house the Bitcoin data center in Missoula is emptier. And the county's sustainability program manager Diana Maneta says she's already heard from people in other parts of the country who are interested in advocating for similar regulations in their own communities.

The general public wants eco-friendly crypto regulation – more than 65 nonprofits are petitioning Congress for it

Yue 2021 ("More than 60 nonprofits urge Congress to consider crypto mining's environmental damage when making rules," Frances Yue, October 7, 2021, MarketWatch, https://www.marketwatch.com/story/more-than-60-nonprofits-urge-congress-to-consider-crypto-minings-environmental-damage-when-making-rules-11633616811)

More than 65 nonprofit organizations are collectively urging the U.S. Congress to consider crypto mining's environmental damage when drafting new laws. "As Congress contemplates legislation for cryptocurrencies, we urge you to consider the impacts that Proof of Work mining is having on the climate, clean water, and environmental justice," the organizations, which include 350.org, Friends of the Earth U.S., and Small Business Alliance, among others, wrote in a letter Thursday. The letter was first published by the New York Times. "Proof of work" refers to a mechanism in blockchains where miners solve mathematical puzzles to add new blocks. As the process uses extensive computational power and electricity, the type of crypto mining has been long criticized for its environmental costs. The mechanism is in contrast with proof of stake, which is

said to be more environmental-friendly, as holders could validate the transactions by staking or locking up their cryptocurrencies. The largest two cryptocurrencies bitcoin and ether are currently using proof-of-work blockchains. Though ethererum is in a transition from proof of work to proof of stake, critics remain skeptical. “It is unclear when, if ever, this change will occur,” the letter wrote. Some of the crypto industry participants have been arguing that the industry has been using renewable energy and adapting to address environmental concerns. Bitcoin Mining Council said that miners were using electricity with a 67% sustainable power mix, based on a survey from miners that power over 32% of the global Bitcoin network, according to a July statement.

Broader crypto usage

Investors will welcome crypto regulation

Gura 2021 ("Tougher Rules Are Coming For Bitcoin And Other Cryptocurrencies. Here's What To Know," David Gura, August 20, 2021, National Public Radio (NPR), https://www.npr.org/2021/08/20/1029436872/tougher-rules-are-coming-for-bitcoin-and-other-cryptocurrencies-heres-what-to-kn)

So far, professional investors say they would actually welcome new regulations – as long as they are not too stringent. Robert Jackson, the former S.E.C. commissioner, argues regulation will widen the appeal of cryptocurrency assets. "The market will be better off, because assuring investors that they are getting the kind of transparent pricing they are used to in American markets will encourage other investors to consider the possibility of investing in cryptocurrency," he says. But rules perceived as too stringent will inevitably spark fights. Lobbyists for the cryptocurrency industry tried to fight off Senate rules, calling the tax crackdown too broad.

Switzerland proves – regulation can exist while providing a friendly environment for cryptocurrency

Blenkinsop 2019 ("Crypto Regulation: Is It Good or Bad for the Industry?" Connor Blenkinsop, cointelegraph, December 16, 2019, https://cointelegraph.com/news/crypto-regulation-is-it-good-or-bad-for-the-industry)

Ultimately, we have seen both scenarios come true in the real world. Switzerland has been forming a reputation for being a crypto-friendly nation. Two institutions focused on providing banking services for crypto clients have been granted licenses by the Swiss Financial Markets Supervisory Authority — undoubtedly a major milestone. The positive attitude toward digital assets undoubtedly contributed to Facebook's decision to base its not-for-profit Libra Association there. And figures indicate that the country's blockchain industry is reaping the rewards associated with this "open for business" approach — with a report suggesting that the value of Switzerland's top 50 blockchain companies doubled to a collective $41 billion in the first half of 2019.

The current plan for crypto regulation is investor-friendly

Harr 2021 (Ryan Harr," U.S. Officials Send Mixed Messages on Crypto Regulation As China Pumps the Brakes. Here's What It All Means for Investors," October 1, 2021,

NextAdvisor in partnership with Time, https://time.com/nextadvisor/investing/cryptocurrency/crypto-regulation-talks-heat-up/)

Under the proposed law included in the infrastructure bill, companies that facilitate crypto trades would be required to report tax information about those trades to the IRS (just as brokers of traditional investments like stocks do) starting in the 2024 tax season. "The bill is generally investor-friendly because it makes crypto tax compliance easier for investors," says Shehan Chandrasekera, CPA, head of tax strategy at CoinTracker.io, a crypto tax software company. "This is because if the bill passes, exchanges will have to issue 1099-B tax forms with cost basis information to investors." That means the exchange would provide a record of taxable events on the platform, like how much your Bitcoin was worth when you bought it and when you sell it back into U.S. dollars. Today, only some exchanges report this info. "This will significantly reduce the crypto tax filing burden," Chandrasekera says. It's already important to keep your own records of any capital gains or losses on your crypto trades, which you should report on your federal tax returns. But this regulation would make it even more essential, since the IRS would more easily be able to find any cases of tax evasion related to crypto.

Banning cryptocurrencies would be a sign of authoritarianism

Feinstein 2021 ("Why Regulation Won't Harm Cryptocurrencies," Brian Feinstein, Knowledge @ Wharton, April 27, 2021, https://knowledge.wharton.upenn.edu/article/why-regulation-wont-harm-cryptocurrencies/)

"Crypto enthusiasts assert that limited regulation encourages trading on domestic exchanges and thus attracts development activity around a promising frontier technology, while unfavorable regulations will cause trading to move offshore," Feinstein and Werbach wrote in a recent opinion piece in The New York Times. "But that wasn't the case in multiple countries, including the U.S., that are home to large and active cryptocurrency exchanges. Despite concern from some in finance that strong regulations would dampen enthusiasm for crypto or push trading to more laissez-faire countries, we found few hints of price movement around regulatory events and no evidence of capital flight." For sure, the cryptocurrency market takes a hit when regulators crack down on illegal activities. "When countries enact anti-money laundering measures, we can see price declines, and that's obvious to the extent that people using cryptocurrencies for illicit reasons are trading them," said Feinstein. "But

across all the other categories of regulation — think tax treatments, securities law treatments, cyber security and anti-fraud measures — none of that affects price [or] trading volume. So when a country imposes a new restriction, we don't see crypto traders fleeing that jurisdiction for more permissive countries." Regulators also help temper cryptocurrency prices when they purge the market of illegal activities and thereby provide a safer environment for genuine investors. "[With regulation], a group of bad actors — people who are interested in using cryptocurrencies for money laundering and other sorts of illegal activities — would be spooked," said Feinstein. "But another group of investors is getting more and more prominent, and they are legitimate investors, from day traders to major investment firms," he continued. "Those investors get more comfortable with cryptocurrencies, as its regulation drives out some of those bad actors." The valuation of Coinbase is an example of how regulation can inspire confidence, Feinstein said. (The share price of Coinbase has dropped since its IPO, taking its market capitalization down from $85 billion to $60 billion, but investor sentiment continues to be strong.) "[That valuation] is possible in part because they operate in the U.S., so investors are confident that their trades on Coinbase are subject to U.S. regulation, which tends to be quite strong," he added. "With anti-fraud and cybersecurity measures, investors can be assured that trades on a U.S.-based exchange are more secure and safer than on some other jurisdiction's exchanges."

Regulation would lead to more usability

Smith 2021 ("Crypto Regulation Needs Clarity, But Rushing It Is A Bad Idea," Sean Stein Smith, August 3, 2021, Forbes, https://www.forbes.com/sites/seansteinsmith/2021/08/03/crypto-regulation-needs-clarity-but-rushing-it-is-a-bad-idea/?sh=8e54ce77629a)

More usability. Ironically enough considering that the original idea of blockchain and cryptoassets was to serve as a payment mechanism, the primary lens through which crypto is viewed tends to be as an investment rather than a medium of exchange. In order for the expected revenue to be collected, with projections of approximately $30 billion to collected on a recurring annual basis, individuals and institutions will need to be conducting transactions with cryptoassets. Setting aside the volatility linked most commonly to bitcoin, there have been efforts launched at the state and local level to facilitate crypto transactions and payments. Integrating crypto into this legislation means that there will most likely be additional efforts – possibly at the national level – to make actually conducting transactions with cryptoassets simpler and easier for individuals and institutions alike. Again, this legislative language is not perfect by any means and needs to be reworked to avoid negative ripple effects in the space, but has

at least managed to elevate the conversation around crypto to the highest level of government. Crypto regulation has, and will continue to be, a complicated and fast moving area that evolves and changes as the ecosystem evolves and continues to expand into new areas. An increased focus on taxes and compliance are normally not viewed as a positive development, and it is also important that a balance is struck between the apparent desire of policymakers to take action to clarify certain open items with the potential ripple effects of these actions. Crypto regulation is important for the continued growth of the space, and it is worth the time to get it right; rush jobs serve no one well, and generally do more harm than good.

