Negative Brief: Bitcoin

By “Coach Vance” Trefethen

AFF Plan legalizes the use of Bitcoin for foreign trade. In this brief "blockchain" technology is the underlying technical system that makes Bitcoin and other cryptocurrencies work. It is not used only for currencies (it has other applications), but in the context of the evidence here, it's referring to cryptocurrencies that use it, of which Bitcoin was the first and still the most popular. Second question to ask in CX of 1AC (after "Can I have a copy of the 1AC") is "Who says it's illegal today to use Bitcoin to buy something from a foreign country, and where in your evidence did it say that?".

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Negative: Bitcoin

SOLVENCY

1. No actual benefits

Crypto currency hasn't actually done anything productive and causes more harm than good. It's all hype and scams.

Rupert Goodwins 2021. (computer programmer; technology journalist) The dark equation of harm versus good means blockchain’s had its day" 6 Dec 2021 (accessed 25 Dec 2022) https://www.theregister.com/2021/12/06/the\_dark\_equation\_of\_harm/

If you want a mildly entertaining few minutes, go and search for "successful blockchain projects." You'll find lots of lists of the top 13, or 30, or 56, "most disruptive" or "most promising" or "must-watch" projects, some with big names attached. Most profitable? Most effective? Most indispensable? You must be joking. Try running a search for "top crypto scams", though, and you'll find a much healthier market. By some estimates, the total amount of cash abstracted from marks worldwide dwarfs the ransomware haul by a factor of five to one. Even if you discount the [headline figures of $100bn](https://www.bloomberg.com/features/avoid-cryptocurrency-scams-2021/) because crypto hype is the hypiest hype, the ratio of harm to good is off the scale. Blockchain is bunkum. It hasn't done anyone any good, excepting boosters, crims and enablers. When the best you can say about a technology is that it has roughly the same role in crime online as stolen art does in the physical world – a useful token of value that is harder to track than bank transfers – you’re not making the world a better place.

Cryptocurrency is a failed experiment that ought to be shut down, not increased

Rupert Goodwins 2021. (computer programmer; technology journalist) The dark equation of harm versus good means blockchain’s had its day" 6 Dec 2021 (accessed 25 Dec 2022) https://www.theregister.com/2021/12/06/the\_dark\_equation\_of\_harm/

Where cryptocurrencies touch the rest of the world and cause problems, shut those paths down. We close down cannabis farms by tracking energy usage and heat production, that'll do it for miners. We catch criminals when they make transactions they can't explain, so ramp up the reporting requirements on the exchanges. It takes the will to say this is a failed experiment: it is, and it's robbing people of many billions.

Cryptocurrencies are not technological innovation. They're a scam

American Economic Liberties Project 2022. (non-profit, non-partisan economic policy advocacy/research group) "Congress Must End the Crypto Crime Spree" (accessed 26 Dec 2022) https://www.economicliberties.us/press-release/congress-must-end-the-crypto-crime-spree/

“Cryptocurrencies are not a form of technological ‘innovation,’ they are part of an ongoing a crime spree,” **said American Economic Liberties Research Director Matt Stoller, who warned of the crypto scam in**[December of 2021](https://link.mediaoutreach.meltwater.com/ls/click?upn=BHAy-2FxXiC6mCP-2BRFePqyTH3wRDPed4k-2FmCeHMQ95I2cLgYcvB7lGQ87NJc-2Fd1YjW9hx1UkUIcKkpaN5plhr8rn7D8ZtVrHGmeE5L8FTp3Jw-3DztfG_ZYHaP8R0JJ4n-2BbAIXyI7dBnJKeuzID-2F6gj2f9D5g8Elki3AkLIq5QfSvgsM2F4GQ3-2ByUO5BGn0ceAPuG4-2FVkbCKxVpKTtwq39Lk7dE9O7XfLEGd43BQzqvH7kaWll6t0-2FCWlbYCpFU2FZWXW43cHIOv-2Fo0BEF-2FBig-2Bk-2BCcLG5yDM0-2FAoFi2u0S0FsEfoC36HKYDtKM-2FcChmjjT7akTm1Rbj11uoQLmM6BAPCsfLcYVXNwzI0Cvc7X7FAZ1XonHd5TpSH-2FiqkLvoyGh46n3H8jIZ4WHETdVA4YZknWu5qhZ8Ws5a7-2FpepB4AvMWtHeOZXSZax-2F-2BPkZsl61FWTy80tn0EVnqUGyIhNbTr6ZsGFcuJc2FQhQCLtSHcHLUcJyXIiE1vuewjxOlDv27-2BvGK-2B1Uw-3D-3D)**.** “It’s time for Congress to appropriate $100 million to the Securities and Exchange Commission and Department of Justice Criminal Division to end the lawlessness. SEC Chair Gary Gensler has been trying to end the crime wave, but has been hampered by a lack of resources. Congress should fix this problem immediately.”

