Spring 2020
Virtual Currencies and the State

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Prompt for Discussion

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On October 10th, 2019, the SEC brought suit against Telegram, asserting that its $1.7 billion offering of Gram "tokens" violated federal securities laws. The same week, five large investors including Visa, Mastercard, Stripe, eBay, and Mercado Pago pulled out of Facebook's virtual currency Libra, apparently taken aback by the fierce criticism leveled at Libra by politicians and regulators. These events were striking, occurring as they did against a baseline of official inaction, ambivalence, or accommodation of virtual currencies. It is an opportune moment to ask: What are virtual currencies – money, securities, or speculative assets? How do they relate to modern political communities and to the financial architecture that those states support? Why at this moment have governments chosen to crack down on virtual currencies?

The movement towards virtual currencies took off in 2008, when an anonymous person or group introduced Bitcoin. In the decade that followed, Etherium, Peercoin, and others offered similar products: digital assets created and maintained by a decentralized set of participants that can be traded for goods and services. Many users praised virtual currencies on the ground that they eliminated the role of law, the government, and/or the financial industry. According to the Bitcoin model, rules intended to operate mechanically control the production of virtual currencies and limit the quantity of virtual currency ultimately created. Exchange occurs according to a technology that Marco Iansite and Karim Lakhani describe as “an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way.” (Harvard Business Review, 18 January 2017.) The same description suggests the theory underlying virtual currencies: as a community of independent users opts in and confirms the transfer of digital assets, it makes unnecessary both public payment systems and commercial banks as financial agents.

Within the virtual currency family, differences in technology, industry location, and ideology have emerged. While Libra claims the mantle of virtual currencies, for example, it does not use a blockchain nor, at least in its initial version, a decentralized network of users to confirm transfers. See FT Alphaville. And rather than aiming at avoiding governmental oversight, it offers a vision of financial inclusion.

In this roundtable, we invite participants to comment on the questions recently raised by the difficulties faced by Telegram and Libra. What are virtual currencies and how do they relate to public moneys? What is the theory of value that virtual currencies offer and are those theories supported historically? Are these monetary systems that are working outside the state – or payments systems derivative of state power? How do the differences between Libra and more traditional cryptocurrencies explain the governmental response? Are virtual currencies meant to fix problems with the current monetary or payments systems, and if so, what problems? Or are virtual currencies meant to evade those systems?

Contributions

July 3, 2020

Why Do We Keep Taking the Cryptocurrency/Blockchain Scam Seriously?

David Golumbia, Virginia Commonwealth University

June 12, 2020

Decentralization: The Rise of a Hazardous Spec

Gili Vidan, Harvard University

April 28, 2020

Virtual Money at the Edge-of-State

Finn Brunton, NYU Steinhardt School

April 22, 2020

Payment in Virtual Currency

Benjamin Geva, Osgoode Hall Law School of York University

April 15, 2020

What lies behind the apparent trust in cryptocurrencies?

Marcelo de Castro Filho, Massachusetts Institute of Technology

Susan Silbey, Massachusetts Institute of Technology

April 9, 2020

Virtual Currency (in the Shadows of the Money Markets)

John Haskell, The University of Manchester

Nathan Tankus, The Modern Money Network

March 31, 2020

The Case for Cryptocurrencies as a New Category of Regulated Non-Sovereign Fiat Currency

J.S. Nelson, Villanova Law School

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How is Private Money Possible?

Joseph Sommer

March 4, 2020

Starbucks, Libra, and the Boring Future of Money

Lana Swartz, University of Virginia

February 26, 2020
Cryptocurrencies as Privately-Issued Moneys
Hilary J. Allen, American University Washington College of Law

February 20, 2020
Money at the Zero Lower Bound
Bill Maurer, University of California, Irvine

February 14, 2020
Regulate Virtual Currencies as Currency
Lev Menand, Columbia Law School