Currency value

The US dollar loses value if it is not the default currency

Galloway and Walsh 2021 ("What Can the U.S. Learn From China's Crackdown on Crypto?" Scott Galloway and James D. Walsh, September 21, 2021, Intelligencer, https://nymag.com/intelligencer/2021/09/what-can-the-u-s-learn-from-chinas-crackdown-on-crypto.html)

On a geopolitical level, the central banks and sovereigns lose a lot of power if their currencies are not the default currency. The institution that has the most to lose from crypto is probably the U.S. government. The strongest part of this country's soft power is the fact that the U.S. dollar accounts for two-thirds of reserve currency around the world. If you want to do business in dollars, it has to be transacted through a series of institutions or networks where it's likely that those flows are transparent to one or more governments. If you try to wire funds overseas, it doesn't happen instantly because there are regulations, which is Latin for "other people need to look at it." What that means is that the U.S. government has tremendous visibility into flows of power and funds. When Rwanda puts sanctions on a country, they can say, "Okay, we're not buying products from you." But when we put sanctions on a country, we can stop other nations from buying from them. We control the operating system for the global economy. Additionally, China doesn't like the idea of flows of influence and power being outside the Chinese security apparatus's purview. That's part of the reason people like crypto though: It's a decentralized network that's not subject to the visibility or controls of a government or bank. Sovereigns have this authority — whether it's righteous or autocratic authority — over the visibility into flows of government-issued currency.

The US dollar has major geopolitical leverage

Galloway and Walsh 2021 ("What Can the U.S. Learn From China's Crackdown on Crypto?" Scott Galloway and James D. Walsh, September 21, 2021, Intelligencer, https://nymag.com/intelligencer/2021/09/what-can-the-u-s-learn-from-chinas-crackdown-on-crypto.html)

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The US can learn from China – our regulation should not mirror china's authoritarian tendencies

Galloway and Walsh 2021 ("What Can the U.S. Learn From China's Crackdown on Crypto?" Scott Galloway and James D. Walsh, September 21, 2021, Intelligencer, https://nymag.com/intelligencer/2021/09/what-can-the-u-s-learn-from-chinas-crackdown-on-crypto.html)

I think the most underreported story is that America's number one comorbidity is arrogance. We generally think that anything Europe or China does is either weak or autocratic and there's nothing to be learned. Our way is always the right way. If you're in Congress and there's a program that's working in Norway, you're remiss to bring it up because people think that looking like Europe is an insult. And you never want to say, "The Chinese have been very successful with this economic program, we should look at it." What we fail to realize is that, while there's some very troubling things about China, they have lifted three-quarters of a billion people out of poverty over the last several decades. No economic system has ever achieved anything like that on that scale. At a minimum, we should acknowledge that learning from them doesn't necessarily mean that we agree with them. What's most interesting is what they have clearly learned from us. It seems pretty obvious that China looks at the U.S. and says, "Okay, what has technology done there?" What they've decided is that technology has resulted in a system where national interest has been subverted by economic interest. Specifically, by this kind of innovation class of technology entrepreneurs. In the U.S., we know Facebook has research showing that an increase in depression, self-harm, and suicide in teenage girls is probably correlated with the growth of Instagram. What do we do? Forty-four states ask (i.e., beg) Facebook not to move forward with Instagram for kids.

That's where we are. Our elected representatives have to ask Facebook not to do something which seems abhorrent. Facebook has made no signals or concessions whatsoever that it's not going to move forward with a form of Instagram for children. [Editor's note: On Monday morning, Facebook announced it is "pausing" Instagram for kids.] Then China looks at our antitrust and sees a concentration of power that has resulted in fewer start-ups in the fastest growing parts of our economy. They see income inequality, partially enforced by higher-education institutions, so they move in on the tutoring-industrial complex — an industry with a $100 billion market cap — and say, "We're not going to let our universities be like the U.S. and become the enforcers of a caste system." They see video games and screen time having all sorts of negative impacts on young people. So what do they do? They have put limits on time spent playing video games and viewership of TikTok during the week. Now, they've also learned from Mohammed bin Salman, in terms of tactics. The U.S. government has not disappeared Mark Zuckerberg. But Xi Jinping did disappear Alibaba founder Jack Ma for a while. And he has since gone strangely quiet. The government moved in on Didi — China's biggest ride-hailing company — and said, "Okay, we don't like what you're doing with the data." Now, we don't know if that's because they were concerned with people's privacy or because Didi wrapped itself in this global-innovators blanket and said, "We're not sharing our data with the China security apparatus." We don't really know what happened. But they just moved in and said, "Fine, we're going to kneecap you." On crypto, where they see exceptional volatility and a threat to sovereign power, in terms of controlling the currency, they've said, "Regardless of how innovative you think you are and how many companies or people might get rich from this, we see it as a risk to society and our control, and we're banning it." So you think there is a lesson for the U.S. in there? The easy and logical argument is that that's not how we do things in America. We want there to be true systemic change that involves laws, thoughtful debate, and representation of these entities at the table. That's how we're supposed to do things in a democracy. But what I find fascinating is that China looks at us and says, "We're just not going to let that happen here." It's very telling that, arguably the world's most robust economy, looks at us and says, "Big Tech is a real danger and we need to move in and prevent what has happened in America from happening here." Crypto is just one example of that. In the U.S., you have this gestalt from crypto, which is the same narrative you get from the majority of innovators, including social media, that talks down to the government and other industries and says, "Oh, we're special. We're innovators and we're responsible for economic growth and innovation. Anyone who thinks we should be subject to any sort of regulation or scrutiny is a boomer and doesn't get it." I think China has essentially said "Fuck that."

Aff solvency cards/generic aff cards

There are feasible methods for regulation

Sharma 2021 ("Bitcoin Has a Regulation Problem," written by Rakesh Sharma, fact-checked by Yarilet Perez, June 13, 2021, Investopedia, https://www.investopedia.com/news/bitcoin-has-regulation-problem/)

In an interview with American Banker, Marco Santori, former head of blockchain practice at law firm Cooley, called bitcoin a "regulatory platypus," one that doesn't fit neatly into established asset categories. But the platypus may not be such a big problem for taxation purposes within the United States. As Perry Woodin from Node40 points out, publicly-listed stocks are also managed by multiple agencies. "Government authorities can and should apply existing regulations to cryptocurrency," he says. "But I don't see a need to create cryptocurrency-specific regulation." Some countries, notably in Asia, are pointers in ways to deal with cryptocurrencies. The clearest indication of future policy for the region regarding regulation may come from Japan, which said cryptocurrencies may one day become legal tender in 2017.14 South Korea also recently announced that any cryptocurrency profits over 2.5 million South Korean won will be taxed at 20%, which is estimated to take effect in 2022.15 The Japanese government passed a Virtual Currency Act, which defines and describes cryptocurrencies. They are treated as assets for accounting purposes. As part of the act, the government issues a list of approved virtual currencies, which are considered legitimate and can be transacted on (i.e., traded, sold, or promoted to the public).16 While there were concerns initially that altcoins might be left out of the official list, that has not happened.17

Neg jurisdictional concerns are overblown – the SEC and CFTC will share responsibility until new regulations are created

Gura 2021 ("Tougher Rules Are Coming For Bitcoin And Other Cryptocurrencies. Here's What To Know," David Gura, August 20, 2021, National Public Radio (NPR), https://www.npr.org/2021/08/20/1029436872/tougher-rules-are-coming-for-bitcoin-and-other-cryptocurrencies-heres-what-to-kn)

Determining jurisdiction will be critical as well. So far, the SEC and the CFTC have shared regulatory responsibilities. They have tried to police cryptocurrencies with laws that are already on the books, even though they were really written for other traditional kinds of assets like stocks or bonds. Smith expects this is likely to continue until there are new,

cryptocurrency-specific regulations, meaning regulators will continue to adapt current frameworks for the virtual currency market. "We are going to see both the SEC and the CFTC using their current authorities to regulate the market as best they can," says Smith. He also wants more resources — more money and manpower — to regulate cryptocurrencies. For years, leaders of the SEC and the CFTC have complained that Congress hasn't given them enough money for them to their jobs.

