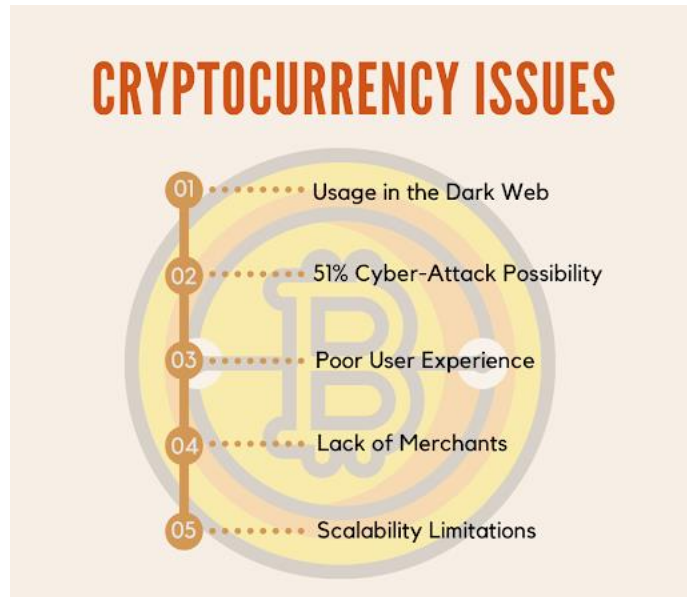


The crypto assets conundrum

Crypto Challenges:

1. The Indian Government appears convinced that cryptocurrency is a dangerous proposition. Cryptocurrency enables relatively invisible transactions, with serious implications for crime, terrorism, money laundering, tax evasion, etc.
2. Another worry is that a crypto mania is getting built of purely speculative investments. The eventual bursting of such bubbles will badly hurt people.
3. Further, crypto threatens the state's macro-economic role. On the other hand, the Government wants to avoid any tech-unfriendly image.



Crypto Dilemma and Solution:

1. Caught in this dilemma, it proposes that cryptocurrencies are banned but crypto assets are legalised and strongly regulated.
2. This way, the problem of invisible value transactions gets taken care of, the interests of investors are protected, and the tech industry's demand is met halfway.
3. This 'solution', however, is based on a flawed premise, rendering it unworkable in the medium to long term. The distinction between an asset and currency may not be so much legal as it is about the inherent characteristic of what is considered an asset or currency.
4. Land, gold and stocks do not lend themselves to becoming common mediums of exchange because these assets are not easily divisible and portable.
5. On the other hand, crypto is more divisible and portable than even physical currency. Once legalised, a crypto asset's creep towards becoming a medium of exchange would be unstoppable.



Merely speculative Asset without underlying Value:

1. Crypto assets are either 'purely speculative assets' or they have some underlying value, in which case such 'value' can consist only in their future as a medium of exchange. Both ways are very problematic.
2. A purely speculative asset has zero underlying value (unlike assets like land and gold). Regulators watch out for the purely speculative elements of any assets market, considering them dangerous.
3. The 2008 financial crash happened largely because some 'assets' lost all connection to any kind of underlying value.
4. If the Government legalises a purely speculative asset, it provides a green signal to investors to invest in it and blow into the bubble. When the bubble bursts, there may be a heavy political price to pay for the ruling dispensation.

Underlying value

1. Crypto does have some 'underlying value'. This value can only be in terms of the expectation that crypto assets will eventually gain widespread acceptance as a currency.
2. Such an expectation indeed has a good basis in the fact that crypto is preferred as a currency by many powerful groups because it is very private and less amenable to regulatory oversight. It basically removes the state from its existing status at the heart of currency systems.
3. The question then is: by legalising crypto assets, is the Government trying to promote this 'underlying value' of crypto as a future currency with these 'unique characteristics'? Evidently not, since it wants to ban crypto as a medium of exchange precisely because of these characteristics.
4. So, in legally recognising crypto assets, the Government is either promoting a dangerous 'purely speculative asset', which, when the bubble bursts, will lead to all-around harm; or it is itself promoting the 'underlying value' of crypto assets in terms of their unstoppable eventual conversion to a currency.