2. More study and regulation needed

Must have more study and enact regulation first before blockchain can work for international trade

Emmanuelle Ganne 2018. (senior analyst in the Economic Research and Statistics Division of the World Trade Organization ) Can Blockchain revolutionize international trade? (accessed 24 Dec 2022) https://www.wto.org/english/res\_e/booksp\_e/blockchainrev18\_e.pdf

More importantly, the technology is still maturing, and many challenges, including technical, interoperability and legal issues, need to be addressed before the technology can be used to its full potential. In particular, technical solutions need to be developed to address the “digital island problem” and ensure that blockchains can speak to each other, and rules need to be drafted to clarify applicable laws and regulate responsibilities. Without this regulatory layer, Blockchain will likely be confined to proofs of concept and pilot projects.

Can't do anything until more study and successful pilot projects are completed

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The challenges to overcome are up to the opportunities that the technology opens. Where the technology will eventually lead us is difficult to assess for the moment. We are, as Gartner (2018) notes, in a phase of “irrational exuberance, few high profile successes” (see Figure 19). A few more years and many more proofs of concepts and pilot projects will probably be necessary before successful models emerge, and before the real potential of the technology and its tangible impact on international trade can be fully assessed. But given the transformational impact that the technology could have on global trade, understanding the practical and legal implications of Blockchain on international trade and striving to develop collective solutions to current challenges is key.

3. IRS Tax policy

Until IRS changes its regulations, crypto currency can't be used in big quantities by legitimate businesses

**Right now, the Internal Revenue Service treats it as "property" rather than as a foreign currency. Buying and selling "property" is treated differently for tax purposes than trading with foreign currency.
Note that the Affirmative cannot change this in their plan because the IRS rules about income taxation on the use of Bitcoin is not topical, since US income tax law is not "within the bounds of international trade."**

Zachary B. Johnson 2016 (JD candidate at University of Memphis Cecil C. Humphreys School of Law) I Got 988 Problems But Bitcoin Ain’t One: The Current Problems Presented by the Internal Revenue Service’s Guidance on Virtual Currency" University of Memphis Law Review (accessed 24 Dec 2022) https://www.memphis.edu/law/documents/johnsonpub3.pdf

The IRS intended Notice 2014-21 to clarify the income tax treatment of virtual currencies. The two competing views are that virtual currencies should be treated (1) like property or (2) like foreign currency. The Code treats these differently in important ways. The general argument in favor of property treatment is convenience; all of the tools for treating virtual currency as property are in place. To treat virtual currency as foreign currency would, at the least, require altering existing regulations to broaden the definition of “foreign currency.” The IRS was unwilling to do this or to take the matter to Congress. This limited options for the classification of virtual currencies. However, the problems inherent in redefining “foreign currency” pale in comparison to the loopholes created by property treatment. In attempting to clear the regulatory haze and increase the attractiveness of cryptocurrency as a regular unit of exchange, this Note will propose the IRS retract Notice 2014-21 and issue new guidance that virtual currency transactions be handled under existing Section 988 procedures. Property treatment creates tax loopholes and discourages legitimate business from transacting in virtual currencies in high volumes.

Tax treatment of Bitcoin creates big disincentive for businesses to use it

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If Bitcoin were a stock or security, the IRS would disallow businesses that accept Bitcoin as payment from claiming losses from the exchange of the Bitcoins on an open exchange. If the company exchanged the Bitcoin as a stock or security less than thirty days after accepting payment, the Wash Sale Rule would disallow claiming any losses. The Code, however, treats currency losses as ordinary losses, which would offset ordinary income, but, in the former instance, the lack of clarity on what kind of property Bitcoin is creates a unique disincentive for businesses to transact in Bitcoin.

Bitcoin's status as "property" rather than "currency" under IRS rules also creates a "triple taxation" scenario that blocks businesses from wanting to use it

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While there is no federal sales tax, the federal government’s classification of Bitcoin as property increases the chance states might pass regulation to collect sales tax on all Bitcoin transactions. For example, under the property treatment, if Alice buys one Bitcoin on an exchange, she would owe X% in local sales tax. If Alex then buys a television from Bob, she would owe X% in sales tax (as would be expected), but then Bob would owe X% in sales tax on the Bitcoin he “purchased” from Alice. While technically Bob did not purchase the Bitcoin from Alice, he did barter for the exchange. Under the Internal Revenue Code, barter transactions are a recognition event for income tax purposes. Therefore, in this hypothetical transaction, sales tax would be charged three separate times. While no states have enacted specific guidance on sales tax treatment of Bitcoin, the property treatment leaves that possibility open. Classifying Bitcoin as a currency eliminates the triple sales tax problem. If the IRS shifted its position, it would remove the precedent for states to exploit that opportunity. Sales tax would only be collected once, when a business sold its inventory. Again, triple sales tax would present a unique disincentive for a business to transact in cryptocurrencies.