There is a laundry list of reasons to regulate crypto

Adhikari 2021 (Anand Adhikari, March 12, 2021, "6 reasons why cryptocurrencies need to be regulated," Business Today, https://www.businesstoday.in/latest/economy-politics/story/6-reasons-why-cryptocurrencies-need-to-be-regulated-290619-2021-03-12)

While a ban on private crypto currencies will kill all future innovations in the crypto space, the virtual currencies do need a regulatory framework to protect the interest of investors. So what should be regulatory framework for crypto currencies, and why is a need for regulations. Let's look at the five major areas that need attention. Classification of cryptocurrencies as digital tokens and tradeable assets There is a need for clear classification of cryptocurrency in India. These virtual currencies are not a legal tender backed by the central government or the RBI. The Indian crypto players are also asking for treating crypto assets as financial assets like debt, equity or a commodity. Regulations for investor protection Like any other financial asset, the value of a virtual assets is also prone to market manipulation and price volatility. In the last few years, the prices of crypto assets have seen wide fluctuations. Take for instance, the price of Bitcoin fell to $47K last month, but again climbed up to $57K in March. There are also chances of mis-selling the crypto assets as investor awareness is very low. There is a need for disclosure of underlying assets, their performance, adoption, the future potential and risks associated with virtual currencies. Allowing select well-known crypto assets There are some Indian platforms that are offering more than 300 crypto assets for trading. Globally, there are thousands of crypto assets. Today most investors only know about Bitcoin, Ether or Ripple, but nobody knows about these hundred and thousands of virtual currencies. A regulatory authority clearing the crypto assets is needed. Understanding the technological risk There is a big risk of technological changes that could even make the blockchain obsolete in future. Given the pace of changes and disruption, the value of digital assets or buying digital assets for long term requires the asset class to remain relevant for a long term. There is a need for creating information infrastructure and certified financial advisors trained in crypto assets. Cyber security risk There is cyber security risk and chances of online fraud in case of cryptocurrency as entire investment or wealth is stored virtually. Globally, hacking is a major threat today

for banks and institutions. Even the most secured US Federal Reserve, the US Central bank, has seen hundreds of cyber attacks in the last decade. A cyber attack could result in losses for investors who have put their savings in crypto assets. Money laundering concern Governments globally are worried about terror financing through cryptocurrency. An unregulated system has the potential to fund illegal activities. Today , the crypto exchanges need large investments in technology to detect any suspicious transactions. A bank like KYC or customer due diligence is needed to verify location and identity investors. There is a need for strong penalties for any violation of KYC guidelines.

Neg Evidence

Elitism

Regulation of crypto will shut out everyday consumers in favor of high net-worth individuals

Blenkinsop 2019 ("Crypto Regulation: Is It Good or Bad for the Industry?" Connor Blenkinsop, cointelegraph, December 16, 2019, https://cointelegraph.com/news/crypto-regulation-is-it-good-or-bad-for-the-industry)

Regulating crypto and blockchain startups could also transform the way investments are carried out. For all of their flaws, initial coin offerings enabled crypto users of all budgets to contribute to the projects they're passionate about — and treating future fundraising drives in a similar fashion to securities risks shutting these investors out in favor of higher net-worth individuals. There's a risk that laws and frameworks would also struggle to keep up with the breakneck speed of the crypto and blockchain industry, conjuring up similar scenarios to those seen with the likes of Google and Facebook as the internet started to gain prominence. In a similar vein, many in the crypto world are worried that they would end up being regulated by officials who simply don't understand the technology underpinning it.

The appeal of cryptocurrency has to do with its unregulated nature

Harr 2021 (Ryan Harr," U.S. Officials Send Mixed Messages on Crypto Regulation As China Pumps the Brakes. Here's What It All Means for Investors," October 1, 2021, NextAdvisor in partnership with Time, https://time.com/nextadvisor/investing/cryptocurrency/crypto-regulation-talks-heat-up/)

One of the founding principles of cryptocurrency is that it's decentralized and unregulated. But the U.S. government isn't too worried about crypto's founding principles. In fact, cryptocurrency regulation has been a frequent point of interest lately for U.S. lawmakers and government agencies. Just this week, U.S Federal Reserve Chairman Jerome Powell said he has "no intention" of banning cryptocurrency just days after Security and Exchange Commission Chairman Gary Gensler expressed concern about investor safety of crypto transactions. These developments come just a week after China banned cryptocurrency transactions altogether. But in spite of all the back-and-forth, a few key themes have emerged on the subject of new U.S. cryptocurrency regulation: stopping cryptocurrency crime and tax evasion, stablecoin regulation, and the potential for investment vehicles like crypto ETFs and other funds. For many crypto

enthusiasts, the decentralized nature of digital currencies — which, unlike traditional currencies, aren't backed by any institution or government authority — is a big draw. But regulatory guidance can help protect investors. "As much as I like the decentralization and the lack of government [involvement], I am glad that they are paying attention because unfortunately with cryptocurrency, there are a lot of scams," says Kiana Danial, author of "Cryptocurrency Investing for Dummies."

Cryptocurrency value

Regulation decreases cryptocurrency values

Sharma 2021 ("Bitcoin Has a Regulation Problem," written by Rakesh Sharma, fact-checked by Yarilet Perez, June 13, 2021, Investopedia, https://www.investopedia.com/news/bitcoin-has-regulation-problem/)

Regulation is among the most important factors affecting bitcoin price. The cryptocurrency's rise has been arrested every time a government has cracked the policy whip, with countries taking varying approaches to bitcoin regulation. For example, in November 2019, bitcoin sank to an all-time low when China accelerated a crackdown on cryptocurrency businesses, mirroring what happened when South Korea also made a move to regulate cryptocurrency trading back in 2017.12

Decisions not to regulate crypto have increased their trading value

Kolhatkar 2021 ("The Challenges of Regulating Cryptocurrency," Sheelah Kolhatkar, October 6, 2021, The New Yorker, https://www.newyorker.com/business/currency/the-challenges-of-regulating-cryptocurrency)

One way to understand what the S.E.C. thinks about a particular matter is to look at the enforcement cases it brings, which help define what activities violate securities laws. Last December, the S.E.C. filed a lawsuit against Ripple, a cryptocurrency company, alleging that it had conducted an "unregistered securities offering" by raising $1.3 billion through sales of a token called XRP. According to the agency's complaint, XRP is a security, and the company should have registered its offering and sale to the public with the S.E.C. Ripple argues that XRP is a currency, which would make it subject to different laws and regulations overseen by different agencies—such as the Office of the Comptroller of the Currency or the Financial Crimes Enforcement Network, which are both part of the Treasury Department. Ripple has taken to Twitter to defend itself, in addition to making its arguments in court. Part of its strategy seems to involve trying to embarrass the S.E.C. over the agency's apparent contradictions surrounding cryptocurrencies. In 2018, an S.E.C. official named William Hinman told an audience at a conference that, based on his understanding, one of the best-known cryptocurrencies, ether, was not a security and shouldn't be regulated like one. The trading price of ether went up in the coming hours, and actors in the cryptocurrency world seized on the comments, which they interpreted to mean that many other cryptocurrencies were likely not securities, either. Ripple has argued in court that XRP should be treated the

same way as ether. It has also urged that some of the S.E.C.'s internal documents pertaining to what is, or is not, a security should be handed over as part of the case in order to be used in the company's defense.

Threats from the SEC are deterring innovative programs

Kolhatkar 2021 ("The Challenges of Regulating Cryptocurrency," Sheelah Kolhatkar, October 6, 2021, The New Yorker, https://www.newyorker.com/business/currency/the-challenges-of-regulating-cryptocurrency)

More recently, the S.E.C. has expressed interest in the workings of Coinbase, one of the largest cryptocurrency exchanges, where people can buy and sell cryptocurrencies. Coinbase went public earlier this year, and in June it announced plans for a product it called Lend, which would have enabled owners of cryptocurrencies to loan them out and be paid interest on the loans. On September 7th, Coinbase announced in a blog post that the S.E.C. had threatened to sue the company over Lend, alleging, the post said, that the offering involved a security. According to the company, its executives had been "proactively engaging" with the S.E.C. for six months, to clarify the legal standing of its projects, but it "didn't get much of a response." It also said that the S.E.C. had so far refused to clarify whether it considered the act of lending cryptocurrency a security, or whether the cryptocurrency itself was the security, and any other aspects of its reasoning. (The S.E.C. said that it could not comment on issues involving specific companies.) On September 17th, Coinbase announced that it was cancelling the Lend program.

The shutdown of Lend proves that regulation hurts innovation

Morrison 2021 (Sara Morrison, "Biden's SEC is ready to regulate cryptocurrency," September 9, 2021, Vox, https://www.vox.com/recode/22663312/coinbase-sec-cryptocurrency-bitcoin)

Cryptocurrency exchanges allow people to buy and sell crypto. Coinbase is one of the biggest in the world and recently went public. It was planning to launch a program called Lend, which would allow investors to let others borrow from them a form of crypto called USDC, a "stablecoin" whose value is tied to the value of the US dollar (one USDC is always supposed to equal and be traded for the value of one US dollar). In exchange, lenders would receive 4 percent interest on the loan — a far higher rate than traditional banks currently offer on their savings accounts. This could have made the Coinbase Lend offering very attractive to consumers who wouldn't have otherwise

risked investing in crypto. That's where the SEC stepped in, according to Coinbase. The company announced on Wednesday (or late Tuesday, if you count a Twitter thread from CEO Brian Armstrong) that the SEC threatened to sue the company if it launched Lend, but that the agency wouldn't tell Coinbase why it considered Lend to be a security, except that it was doing so "through the prism of decades-old Supreme Court cases." These cases, informally known as Howey and Reves, are the prism through which every potential security is considered, including crypto services. Coinbase said it wanted formal guidance from the SEC on how it was using those cases to determine if Lend was a security, but the SEC wouldn't provide it.