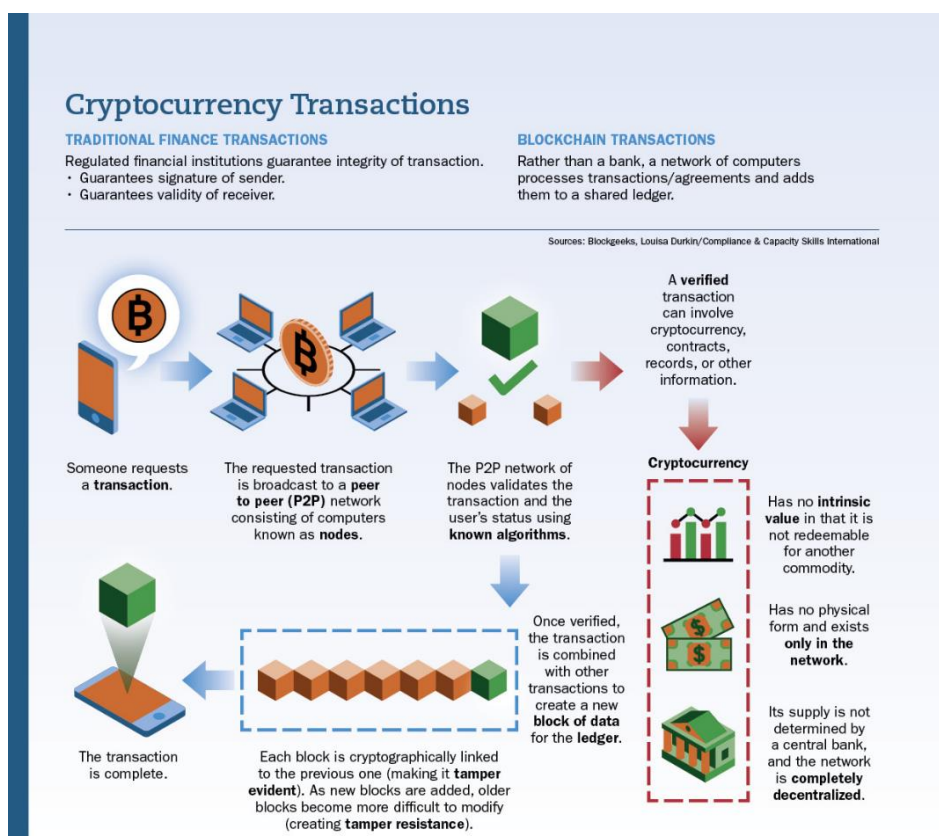
Not a tech decision

1. The argument that crypto assets need to be legalised for promoting blockchain technologies and being pro-future is weak, if not bogus.
2. Blockchain has thousands of applications other than crypto. Various innovations and services, including using blockchains and those in the realm of decentralised finance, are indeed possible over the top of a

monopoly platform of a Central Bank Digital Currency, as an alternative to private cryptocurrencies.

3. The real decision that the Government faces is not about supporting new technology. Certain groups and people want the state to mostly be out of currency systems because that serves their interests.
4. Since society is now at a fork to decide whether the future of currency will be public or private, what the Government has to decide is the side it would throw its weight behind.
5. The argument to let both public and private currencies co-exist, leaving it to 'people's choice', is also deceptive. The powerful resent the distributive potential contained in public currency systems.
6. They will all immediately lap up and push private currencies. Their combined economic heft itself would ensure an overwhelming dominance of private currencies over public currency.

It is true that India's decision alone would not determine this issue. But with China having already banned crypto, what India decides at this stage would count for a lot.

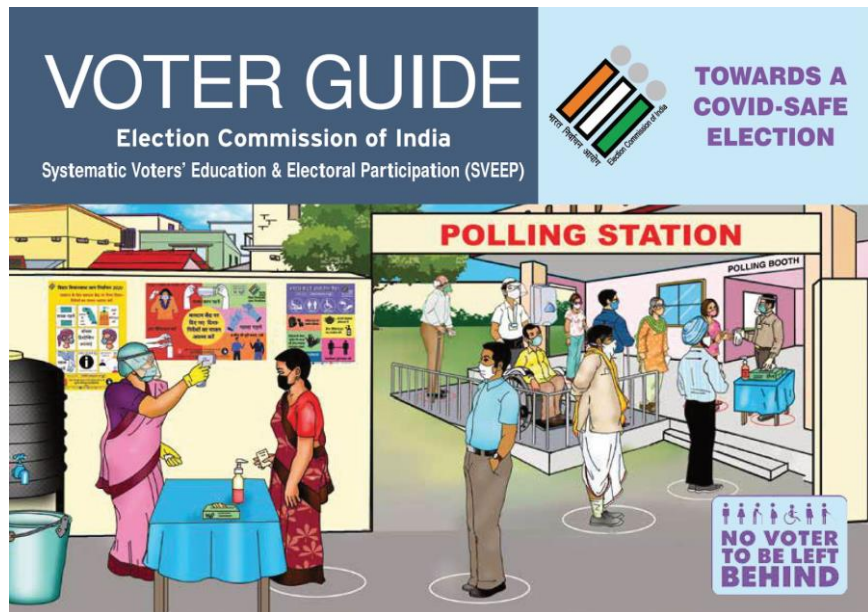


Fair and safe

The ECI must ensure a fair election process that also limits public health risks

Elections amid pandemics: Safety Rules

1. All indications are that elections to five State Assemblies — Goa, Manipur, Uttar Pradesh, Uttarakhand and Punjab — will be held on time, regardless of the rising new wave of COVID-19.



2. Once the Model Code of Conduct (MCC) is in force, the ECI's COVID-related restrictions, first drawn up in August 2020 ahead of the Bihar Assembly elections, will also be in play.
3. The rules include mandatory wearing of masks during the whole election process, from campaigning to the casting of votes, holding rallies in identified grounds with social distancing measures in place, and reducing the number of people allowed in roadshows.
4. In the wake of the second wave of the pandemic in April 2021, the ECI put in place more measures such as a long silence period before polling, reducing the time for campaigning.

The ECI must take political parties into confidence and ensure an environment conducive to a fair election process that also limits public health risks.