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A Case for Cryptocurrencies Elizabeth Warren Can Support

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February 22, 2022

Senator Elizabeth Warren (D-MA) may be one of the biggest critics of cryptocurrencies. But considering her record of standing against big banks, she should be one of cryptocurrencies' biggest supporters.

Over the course of 2021, Warren urged regulators to crack down on cryptocurrencies, argued that cryptocurrencies pose a threat to financial stability, and made references to "shadowy super coders." And just this week she spoke highly of the President's Working Group on Financial Markets (PWG) report that included a proposal to limit the market for stablecoins — a subset of cryptocurrencies — to traditional banks.

If the senator really wants to challenge big banks, she should welcome new competition by removing barriers to entry, not erecting them.

Policies that pick winners and losers serve the interests they represent, not the American people. How else could one conclude that the banking industry — which has been largely absent from the development of cryptocurrencies — should be the sole provider of the technology? Furthermore, how else could one justify restricting the market to one sector out of concern for "market concentration"?

Representative Gregory Meeks (D-NY) noted the contradiction at a hearing in the House last week when he said, "It occurs to me that limiting stablecoin issuance to insured depository institutions — which have a high barrier to entry — could limit competition." Meeks is correct: The banking industry rarely sees new competition these days. There used to be between 90 and 200 new FDIC-insured commercial bank charters each year. However, the entire decade following the Great Financial Crisis saw just 37 new bank charters in total.

Now is the time to welcome much-needed competition for the incumbent banks. And cryptocurrencies are already offering that competition: where banks have lagged behind,

cryptocurrencies have leaped forward and pushed innovations in the payments sector.

Senator Warren should be on board for many other reasons. For example, one of Warren's press releases shares how she "fought to protect consumers in the wake of the massive data breach at Equifax." In fact, the decentralized nature of cryptocurrencies greatly reduces the risk of such data breaches — something even the U.S. government suffers from — by making it so there is no one central hub of information criminals may target. Best of all, the distributed ledgers, or blockchains, that these cryptocurrencies are built on have the potential to make users the ultimate owners of their data.

In another example, Warren noted that "there has been an enormous failure by the big banks to reach consumers all across the country." And she's right. There are millions of unbanked individuals across the country.

Although the Bank On program has made progress in lowering fees that have discouraged the unbanked from getting accounts, distrust for banks and privacy concerns follow as the second and third reasons for not having a bank account. Both of those concerns are something neither the banks nor government will be able to calm without substantial reforms. However, the pseudonymous nature of cryptocurrencies could be part of the answer.

For people who want to preserve their personal identity, transacting through cryptocurrencies offers a way into the financial system without handing over all of one's personal information. Yet this degree of privacy is no advantage for criminals. To the contrary, the transparent and immutable nature of the blockchain has made it easier to catch criminals using cryptocurrencies than those using cash.

One last example is one that Warren has long recognized. In 2019, she said that "People living paycheck-to-paycheck shouldn't have to wait up to five days for a check to clear so that they can pay their rent, cover child care, or pick up groceries." Again, she's right: the speed of payments should have been fixed long ago.

Unfortunately, the government has already undermined efforts to improve the speed of payments once — leaving those same people that Warren mentioned still waiting. Yet once again, cryptocurrencies could offer a viable alternative considering many cut transaction times down to mere minutes.

The fact that cryptocurrencies have leaped forward where banks have lagged behind should be evidence enough that restricting the market to the incumbent banks will not benefit the American people. If Senator Warren truly seeks to challenge those banks, she should welcome their new competition.

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