China's crackdown on crypto dropped bitcoin values

John, Shen, and Wilson 2021 ("China's top regulators ban crypto trading and mining, sending bitcoin tumbling," Alun John, Samuel Shen, and Tom Wilson, September 24, 2021, Reuters, https://www.reuters.com/world/china/china-central-bank-vows-crackdown-cryptocurrency-trading-2021-09-24/)

SHANGHAI/LONDON, Sept 24 (Reuters) - China's most powerful regulators on Friday intensified a crackdown on cryptocurrencies with a blanket ban on all crypto transactions and mining, hitting bitcoin and other major coins and pressuring crypto and blockchain-related stocks. Ten agencies, including the central bank, financial, securities and foreign exchange regulators, vowed to work together to root out "illegal" cryptocurrency activity, the first time the Beijing-based regulators have joined forces to explicitly ban all cryptocurrency-related activity. China in May banned financial institutions and payment companies from providing services related to cryptocurrency transactions, and issued similar bans in 2013 and 2017. The repeated prohibitions highlight the challenge of closing loopholes and identifying bitcoin-related transactions, though banks and payment firms say they support the effort. Friday's statement is the most detailed and expansive yet from the country's main regulators, underscoring Beijing's commitment to suffocating the Chinese crypto market. "In the history of crypto market regulation in China, this is the most direct, most comprehensive regulatory framework involving the largest number of ministries," said Winston Ma, NYU Law School adjunct professor. The move comes amid a global cryptocurrency crackdown as governments from Asia to the United States fret that privately operated highly volatile digital currencies could undermine their control of the financial and monetary systems, increase systemic risk, promote financial crime and hurt investors. They also worry that "mining," the energy-intensive computing process through which bitcoin and other tokens are created, is hurting global environmental goals. Chinese government agencies have repeatedly raised concerns that cryptocurrency speculation could disrupt the

country's economic and financial order, one of Beijing's top priorities. Analysts say China also sees cryptocurrencies as a threat to its sovereign digital-yuan, which is at an advanced pilot stage. "Beijing is so hostile to economic freedom they cannot even tolerate their people participating in what is arguably the most exciting innovation in finance in decades," top U.S. Republican Senator Pat Toomey tweeted. While U.S. regulators are closely scrutinizing digital asset risks, they have said they also offer opportunities, including to promote financial inclusion. 'SOCIAL ORDER' The People's Bank of China (PBOC) said cryptocurrencies must not circulate and that overseas exchanges are barred from providing services to China-based investors. It also barred financial institutions, payment companies and internet firms from facilitating cryptocurrency trading nationally. China's National Development and Reform Commission said it will work to cut off financial support and electricity supply for mining, which it said spawns risks and hampers carbon neutrality goals. Bitcoin , the world's largest cryptocurrency, dropped more than 9% before paring those losses. It was down 6.6% at $41,937 around 12:00ET. Smaller coins, which typically mimic bitcoin, also tumbled. China's cabinet vowed in May to crack down on bitcoin mining and trading as it sought to mitigate financial risks, without going into details, sending bitcoin tumbling 30% in a day. Friday's news dashed hopes among crypto-enthusiasts that the cabinet would fail to follow through on its threat. "This is the manifestation of the crypto mining and trading crackdown announcement ... back in May," said NYU's Ma.

Practical benefits

Unregulated crypto has a laundry list of practical benefits

NYU Dispatch ("Can The Government Regulate Cryptocurrency?" NYU Dispatch, no date, https://wp.nyu.edu/dispatch/can-the-government-regulate-cryptocurrency/)

With a lack of regulation, are cryptocurrencies a safe investment or wildfire? Well, let's examine the advantages that decentralized cryptocurrencies provide.

Transactions can't be reversed or counterfeited

With online go URL platforms, users retain anonymity until they cash out or exchange their tokens

Most currencies have a set supply, which will cool inflation as mining more currency become harder

Investors can execute smart contracts without third parties

Less transaction fees than credit cards or most major financial instruments

No paperwork for investing in a token, unlike a share

Increased competition allowing for greater consumer choice

Currencies can be issued for special privileges or merit within Dapps and other blockcian function (not exclusively as a store of value)

Universal access to new tokens

The biggest problem with current monetary policy is that federal interest rates are arbitrary issued and the creditors have no interest in controlling the supply of money. Of course, Bitcoin and cryptocurrencies are not necessarily the silver bullet we're looking for, at least yet!

Regulations would split the crypto community

Volpicelli 2021 ("New Regulation Could Cause a Split in the Crypto Community," Gian Volpicelli, August 17, 2021, Wired, https://www.wired.com/story/regulation-split-crypto-community/)

But where does that leave the smaller, less established, less corporate players? Bitcoin—an asset owned and lionized by billionaires such as Mark Cuban and Elon Musk—has been growing since 2009 into an industry that carries heft and brand recognition. (Even Ted Cruz is waxing lyrical about it). The much-contested amendment approved by the White House would have saved bitcoin while throwing much of crypto under the bus. Granted, when that plan emerged, the crypto lobby—or, at least, crypto-Twitter—rose as one against it. Jerry Brito, executive director of cryptocurrency trade group Coin Center thundered against the Senate's attempt to pick "winners and losers," while venture capitalist and crypto-ideologue Balaji Srinivasan said that the amendment would eventually open the door to a full-blown bitcoin ban. But it is worth wondering whether, in the long run, a rift might open between a Big Crypto clamoring for clear regulation to achieve peace of mind and the smaller actors of the cryptocurrency community, who might be less well equipped to meet the requirements that regulation would impose. Patrick Murck, a legal expert and an affiliate with the Berkman Klein Center at Harvard University, says that the infrastructure bill could go down in history as the moment in which a wedge was started to be driven between those two constituencies. "I think there is potentially a schism between the everyday community around crypto coming into conflict with an institutionalized form of crypto," he says. "I don't think that there's such a desire within either camp, but you can see how increasing scrutiny and regulation could lead to that. The question is, does that put the community in conflict with the players that are being institutionalized?"

Regulations would ruin what makes cryptocurrency unique

Reiff and Anderson 2021 ("What Are the Advantages of Paying with Bitcoin?" Nathan Reiff and Somer Anderson, August 2, 2021, Investopedia, https://www.investopedia.com/ask/answers/100314/what-are-advantages-paying-bitcoin.asp)

Bitcoin is a decentralized, peer-to-peer cryptocurrency system that processes transactions through digital units of exchange called bitcoin. It was invented in 2009, and the Bitcoin network has come to dominate and even define the cryptocurrency space, spawning a legion of altcoin followers and representing for some users an alternative to government flat currencies like the U.S. dollar or the euro, or pure commodity currencies like gold or silver coins.3 Part of the reason for Bitcoin's attraction to these followers is its decentralized status: It is not controlled or regulated by a central authority. This immediately distinguishes it from fiat currencies, which are issued by central banks and backed by the government. Fiat currencies are also disbursed into a given economy through institutions like banks that are beholden to

government regulations for their operations. On the other hand, Bitcoin creation and disbursal does not depend on government fiat. Payments involving Bitcoin are processed through a private network of computers linked through a shared ledger. Each transaction is simultaneously recorded in a "blockchain" on each computer that updates and informs all accounts. The blockchain serves as a distributed ledger and obviates the need for any central authority to maintain such records. Bitcoins are not issued by a central bank or government system like fiat currencies are. Rather, bitcoins are either "mined" by a computer through a process of solving mathematical problems or algorithms are used to verify transaction blocks to be added to the blockchain. Bitcoin can also be purchased with standard national money currencies and placed into a bitcoin wallet that is accessed most commonly through a smartphone or computer.

Laundry list of practical benefits to crypto

Reiff and Anderson 2021 ("What Are the Advantages of Paying with Bitcoin?" Nathan Reiff and Somer Anderson, August 2, 2021, Investopedia, https://www.investopedia.com/ask/answers/100314/what-are-advantages-paying-bitcoin.asp)

