

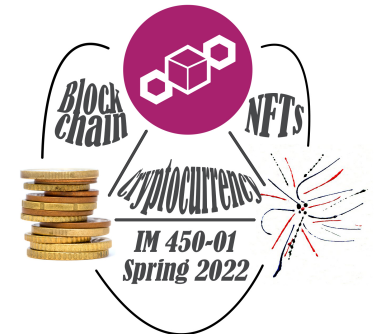
IM 450-01 Issues in IM: *Blockchain, Cryptocurrency, NFTs*

Spring 2022

Class 12—March 1

Cybercurrency:

**Which people and what institutions will be
most seriously harmed by this new
technology?**



Who does cryptocurrency most seriously harm?

- We will not consider the harms that come to companies that lose money in the cryptocurrency business.
- It's clear that business losses can be extensive. I am NOT claiming that these are "bad" people or that "they deserve to lose money."
- Nevertheless, business start-ups or expansions into new niches require careful cost/benefit analysis that includes thorough consideration of risks and risk mitigation strategies.
 - It's very difficult to know what was responsible for enterprise-side losses in cryptocurrency-based business endeavors.
 - Bad business practices not the fault of the market-place.
 - Cost/benefit analysis and risk mitigation strategies are supposed to "protect and solve" against unanticipated factors but are sometimes not properly accomplished front end.
- Since I can't blame the losses, primarily on crypto-currency, I'm not adding these folks into our considerations.

Who does cryptocurrency most seriously harm?

- "Cryptocurrency users lost more than \$7.7 billion to scams and other crypto-based crimes in 2021"
- "North Korean hackers said to have stolen nearly \$400 million in cryptocurrency last year"

Who does cryptocurrency most seriously harm?

- Folks who can't afford risky investments
 - While high net-worth customers may be able to deduct investment losses from their annual income tax-bite, low net-worth customers cannot. Low net-worth customers experience bigger “hits” from investment losses than do wealthier investors.
- Folks for whom participation feeds addictions
 - “The crypto craze is spawning a new niche in psychology: therapy for crypto addicts.” <https://qz.com/2127397/more-and-more-crypto-investors-are-seeking-out-addiction-therapy/>
 - A form of gambling addiction
 - Super-fueled by the combination of pandemic isolation and exploding crypto marketing and PR
 - Speculation of this sort especially appeals to folks who are already vulnerable to computer-based additions (video games, social media, shopping, the Internet, etc.).

Who does cryptocurrency most seriously harm?

- Folks who do not understand investing, investment markets, speculative investment markets, and/or what cryptocurrency is or how it works.
 - “Crypto and the Power of Folk Economics.”
<https://www.nytimes.com/2022/02/07/opinion/crypto-nfts-folk-economics.html>

Who does cryptocurrency most seriously harm?

- Potentially anyone who would be HELPED by normal financial markets, currency circulation, and monetary controls/regulations. Cryptocurrency may enable circumvention of authority in ways that damage those authorities were hoping to protect.
 - “Russia Could Use Cryptocurrency to Blunt the Force of U.S. Sanctions.”
<https://www.nytimes.com/2022/02/23/business/russia-sanctions-cryptocurrency.html>
- Potentially everyone if pollution and excessive energy consumption problems aren’t solved.
 - “Bitcoin Miners Revived a Dying Coal Plant – Then CO2 Emissions Soared.”
<https://www.theguardian.com/technology/2022/feb/18/bitcoin-miners-revive-fossil-fuel-plant-co2-emissions-soared>
 - “After Chinese Ban, Cryptocurrency Mining Got Worse for Climate.”
<https://www.nytimes.com/2022/02/25/climate/bitcoin-china-energy-pollution.html>

Who does cryptocurrency most seriously harm?

Q &A: