The ethical concerns of cryptocurrencies

Cryptocurrencies are transforming and innovating payments, but they also pose numerous ethical challenges.

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Over the last decade, cryptocurrencies have gained popularity around the world, raising many concerns along the way. Here's a summary of a few and how we might address them from the perspective of the field of ethics.

Lack of trust, criminal associations and excessive energy use

Most cryptocurrencies are highly volatile, with values swinging widely due to speculation.

Stablecoins (cryptocurrencies pegged to an external reference asset) may be less volatile, but they also come with important problems which have yet to be resolved. The decentralized governance of crypto assets (without intermediaries or central authority) has meant that trust is lacking. Cryptocurrencies have so far failed to gain universal acceptance, which is essential for the functioning of any currency. In addition, the cryptocurrency market and the technology that supports it have exposed ethical risks that, as a society, we must face.

The pseudonymity (that is, users employ pseudonyms) required by the system's transparency has allowed cryptocurrencies to become associated with criminal activity, such as the financing of terrorism, mafias and wars. A lack of regulation also means crypto investors have no recourse or protection. The speculative nature of the crypto market has fostered addiction problems, especially among the young.

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Finally, the blockchain technology itself requires excessive energy consumption, which has a negative impact on the environment. Although these ethical problems are serious and important, the benefits, opportunities and technological innovations that cryptocurrencies and blockchain technology have brought should not be missed.

Ethical measures

How might ethical concerns be addressed to keep us open to the opportunities and innovations that cryptocurrencies and blockchain technology bring? We propose a series of recommendations that can mitigate the negative consequences and help with the design of an ethical and sustainable digital currency model:

- **Promote, through financial education, a responsible investment model** moving away from speculation. It should also come with mechanisms to fight addiction problems.
- **Establish national and supranational regulations** to prevent criminal activities (committing or financing them), remove systemic risks from the financial system, supervise intermediaries (especially in a decentralized network) and protect the investor.
- **Reduce the environmental impact** of blockchain technology through more

energy-efficient consensus protocols that require less computing power.

- **Put blockchain technology and the development of crypto assets to good use** in those cases where they can help make the traditional financial system better and more efficient.
- **Study and develop central bank-issued digital currencies** that can benefit from digitization's advantages and, at the same time, generate trust, move away from speculation, and develop security and crime prevention measures. All this through a public authority that can put its monetary policy at the service of society.

The complexity of cryptocurrencies requires a multidisciplinary debate. The above recommendations aim to contribute to this debate from the field of business ethics. The construction of a digital currencies model must take into account the real purpose of money — that is, to serve as an instrument so that people can acquire, via trade, the goods and services necessary for their development, respecting their dignity and contributing to the common good of society.

This text was adapted from the [technical note no. 54 on ethics and cryptocurrencies](#) (in Spanish) of the [CaixaBank Chair of Sustainability and Social Impact](#).

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