Bitcoin has user autonomy Conventional fiat currencies are subject to multiple restrictions and risks. For example, banks are vulnerable to boom and bust cycles in the economy. Sometimes, these situations can end in bank runs and crashes, as has occurred numerous times in the past. This means that users are not really in control of their money. Theoretically, at least, bitcoin promises user autonomy because its price is not linked to specific government policies. This means that users and owners of the cryptocurrency are in control of their money. Bitcoin transactions are pseudonymous Most online transactions require an array of information to identify the person conducting the transaction. For example, transferring money from one person to another can be done only after the identifying information for parties at both ends is verified. Similarly, online purchases also require you to enter identifying information to make a purchase. The verification process may prevent crime, but it also places an intermediary firmly in charge of the transaction, allowing them to control the provisioning of services to select parties. Bitcoin transactions are pseudonymous. While this means that they are not completely anonymous, the transactions can be identified only by using a blockchain address. An individual can have multiple addresses, just as they can have multiple usernames and passwords for a single account. Internet Protocol (IP) addresses or other identifying information are not required to conduct the transaction. Bitcoin transactions are conducted on a peer-to-peer basis The Bitcoin payment system is purely peer to peer, meaning that users are able to send and receive

payments to or from anyone on the network around the world. Unless they are sending or receiving bitcoin from a regulated exchange or institution, the parties to a transaction do not require approval from an external source or authority. Bitcoin transactions do not incur banking fees While it is considered standard among fiat currency exchanges to charge so-called "maker" and "taker" fees, as well as occasional deposit and withdrawal fees, Bitcoin users are not subject to the litany of traditional banking fees associated with fiat currencies. This means no account maintenance or minimum balance fees, no overdraft charges, and no returned deposit fees, among many others. Bitcoin payments have low transaction fees for international payments Standard wire transfers and foreign purchases typically involve fees and exchange costs. Since Bitcoin transactions have no intermediary institutions or government involvement, the costs of transacting are generally lower compared to those for bank transfers. This can be a major advantage for travelers. Additionally, transfer in bitcoins is fast, eliminating the inconvenience of typical authorization requirements and wait periods.5 Bitcoin payments are mobile As with many online payment systems, Bitcoin users can pay for their coins anywhere that they have Internet access. This means that purchasers do not have to travel to a bank or a store to buy a product. However, unlike online payments made with U.S. bank accounts or credit cards, personal information is not necessary to complete any transaction. Bitcoin transactions are irreversible One of the characteristics of Bitcoin's blockchain is that it is immutable. Therefore, transactions using the blockchain are irreversible and cannot be amended by a third party, such as a government entity or a financial services agency. Also, it is not possible to file a charge-back for bitcoin sent to someone else. The only way to reverse, in a manner of speaking, Bitcoin transactions is by having the recipient send back the original bitcoin. Bitcoin transactions are secure Bitcoin is not physical currency. Therefore, it is impossible for thieves to palm it off the holder. Hackers can steal a person's cryptocurrency if they know the private keys for the wallet. However, with proper security, it is technically impossible to steal bitcoin. While there are reports of hacks at cryptocurrency exchanges, Bitcoin's exchange has remained impervious to such breaches. Therefore, transactions conducted between two (or among multiple) addresses are secure. Accessibility Because users are able to send and receive bitcoins with only a smartphone or computer, Bitcoin is theoretically available to populations of users without access to traditional banking systems, credit cards, and other methods of payment.

Jurisdictional concerns

There are currently multiple regulatory bodies trying to regulate crypto

NYU Dispatch ("Can The Government Regulate Cryptocurrency?" NYU Dispatch, no date, https://wp.nyu.edu/dispatch/can-the-government-regulate-cryptocurrency/)

The number one way that the government could regulate cryptocurrencies is by taxing any fiat money you use to cash out a virtual token. The main caveat with this is that this would have to apply to specific tokens and a cryptocurrency owner could simply turn to another coin to cash out. Beyond this, many early adopters and hardliners prefer cryptocurrencies as medium of exchange for basic goods and services over traditional fiat currencies. Right now, cryptocurrencies fall under the jurisdiction of the SEC for investment, the CTFC for any crimes involving interstate commerce, and the IRS, making it subject to either income or a capital gains tax. The SEC recently approved one Bitcoin futures ETF over the CBOE and one over the CME. No other futures ETFs have been issued at this time, although many applications have been submitted. The most regulatory kraut the SEC currently holds in the crypto space is over ICOs. It recently halted an ICO after it was found to be conducting fraudulent transactions. On the same note, the CTFC recently subpoenaed major crypto exchanges Bitfinex and Tether because Tether couldn't verify over $2.3 billion in reserves. This caused Bitcoin prices to momentarily fall by 10%. Much of the proposed regulations being mulled around the world comes on the fears of a dangerous speculative bubble that many fear could harm the nation if cryptocurrency commodities tumble.

The aff is going to unfairly take advantage of vagueness

Kolhatkar 2021 ("The Challenges of Regulating Cryptocurrency," Sheelah Kolhatkar, October 6, 2021, The New Yorker, https://www.newyorker.com/business/currency/the-challenges-of-regulating-cryptocurrency)

While the agency takes its time setting clear rules, the industry is left continuing to guess. This might be just the way the S.E.C. wants things to be. "That's the best position for them to be in," Morgan said. "The moment they identify, or a court identifies, the characteristics of an asset that's beyond the S.E.C.'s jurisdiction, everyone will say, 'O.K., we'll do it that way.' And they don't want that."

There are questions about who should be allowed to regulate crypto

Sharma 2021 ("Bitcoin Has a Regulation Problem," written by Rakesh Sharma, fact-checked by Yarilet Perez, June 13, 2021, Investopedia, https://www.investopedia.com/news/bitcoin-has-regulation-problem/)

Nothing is more symptomatic of confusion about cryptocurrencies than their classification by U.S. regulatory agencies and updates with former President Donald Trump's tax reform law. The Commodity Futures Trading Commission (CFTC) treats bitcoin as a commodity while the Internal Revenue Service (IRS) treats it as property.34 But the difference in classification has not solved underlying problems relating to cryptocurrency taxation. "The problem is a technical one," explains Perry Woodin, CEO of Node40, a Software-as-a-Service (SaaS) company for cryptocurrency tax reporting. "It's not possible to calculate your cryptocurrency tax liability without sophisticated software." According to Woodin, tracking the cost basis and days carried for the software needs a "deep understanding" of how blockchain works. "Simply recording transactions in an Excel spreadsheet is not sufficient for calculating tax liability (for cryptocurrencies)," he says. There is also a disparity in state and federal responses to cryptocurrency. While states have moved with alacrity and formulated rules for initial coin offerings (ICOs) and smart contracts, the federal response to digital coins still has to move beyond platitudes about "working groups." For example, FinTech startups in New York are required to obtain a BitLicense, which has stringent requirements regarding disclosures, before an ICO.5 Similarly, Arizona recognizes smart contracts.6

The infrastructure bill's definition of "broker" is too vague and would lead to failure

Volpicelli 2021 ("New Regulation Could Cause a Split in the Crypto Community," Gian Volpicelli, August 17, 2021, Wired, https://www.wired.com/story/regulation-split-crypto-community/)

The crypto crowd griped that the bill's definition of "broker" was so broad it would potentially encompass miners, validators, and developers of decentralized applications—all of which, while playing pivotal roles in the functioning of a blockchain ecosystem, have no way of identifying their anonymous users. Initially, it had looked like the bill's language might be tweaked to exempt those categories, as a trio of senators put forth an amendment clarifying the "broker" term. Then a White House-backed amendment appeared, pushing for a less lenient clarification, exempting proof-of-work miners—which use an energy-intensive process to secure blockchains such as Bitcoin or Ethereum—but not many other categories, such as proof-of-stake validators, which

carry out the same function without the energy burning. Just as a compromise position was being worked out, the Senate decided to pass the bill unamended. Any change will have to happen at a later stage—and it likely will, given the patent unenforceability of the bill as is.

American regulation creates confusion and allows things to slip through the cracks

Silverman 2021 ("Why US regulation is failing the cryptocurrency test," Gary Silverman, July 1, 2021, Financial Times, https://www.ft.com/content/e196014a-c5bc-4b2e-8455-5b5b8d878209)

It all amounts to a particularly American regulatory failure. Waiting for Gensler to get his hands on all the crypto has turned into the Wall Street equivalent of waiting for Godot. The underlying difficulty is that US financial regulation is fragmented. There are multiple federal banking and market authorities, with overlapping jurisdictions, plus state regulatory systems. As Jamie Dimon, JPMorgan Chase's chief executive, put it in his annual letter to shareholders: "There is no one real authority that can co-ordinate all the moving parts and bridge differences." In the long run, this is not entirely a bad thing. Checks and balances are as American as apple pie or junk bonds; having so many regulators serves as protection against any one of them messing up. But this system has its weaknesses. New products that are neither fish nor fowl in a regulatory sense can fall through the cracks. Crypto is hard to regulate because it is hard to define. While true believers call cryptos currencies, US regulators view them differently. Bitcoin, for instance, has been deemed a commodity. Other cryptos are seen as securities. This resulting confusion helps explain why neither the SEC nor the Commodity Futures Trading Commission is directly regulating crypto exchanges such as Coinbase. No one has given them the job — a source of frustration for the regulators.

