Cryptic Regulation of Crypto-Tokens

New York Fed Conference on FinTech
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Joshua Gans, University of Toronto & NBER
Could anyone have predicted the need for regulation?
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Scientific and technical expertise concentrated in US.
Good regulatory process
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What is the market failure (if any)?
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What is the market failure (if any)?

What policy instruments are available?
Good regulatory process

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Can policy intervention improve welfare?
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2. Provide certainty for decision-makers
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Having a good regulatory process allows us to:

1. Not make things worse
2. Provide certainty for decision-makers
3. Reduce the costs of regulation by encouraging good behaviour
What are crypto-tokens?
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- Crypto-tokens can be recorded in a decentralised manner on blockchains.
When are crypto-tokens useful?
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“Although the underlying technologies are a clever solution for the problem of how to execute transactions without a trusted authority, crypto assets currently do not offer widespread economic benefits. They are largely speculative investment vehicles and are not an effective alternative to fiat currency. Also, they are too risky at present to function as payment instruments or to expand financial inclusion.”

2023 Economic Report of the President
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  • Security
  • Interoperability
  • Incentives
What market failures may arise?
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- Payment efficiency
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- Network effects
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- Information asymmetries and market safety
What market failures may arise?

• Payment efficiency
  • Energy consumption
  • Network effects
• Information asymmetries and market safety
• Criminal activity
What policy instruments are available?
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• Prohibition and taxation
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- Prohibition and taxation
- Securities law
“If it quacks like a duck and looks like a duck …”
The Ducks

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Sale ends September 12, 2023 at 1:31 PM

Current price
15 ETH $27,845.10

Buy now

Price History

No events have occurred yet
Check back later.
Can a reasonable person navigate this?
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    - but in a permissionless proof of stake blockchain those credits are enabling processing and have a natural equilibrium outcome.
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- Banking regulation
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- Prohibition and taxation
- Securities law
- Banking regulation
- Tax treatment
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• Raising funds
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- Incentivising co-innovation
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• Raising funds
• Incentivising co-innovation
• Regulatory uncertainty