4. Too volatile

Cryptocurrency values are too volatile and unstable to work for international trade

Alexandra Prokopenko 2022 (independent analyst focused on Russian government policymaking on economic and financial issues. From 2017 until early 2022 she worked at the Central Bank of Russia and at the Higher School of Economics (HSE) in Moscow; graduate of Moscow State University and holds an MA in Sociology from the University of Manchester ) 5 Sept 2022 "Bartering, Cryptocurrencies, and Yuan: Russia Seeks Alternatives to Trading in Dollars" (accessed 24 Dec 2022) https://carnegieendowment.org/politika/87814

The problem here, however, is not only Western restrictions but also the volatility of cryptocurrencies, which makes them unsuitable for the denomination of prices. Their use to settle accounts would also require a crypto exchange with a good reputation and sufficient capacity. Finally, the cryptocurrency market is currently undergoing an unprecedented [drop](https://econs.online/articles/opinions/kriptovalyuty-i-tsifrovye-dengi-promezhutochnye-itogi/) that could spark a radical reassessment of the currencies’ values.

5. A/T "Saves money on transaction costs"

For most international trade, cryptocurrency cost savings aren't worth it because it lacks essential features

European Parliamentary Research Service 2020. (study written by Bertrand Copigneaux, Nikita Vlasov and Emarildo Bani of IDATE DigiWorld, Nikolay Tcholtchev and Philipp Lämmel of Fraunhofer Institute for Open Communication Systems, Michael Fuenfzig, Simone Snoeijenbos and Michael Flickenschild from Ecorys, and Martina Piantoni and Simona Frazzani from Grimaldi Studio Legale at the request of the Panel for the Future of Science and Technology (STOA) and managed by the Scientific Foresight Unit, within the Directorate-General for Parliamentary Research Services of the Secretariat of the European Parliament.) May 2020 "Blockchain for supply chains and international trade" (accessed 26 Dec 2022) https://www.europarl.europa.eu/RegData/etudes/STUD/2020/641544/EPRS\_STU(2020)641544\_EN.pdf

The key foreseen advantage of a blockchain-based decentralised marketplace is the absence of a middleman taking fees for users. On a blockchain platform vendors are not restricted by any governance, which makes product exchanges more cost-efficient (usually there are no platform fees and costs are only incurred by the use of cryptocurrencies). In the case of their use in international trading relationships, marketplaces come with added complexity such as different legal systems – from consumer protection to privacy law, or different culture and conception of trust, or simply international fund transfer. A blockchain-based, decentralised marketplace comes with the idea of delegating these issues of trust to algorithms rather than to a centralised platform. This can appeal to a specific tech-savvy market segment. However these argument are likely to appeal only to a restricted community. Centralised authorities managing marketplaces can provide support to sellers and buyers, assure bank-level security and provide a clear point where states and other regulator can intervene. Additionally current centralised marketplaces benefit from an already strong community that is unlikely to shift rapidly to another provider for a small reduction in transaction fees. For now, blockchain-based trading platforms remain a niche service rather than a common way of buying and selling goods. This can be seen as a basic limitation of blockchain-based solutions: these technologies are still designed mostly for developers or for tech-savvies.

6. International coordination needed

Must have international standards and legal framework. After all, it's only "trade" if there's someone on the other end in a foreign country

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The EU Blockchain Observatory and Forum will be an open forum for blockchain technologists, innovators, citizens, industry stakeholders, public authorities, regulators and supervisors, to discuss and develop new ideas and directions. It will collect information, monitor and analyse trends, explore the socioeconomic potential of blockchains and how best to address challenges (European Commission, 2018). However, a comprehensive ecosystem that brings together companies, civil society organizations, software developers, academics, governments and inter-governmental organizations in various settings to look into standardization and legal and policy issues is still missing. A lack of coordination at a supra-level between the various stakeholders could stifle the deployment of the technology.

7. Inter-operability problems

Interoperability problems must be solved before blockchain technology can work for international trade

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One of the key technical challenges facing Blockchain is the question of interoperability, at the technical level as well as at the level of semantics (i.e. what information is communicated by the data element). Numerous platforms are being developed that use different technical interfaces and algorithms and that do not “talk to each other”. This “digital island problem” is the subject of active research within the Blockchain community. Technical solutions are emerging, but are still in their infancy for the time being. The semantics of the information exchanged are also being actively addressed, in order to ensure that sender, receiver and anyone consulting understand the same data in the same way. International organizations such as the International Chamber of Commerce (ICC), International Organization for Standardization (ISO), United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) and the World Customs Organization (WCO), have created working groups to initiate discussions to look into the issue and develop interoperability standards.