No aff solvency

Regulations will be circumvented

Sharma 2021 ("Bitcoin Has a Regulation Problem," written by Rakesh Sharma, fact-checked by Yarilet Perez, June 13, 2021, Investopedia, https://www.investopedia.com/news/bitcoin-has-regulation-problem/)

The unique characteristics and global portability of cryptocurrencies present another problem for regulators. For example, there are broadly two different types of tokens being traded on exchanges. As their name indicates, utility tokens serve an underlying purpose on a platform. For example, Augur, which is a prediction market, is a utility token on Ethereum's blockchain.7 Such tokens are not subject to the SEC's disclosure rules.8 On the other hand, security tokens represent equity or share in a company and fall under SEC purview.9 Not surprisingly, several tokens have circumvented existing regulations by declaring themselves utility tokens. Such startups have been publicly rebuked, but that has not stopped tokens with questionable business models from being listed on exchanges outside their native countries. The case of bitcoin exchanges in China, which promptly relocated to neighboring countries following a trading ban, is also illustrative of the problems faced by regulators.10 In response, international agencies such as the International Monetary Fund (IMF) have called for an international discussion and cooperation among regulators as far as cryptocurrencies are concerned.11 The EU, which has been welcoming of the cryptocurrency revolution, may possess an advantage over other territories because it controls a 28-member bloc. In the United States, a non-profit, the Uniform Law Commission, formulated the Virtual Currency Businesses Act (VCBA) in an attempt to unify disparate state laws and provide entrepreneurs with "certain assurances with respect to the regulatory landscape."12 According to the latest release in November 2020, the law has been introduced in four states, though only the state of Rhode Island has committed to adopting VCBA, so far.13

Issues of categorization muddle debates about regulation

Kolhatkar 2021 ("The Challenges of Regulating Cryptocurrency," Sheelah Kolhatkar, October 6, 2021, The New Yorker, https://www.newyorker.com/business/currency/the-challenges-of-regulating-cryptocurrency)

One of the biggest questions facing the industry is whether tokens—which are tradable assets that may serve as the units which denominate cryptocurrencies but can also represent other things of value—qualify as securities; if so, they would be subject to

securities laws and regulations. And if they aren't securities, what are they? The answer to that question would help determine which other agency might have oversight of them. To many in the field, the messages coming from the S.E.C. in the past few years have been confusing. One securities lawyer I spoke with, Nick Morgan, who is a partner at Paul Hastings, recalled that, around 2017, as a frenzy of initial coin offerings—a fund-raising strategy for cryptocurrency that resembles an I.P.O.—was in full swing, a client came to his law firm wanting to know what the S.E.C. thought about I.C.O.s, and whether the agency considered digital coins to be under its purview. Morgan said, jokingly, that his first question was, "What's an I.C.O.?" He quickly learned that there was little S.E.C. guidance available. "What would be useful for everyone to know is, what are the characteristics of a digital asset that is not a security? It would be useful to draw that line," Morgan said. "I was a little hopeful, given Gensler's technical background, that he might be the person to say, 'Here is the boundary of the S.E.C.'s jurisdiction, and if you designed a token this way, that would be outside our jurisdiction.' " But, he added, "I don't think it's going to happen."

Rushing crypto regulation will ensure that the aff fails

Smith 2021 ("Crypto Regulation Needs Clarity, But Rushing It Is A Bad Idea," Sean Stein Smith, August 3, 2021, Forbes, https://www.forbes.com/sites/seansteinsmith/2021/08/03/crypto-regulation-needs-clarity-but-rushing-it-is-a-bad-idea/?sh=8e54ce77629a)

Rushing through crypto regulation will cause more harm than good, but having more substantive conversations is a good start. Current proposed language in the infrastructure bill working its way through Congress will lead to unforeseen consequences that will damage the crypto space at a fundamental level. That said, the fact that legislation is being discussed at these levels is a (small) step in the right direction. Seemingly a contradictory statement and idea, the codification and inclusion of this section of the infrastructure bill actually addresses one of the fundamental fears that some market participants have had; that the government would eventually regulate crypto out of existence. Crypto bans, or the equivalent of a ban on cryptocurrency transactions, are discussed often but that misses the broader point. No matter what sector is being analyzed, an underlying truth of business is that business dreads uncertainty, and that is exactly what the blockchain and crypto sectors have been operating with since inception. Despite this uncertainty, however, the ecosystem has continuously developed and grown in an array of new directions, but resolving some

of the tax and reporting ambiguity around crypto would go a long way to increasing business confidence. That said, simply increasing taxes and the compliance burden on the crypto sector is not a cure-all to the regulatory questions that still surround the area. Additionally, there are several other factors that are a direct result of this process seemingly being rushed to completion in the infrastructure bill. Let's take a look at some of the implications of this language. Refine, with care. Some of the conversation around this proposed clause has to do with the reporting obligations for taxpayers and exchanges as they are connected to crypto transactions. The conversations around this allegedly increased reporting requirements misses the fact that crypto transactions are already robustly reported. The Internal Revenue Services (IRS) has been actively pursuing and collecting tax revenues linked to crypto transactions, and has also increased the personnel and technology assets allocated toward cracking down on crypto tax evasion. That said, the proposed language inadvertently lumps together crypto exchanges – that by and large have improved reporting and disclosures substantially over the last year or so – with a large swath of non-financial intermediaries such as miners, network validators, and other third party organizations. Most worryingly is the fact that these organizations often do not even have the information to file appropriate paperwork with the IRS or other policymakers. Improving and increasing the consistency of crypto regulation would be a welcome development, but rushing this process is a bad idea.

Crackdowns on crypto will only push mining into other regions – this financially disadvantages nations who are cracking down

John, Shen, and Wilson 2021 ("China's top regulators ban crypto trading and mining, sending bitcoin tumbling," Alun John, Samuel Shen, and Tom Wilson, September 24, 2021, Reuters, https://www.reuters.com/world/china/china-central-bank-vows-crackdown-cryptocurrency-trading-2021-09-24/)

Despite the initial shock, analysts said they did not expect the crackdown to dent global crypto-asset prices long term as companies continue to adopt crypto products and services. The exposure of major crypto exchanges and payment companies was not immediately clear, however. Binance, the world's biggest, has been blocked in China since 2017, a spokesperson said. A spokesperson for Coinbase declined to comment. Global payment company PayPal(PYPL.O) does not offer crypto services in China, a spokesperson said. Crypto exchanges OKEx and Huobi, which originated in China but are now based overseas, are likely to be the worst affected since they still have some China users, analysts said. Tokens associated with the two exchanges plunged over 20%. The exchanges did not immediately respond to requests for comment. However, the Chinese

government has struggled in the past to stop internet users from evading its controls. "China's actions haven't held back crypto's rise too much in the past so I wouldn't be surprised to see it bounce back once more," wrote Craig Erlam, an analyst at currency broker OANDA. Virtual currency mining had been big business in China before May, accounting for more than half the world's crypto supply, but miners have been moving overseas. "The losers in all of this are plainly the Chinese," said Christopher Bendiksen, head of research at digital asset manager CoinShares. "They will now lose around $6 billion worth of annual mining revenue, all of which will flow to the remaining global mining regions," he added, citing Kazakhstan, Russia and the United States.

Cryptocurrency (Good/Bad)

Generic crypto good cards

Cryptocurrency has the potential to make everyday transactions more seamless

Pazzanese 2021 ("Regulators put cryptocurrency in crosshairs," Christina Pazzanese, September 29, 2021, The Harvard Gazette, https://news.harvard.edu/gazette/story/2021/09/regulating-the-unregulated-cryptocurrency-market/)

GAZETTE: What's the appeal for investors? Is it just the eye-popping returns or is there more to it? KOMINERS: Some people have gotten interested in cryptocurrency because of the investment returns, unquestionably. But there are also real, practical infrastructure and technology benefits. You're starting to see countries willing to receive officially recognized crypto payments. And people have been considering whether crypto technology can be used to deliver government aid. This is because when it's working, crypto is frictionless, and thus creates a much more efficient way of transferring and sharing value among people. And, as a result, there's a real opportunity to use crypto for large-scale payments, as well as in things like small business payment processing. Also, there's a big opportunity for enhancing financial inclusion, by providing secure payment networks and cross-border transfers in places that don't otherwise have well-structured consumer financial systems. So, while some people are interested in this for the short- or medium-term investment opportunity, I think a lot of the investment we've seen flow in on the institutional and venture sides is because there are real, valuable technologies that are being built on crypto backbones that can do things we never could do before in markets.

Crypto makes direct digital payment easier and more accessible

O'Sullivan 2018 ("Cryptocurrency: What is it good for? (A lot, actually.)" Andrea O'Sullivan, July 30, 2018, Coin Center, https://www.coincenter.org/cryptocurrency-what-is-it-good-for-a-lot-actually/)

Let's start with the simplest use case. We may take it for granted that we can make payments online, but this state of affairs is neither evenly distributed nor always guaranteed. For one, not everyone has access to a bank account or credit card with which they can engage in online commerce. Furthermore, our current system, which relies on third parties to facilitate exchange, is only as good as the trust that we can place in them. Such providers could conceivably go offline due to technical or cybersecurity difficulties, or governments could push them to prevent certain

transactions, or they could mismanage or improperly direct user funds. Whatever the hypothetical, the point is that customers must place considerable trust in the third party to be a responsible and faithful steward of those funds, assuming that individuals have access to those services in the first place. Cryptocurrencies remove the need to rely on this trusted third party to make a transaction. In effect, a cryptocurrency replaces a third party like Bank of America or PayPal with the network itself, which is managed by a distributed web of computers all across the world. This means that Alice can make a payment online directly to Bob whenever and wherever she wants, without needing to introduce another party which may be cumbersome or expensive. This also means that people without access to banking services can now take part in digital commerce. This kind of direct digital exchange is not possible with traditional sovereign currencies. To make a direct exchange with sovereign currencies, individuals will need to meet in person to transact, which can be inconvenient or dangerous. To make a digital payment, they will need to rely on a trusted third party, which can be expensive or unavailable. There is no way to combine direct exchange and digital exchange using a traditional sovereign currency, which is why cryptocurrencies are so unique and value-generating.

