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Digital Assests

The Executive Order on Ensuring Responsible Development of Digital Assets, signed by President Biden on March 9, marks a substantial stride towards grappling with the intricate challenges and opportunities entwined with digital assets. This comprehensive approach underlines the administration's acknowledgment of the potential advantages digital assets bring in fortifying U.S. leadership within the global financial system and remaining at the forefront of technological progress. The Biden administration notes that 16% of adult Americans have delved into digital asset purchases, contributing to its \$3 trillion global market capitalization as of last November. Building upon this momentum, the administration intends to harness new policies to ensure the safe and efficient trading of digital assets.

One of the key strengths of this Executive Order (EO) is its whole-of-government approach, which involves collaboration among various agencies to develop frameworks and policy recommendations. These efforts align with the six key priorities identified in the EO: consumer and investor protection; promoting financial stability; countering illicit finance; U.S. leadership in the global financial system and economic competitiveness; financial inclusion; and responsible innovation. Focusing solely on consumer and investor protection within the order can allow for a better understanding of how regulations imposed by the Biden Administration can be beacons for digital financial freedom, but also chains the bind its possibilities.

The Executive Order brings forth several notable advantages, particularly in strengthening oversight through agencies like the Consumer Financial Protection Bureau (CFPB) and Federal Trade Commission (FTC). These agencies are mandated to escalate their efforts in monitoring consumer complaints and taking stronger action against unfair, deceptive, or abusive practices within the digital asset space. Additionally, the EO empowers the Financial Literacy Education Commission (FLEC) to spearhead public awareness campaigns, educate consumers about the risks associated with digital assets, identify common fraudulent schemes, and facilitate effective reporting mechanisms. These proactive initiatives are pivotal in enhancing consumer education and fostering a more equitable and transparent digital asset trading environment, especially in light of the alarming surge in fraudulent activities within this sector. Rolf van Wegberg's research on Bitcoin money laundering underscores the illicit activities that can occur within the digital marketplace. For instance, ransomware victims are being coerced into converting ransom payments from traditional fiat currencies to Bitcoin and transferring these funds to specified Bitcoin addresses provided by criminal entities. Moreover, underground markets thrive on Bitcoin transactions, facilitating the illicit exchange of goods and services such as drugs and weapons. The anonymity and ease of transfer associated with Bitcoin transactions make it a preferred method of payment within these shadowy realms. This underscores the need for the EO's increased regulations on digital asset markets.

However, amidst these positive strides, significant concerns arise regarding the EO's overarching impact and potential drawbacks. One notable area of concern revolves around the vagueness of the EO's provisions related to protecting consumers, investors, and businesses. While the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) are tasked with aggressive investigations and enforcement against unlawful

practices, the interpretation of what constitutes "aggressive" remains a gray area. This lack of clarity could lead to inconsistencies in enforcement actions and potentially undermine the intended purpose of the EO. Moreover, the heightened monitoring and enforcement efforts mandated for the CFPB and FTC may inadvertently create a regulatory environment that hinders innovation and hampers the growth of legitimate digital asset businesses. The risk of overregulation looms large, with concerns that the strict oversight could deter investment and impede the development of financial technologies. Furthermore, the increased regulation burden could disproportionately affect smaller players in the digital asset space, potentially stifling competition and limiting consumer choice, allowing for digital market classism to form.

Philosophy, Politics, and Economics of Cryptocurrency II by economists Bailey, Rettler, and Warmke highlight the dangers that can arise when classes form within the digital space, allowing for mega corporations to control and beat out smaller corporations.

From the perspective of freedom, the evaluation of the Executive Order's approach hinges on its impact on individual rights and freedoms. On one hand, the implementation of enhanced consumer protections and measures for preventing illicit finance can be viewed as positive strides toward protecting individuals' interests in digital asset markets. Conversely, these same measures could potentially impede the growth of small businesses and restrict trade within the digital marketplace due to overly stringent regulations and a burdensome policy atmosphere.

Works Cited

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