Crypto eliminates the need for third parties

O'Sullivan 2018 ("Cryptocurrency: What is it good for? (A lot, actually.)" Andrea O'Sullivan, July 30, 2018, Coin Center, https://www.coincenter.org/cryptocurrency-what-is-it-good-for-a-lot-actually/)

Cryptocurrencies are useful beyond their application as a medium of exchange. By eliminating the need to rely on a third party for the issuance and transfer of value, cryptocurrencies empower users to take control of their finances. Transfers can only be made when a user cryptographically approves a specific transaction—an action known as "signing with a private key." This means that the user who holds the private key, and only that user, can control where and when their money is spent. This use case is crucial in environments where citizens cannot trust that institutions will be responsible stewards of their hard-earned money. Consider the tragic case of a country like Venezuela, where individuals' property and savings can be confiscated by authorities through law or inflation. Many Venezuelans are unfortunately unable to access traditional forms of exit such as emigration or stealthily accruing more stable sovereign currencies. With cryptocurrency, more Venezuelans have an alternative: They can opt to purchase or mine a secure store of value that cannot be confiscated or inflated away by their government because they alone control their private keys. (Indeed, cryptocurrencies are especially popular in Venezuela for precisely this reason.) There is a use for this property for people living in more responsibly-managed monetary systems

as well. As cybersecurity incidents continue to affect more and greater financial institutions, more people will find their personal information vulnerable to hostile actors. After all, in order to engage with the traditional system of personal finance, we must give over considerable information to banks which are their tied to our credit and debit card numbers. Cryptocurrencies require no such personal information in order to engage in online commerce, and users do not need to trust that financial institutions and their vendors will be able to thwart all of the many daily attacks on their systems.

Crypto supports microtransactions & metering

O'Sullivan 2018 ("Cryptocurrency: What is it good for? (A lot, actually.)" Andrea O'Sullivan, July 30, 2018, Coin Center, https://www.coincenter.org/cryptocurrency-what-is-it-good-for-a-lot-actually/)

Removing the middleman can also do more than just remove a threat point; it can also reduce the cost to send a transaction. By allowing people to send value directly to another person, cryptocurrencies may prove to be an affordable alternative to other forms of transfer. This means that transactions that may have not made economic sense due to the fees imposed by third parties in the past may now be feasible, which unlocks a range of possibilities. One of these is microtransactions, which is just what it sounds like: the ability to make tiny transfers of only a few cents (and perhaps fractions of a cent) at a time. When you walk by a gumball machine and decide you want a little treat, it takes very little effort to just whip out a quarter and receive your desired confection. But when you want to purchase the digital equivalent of a gumball online—say, a single news article, or wifi coverage to check an email for a few minutes, or an in-game upgrade—things quickly become not worth the hassle. You would likely have to create an account with the service and would need to have access to some kind of credit card and link it to the service. And because the fees to actually undertake a 25 cent transaction will be greater than the transaction itself, you won't have the option to buy just one item, say, but instead have to pony up for a month's worth of access. This kind of arrangement is obviously just not worth it, so there are a lot of transactions that aren't happening because the existing payments system can't facilitate them. Cryptocurrencies can, for the first time, make microtransactions for many services economically feasible. Let's say that someone wants to view a paywalled article online, but does not want to purchase a full subscription to that outlet. That person could send a microtransaction to the newspaper's cryptocurrency wallet, which would automatically unlock the article to the payer. The reader benefits by only paying for the content they want, and the newspaper benefits because expanded price discrimination can lead to greater overall engagement. Additionally, microtransactions present an

alternative to the advertising model of monetizing content on the web and all the attendant privacy-encroaching tracking its brings with it. Metering is a special kind of microtransaction. Rather than a per unit price, metered microtransactions allow users to purchase access to a service for an unspecified amount of time. Wifi access provides a good example. Right now, if people want to purchase public Wifi access, they have to purchase a set unit of time for a set price, regardless of whether they only need to send a quick email or check on some data for work. This can be costly and obnoxious to the user, but there is no easy way to meter microtransactions using traditional credit and debit cards for the reasons mentioned above. Cryptocurrency provides a solution for low-to-no fee metering to access these kinds of club goods.

Smart contracts make transactions easier

O'Sullivan 2018 ("Cryptocurrency: What is it good for? (A lot, actually.)" Andrea O'Sullivan, July 30, 2018, Coin Center, https://www.coincenter.org/cryptocurrency-what-is-it-good-for-a-lot-actually/)

People who say that cryptocurrency can't do anything that 'sovereign currency' can do probably don't understand that cryptocurrencies aren't just a kind of money; they are a kind of programmable money. While our examples so far have focused on simple currency storage and transfers between parties, cryptocurrencies also include a scripting capabilities that allow for more complex transactions to occur. These kinds of transactions are known as "smart contracts," and they work because all of the elements of the exchange to take place are entirely digitized. For example, let's say that Alice would like to gift her granddaughter, Erin, with a sum of money upon her 18th birthday. Today, Alice's option is basically to hire a lawyer to create a trust that will hold the funds and disburse them on the appointed date. Being a technologically-savvy grandmother, however, Alice knows that she can simply program a smart contract to do the same thing without having to employ an intermediary. Alice creates a cryptocurrency wallet for herself and another for her granddaughter Erin. Alice sends the equivalent of $10,000 to her wallet and programs a smart contract. The contract is set up so that on the day of Erin's birthday—let's say January 3, 2027—the contract will automatically move the funds from Alice's wallet directly to Erin's, where she will have complete control of those funds. Once Alice sets the transaction in motion, she no longer has access to the funds, just as if she had created a trust. And that is just the simplest example. Smart contracts can be deployed any time that a set of digital promises can be enforced by a protocol through which the parties to the promises operate. There are a wide range of hypothetical and currently-used applications in the fields of finance, law, identity and registration, rentals, and even supply chain management. However, smart

contracts are not a kind of magic wand. It is crucial that the parties to a smart contract are absolutely certain that their code will function the way that they intend, and will not be susceptible to attack. There have been high-profile smart contract failures, resulting in millions of dollars in losses. With that caveat in mind, it is likely that routine and simple smart contracts—like the illustration with Alice and Erin above—will be ironed out relatively quickly, and more experience will improve the quality and range of smart contracts available.

Crypto does things that money cannot

O'Sullivan 2018 ("Cryptocurrency: What is it good for? (A lot, actually.)" Andrea O'Sullivan, July 30, 2018, Coin Center, https://www.coincenter.org/cryptocurrency-what-is-it-good-for-a-lot-actually/)

The examples above show just a few of the ways that cryptocurrency offers a great expanse of currency-based applications that traditional sovereign currencies simply cannot. But one of the really neat things about cryptocurrencies is that they and the open blockchain networks that underpin them have uses that primarily have little to do with "money" at all. Our previous examples illustrated how blockchain tokens which represent money can be directly transferred in different kinds of ways. But those tokens don't necessarily need to only represent a currency. After all, at the end of the day, it's all just zeros and ones on a computer. So a blockchain token can hypothetically represent anything that can be digitized. And because blockchains are censorship-resistant, any entry added to a blockchain can be thought of as an immutable record online. This virtual immutability, however, is only present in open networks with a cryptocurrency or scarce token component. Consider this timely story from China: A pseudonymous blogger recently reported that a major pharmaceutical company had been manufacturing and selling unsafe vaccines. Although the story went viral on social media, government censors went about removing any posts about it online. How could the blogger make sure that his posts would not be blotted out? He put it on a an open blockchain network, in this case Ethereum. By sending a small transaction worth a few pennies of ether to their wallet, the blogger was able to attach his exposé to the metadata of the transaction, thus immortalizing the report's existence on the internet. This kind of application is especially crucial in situations where the public must know of some kind of high-level corruption. But there are a number of blockchain efforts to record data for commercial and legal applications as well. Some people envision a title registration service that is entirely- or mostly- blockchain-based, which would cut down on the need for costly administration and title insurance. Others are working on projects to offer Dropbox-like services, where a blockchain would store users' files.

Generic crypto bad cards

Crypto is volatile and doesn't have a stable value

Marquit 2021 ("13 Reasons People Think Crypto Investing is a Bad Idea," Miranda Marquit, July 25, 2021, Finance Buzz, https://financebuzz.com/reasons-crypto-is-a-bad-idea)

1. It's historically volatile Cryptocurrency prices are historically volatile, rising and falling quickly. All you have to do is take a look at a price chart for any cryptocurrency. Wide swings from day-to-day are common, even for well-known currencies like Bitcoin. Other cryptocurrencies also experience wide swings. Ethereum saw a price above $4,000 in May of 2021. But as of July 11, 2021, the price has dropped to just above $2,100. Smaller currencies, like Dogecoin, might see even more dramatic swings. If you're looking for something with relatively stable pricing, crypto isn't there yet. 2. Valuing cryptocurrencies can be difficult When valuing stocks, you can look at various characteristics of a company, including its management, balance sheet, and revenues. You can form an opinion as to whether the products and services it offers are likely to succeed in the long run, and you can chart long-term historical value of various stocks and stock indexes. Other assets, like commodities and real estate, can also be easier to value. Some of these assets are tangible and can be touched. Crypto, on the other hand, is more difficult to value. You can't touch cryptocurrencies, and they don't have a long history like many other asset classes do. Trying to come up with a value that makes sense can be difficult, so comparing it to other asset classes can be tricky.

Crypto mining is energy intensive

Kolbert 2021 ("Why Bitcoin Is Bad for the Environment," Elizabeth Kolbert, April 22, 2021, The New Yorker, https://www.newyorker.com/news/daily-comment/why-bitcoin-is-bad-for-the-environment)

Because rig "farms," which are essentially like server farms, consume a lot of energy, bitcoin-mining operations tend to chase cheap electricity. Roughly seventy per cent of bitcoin mining today takes place in China. (A recent study found that the associated electricity consumption could "potentially undermine" China's efforts to curb its carbon emissions.) Russia is also a bitcoin-mining center—there are big operations in Siberia, where cold temperatures help keep rig farms from overheating—as is Iran, where electricity is subsidized. In the United States, home to about seven per cent of the world's bitcoin mining, finding cheap power can be complicated. A few years ago,

miners “descended upon” the city of Plattsburgh, New York, about a hundred and fifty miles north of Albany, which gets much of its electricity from hydroelectric dams on the St. Lawrence River. The power is relatively inexpensive, but, once Plattsburgh uses up its allotment, it has to purchase more at higher rates. Bitcoin mining drove up the cost of electricity in the city so dramatically that, in 2018, Plattsburgh enacted a moratorium on new mining operations. Buying a generating station, as Greenidge Generation Holdings has done, is a way around the problem. Let others pay retail; Greenidge now gets its power “behind the meter.” The firm recently announced that it was going public, via a merger with a Nasdaq-listed company called Support.com, and boasted that it “expects to be the first publicly traded bitcoin mining company with a wholly-owned power plant.” In the announcement, Greenidge said that it was planning to more than double its bitcoin-mining operations in Dresden by the fall of 2021, and to double them again by the end of 2022. It further declared that it intends to “replicate its vertically integrated mining model at other power sites.” To expand its operations in Dresden, Greenidge will have to burn more and more natural gas, thus producing correspondingly more greenhouse-gas emissions. The firm’s plans have sparked demonstrations in the Finger Lakes region. On Saturday, a hundred protesters marched to the gates of the plant.

Crypto mining is no longer an insignificant part of global carbon emissions

Kolbert 2021 (“Why Bitcoin Is Bad for the Environment,” Elizabeth Kolbert, April 22, 2021, The New Yorker, https://www.newyorker.com/news/daily-comment/why-bitcoin-is-bad-for-the-environment)

The mainstreaming of cryptocurrency, as it’s been called, is obviously a big deal for the world of finance. It’s also a big deal for the world of, well, the world. This is particularly true in the case of the ur-cryptocurrency, Bitcoin. Like Dogecoin, bitcoin has recently surged in value. In April, 2020, a coin was worth about seven thousand dollars; today, it’s worth more than fifty-five thousand. (It hit a record high of $64,895.22 on April 14th, but has since fallen off.) As the cost of investing in bitcoin has soared, so, too, has the potential profit in “mining” it. Bitcoin mining is, of course, purely metaphorical, but the results can be every bit as destructive as with the real thing. According to the Cambridge Bitcoin Electricity Consumption Index, bitcoin-mining operations worldwide now use energy at the rate of nearly a hundred and twenty terawatt-hours per year. This is about the annual domestic electricity consumption of the entire nation of Sweden. According to the Web site Digiconomist, a single bitcoin transaction uses the same amount of power that the average American household consumes in a month, and is responsible for roughly a million times more carbon emissions than a single Visa transaction. At a time when the world desperately needs to cut carbon emissions, does it make sense to

be devoting a Sweden's worth of electricity to a virtual currency? The answer would seem, pretty clearly, to be no. And, yet, here we are.

Economies of scale encourage environmentally destructive mining practices

Kolbert 2021 ("Why Bitcoin Is Bad for the Environment," Elizabeth Kolbert, April 22, 2021, The New Yorker, https://www.newyorker.com/news/daily-comment/why-bitcoin-is-bad-for-the-environment)

Mining is the process by which bitcoin is both created and accounted for. Instead of being cleared by, say, a bank, bitcoin transactions are recorded by a decentralized network—a blockchain. Miners compete to register the latest "block" of transactions by solving cryptographic puzzles. The first one to the solution is rewarded with freshly minted bitcoin. Miners today receive 6.25 bitcoins per block, which, at current values, are worth more than three hundred thousand dollars. It's unclear exactly who dreamt up bitcoin, so no one knows what this person (or persons) was thinking when the mining protocols were first established. But, as Ari Juels, a computer scientist at Cornell Tech, recently explained to me, the arrangement seems to have been designed with equity in mind. Anyone devoting a processor to the enterprise would have just as much stake in the outcome as anyone else. As is so often the case, though, the ideal was soon subverted. "What was quickly discovered is that specialized computing devices—so-called mining rigs—are much, much more effective at solving these puzzles," Juels said. "And, in addition, there are economies of scale in the operation of these mining groups. So the process of mining, which was originally conducted by a loose federation of presumably individual participants with ordinary computing devices, has now become heavily consolidated."

A bitcoin economy would make financial downturns worse and potentially render them unsolvable

Surowiecki 2018 ("Bitcoin would be a calamity, not an economy," James Surowiecki, April 10, 2018, Technology Review, https://www.technologyreview.com/2018/04/10/3060/bitcoin-would-be-a-calamity-not-an-economy/)

Still, the dream that cryptocurrency could replace our existing system of fiat money, in which the money supply is controlled by government--run central banks, remains a key part of Bitcoin's appeal. The promise is of a system where the government can't manipulate the money supply, and market competition determines which currencies

people use. But what would happen if that dream came true? If the dollar and the euro were replaced by Bitcoin, how would the system adapt, and how would the economy and the financial system function? The simple answer is: not well. Our economies and financial systems are built around fiat money, and they rely on the central bank's control of the currency (and the government's ability to issue debt in that currency) to help manage the business cycle, fight unemployment, and deal with financial crises. An economy in which Bitcoin was the dominant currency would be a more volatile and harsher economy, in which the government would have limited tools to fight recessions and where financial panics, once started, would be hard to stop. The opposite of what you want To see why this is the case, it's key to recognize the crucial role that the central bank (which in the US is the Federal Reserve) plays to provide what economists call "liquidity" when the system needs it. That's just a fancy way of saying that the central bank can pump money into the system, either by printing it and then lending it to banks (with the idea that they will then inject that money into the system) or by simply buying assets itself. Providing liquidity is especially important in times of financial crisis, because crises lead banks to cut back on lending and savers to pull their money out of banks. In those times, the central bank serves as a lender of last resort, stepping in when otherwise solvent banks are struggling to stay afloat and ensuring that we don't end up with a flood of bank closings. In an economy run on Bitcoin, these things would be impossible for a central bank to accomplish. A key aspect of the Bitcoin protocol is that the total number of bitcoins is capped at 21 million, after which no more will ever be issued. This makes Bitcoin appealing to many people because something that will never increase in supply is more likely to hold its value. The problem is that in the event of a crisis, there would also be no way to add liquidity to the system, since you can't "print" more bitcoins. The central bank could build up a stash of bitcoins that it could then funnel into the system, but that would do little good because people would know the stash was limited. And in any case, the central bank's demand for Bitcoin would drive up its price, which would make people more likely to hold onto it and less willing to spend it—the opposite of what you want in a financial crisis.

Bitcoin would make countercyclical monetary policy difficult

Surowiecki 2018 ("Bitcoin would be a calamity, not an economy," James Surowiecki, April 10, 2018, Technology Review, https://www.technologyreview.com/2018/04/10/3060/bitcoin-would-be-a-calamity-not-an-economy/)

Bitcoin would also make it hard for governments to fight recessions, which they typically do by using what economists call countercyclical monetary and fiscal policy. Central

banks slash interest rates, and—as the Federal Reserve did after the 2008 financial crisis—pump money into the system by buying assets (what's known as quantitative easing). And governments try to get the economy moving again by cutting taxes and increasing spending, typically paying for that by borrowing money, as with the Obama-era stimulus package. Here again, a Bitcoin economy would limit the government's options. Since the central bank would have no control over the currency, it would also have no control over interest rates, and only a limited ability (depending on the size of its Bitcoin stash) to pour money into the economy. Fiscal policy, too, would be close to impotent. Today, when the government runs a deficit, it can have the Fed print money and then borrow that money from the Fed. That adds liquidity to the system. In the Bitcoin world, the government would have to borrow bitcoins to spend. And again, this would make bitcoins more valuable, making people less willing to spend them—the opposite of what you need to fight a recession.