Lack of standardization blocks wider use of cryptocurrency in international trade. And current trends are moving against it being resolved

European Parliamentary Research Service 2020. (study written by Bertrand Copigneaux, Nikita Vlasov and Emarildo Bani of IDATE DigiWorld, Nikolay Tcholtchev and Philipp Lämmel of Fraunhofer Institute for Open Communication Systems, Michael Fuenfzig, Simone Snoeijenbos and Michael Flickenschild from Ecorys, and Martina Piantoni and Simona Frazzani from Grimaldi Studio Legale at the request of the Panel for the Future of Science and Technology (STOA) and managed by the Scientific Foresight Unit, within the Directorate-General for Parliamentary Research Services of the Secretariat of the European Parliament.) May 2020 "Blockchain for supply chains and international trade" (accessed 26 Dec 2022) https://www.europarl.europa.eu/RegData/etudes/STUD/2020/641544/EPRS\_STU(2020)641544\_EN.pdf

Interoperability: Interoperability is another key aspect which would build on the standardisation activities and strongly suffers because of the limited standardisation in the domain. In order, to enable the application of blockchain to supply chains and international trade, interoperability is required on multiple levels including cryptographic interoperability - e.g. common trusted spaces for blocks and immutable transaction records, cross-certificates for enabling the exchange between different blockchains etc. Furthermore, provided the presence of standardised APIs, the interoperability between different blockchain implementation can be worked towards in order to enable different countries/states and stakeholders to exchange and interoperate on blockchain level. In general, the current limited state of standardisation and interoperability of blockchain technologies is a clear disadvantage for the large scale adoption within the domain of supply chain and international trade. Furthermore, the current market forces and competition in the technology ecosystem is pushing technology providers to currently ignore the interoperability issues.

8. Security problems

Blockchain security problems need to be resolved first before it can be adopted in international trade

European Parliamentary Research Service 2020. (study written by Bertrand Copigneaux, Nikita Vlasov and Emarildo Bani of IDATE DigiWorld, Nikolay Tcholtchev and Philipp Lämmel of Fraunhofer Institute for Open Communication Systems, Michael Fuenfzig, Simone Snoeijenbos and Michael Flickenschild from Ecorys, and Martina Piantoni and Simona Frazzani from Grimaldi Studio Legale at the request of the Panel for the Future of Science and Technology (STOA) and managed by the Scientific Foresight Unit, within the Directorate-General for Parliamentary Research Services of the Secretariat of the European Parliament.) May 2020 "Blockchain for supply chains and international trade" (accessed 26 Dec 2022) https://www.europarl.europa.eu/RegData/etudes/STUD/2020/641544/EPRS\_STU(2020)641544\_EN.pdf

Security: The overall blockchain technologies can of course suffer various security issues relating to the employed cryptography and security mechanisms. Such mechanisms can naturally be hacked or compromised by negligence in implementation or human errors in operation. Hence, in order to apply blockchain-based solutions to international trade, a sophisticated amount of security analysis and security testing is required, i.e. security certified platforms for blockchain nodes, penetration testing for nodes and protocols, risk analysis and security certification for nodes, components and the platforms as a whole. Furthermore, in the long run, many of the current security solutions used in the blockchain ecosystem could be vulnerable to emerging technologies such as quantum computing – refer to Shor’s algorithm for integer factorisation as a main thread for asymmetric public-private-key cryptography. This would thus also require the inclusion of mechanisms allowing for technology evolutions and replacements in any initiative promoting the adoption of blockchains in international trade ecosystems.

DISADVANTAGES

1. Trade sanctions on Russia nullified

Link: Russia is legalizing Bitcoin for foreign trade

BITCOIN MAGAZINE 2022. (oldest and most established source of news, information and expert commentary on Bitcoin, its underlying blockchain technology and the industry that has been built up around it. Since 2012, *Bitcoin Magazine* has provided analysis, research, education and thought leadership at the intersection of finance and technology) 23 Dec 2022 "RUSSIA CLOSE TO LEGALIZING INTERNATIONAL TRADE IN BITCOIN, CRYPTO: HEAD OF FINANCE COMMITTEE" (accessed 25 Dec 2022) https://bitcoinmagazine.com/legal/russia-international-trade-bitcoin-january

Russia’s Congressional finance committee chairman, Anatoly Aksakov, said the country is moving to greenlight international trade in cryptocurrency within the next month, according to a report by national news agency TASS. "In January, we want to legalize cryptocurrencies to ensure foreign trade activities," Aksakov said, per a translated version of the report.

Link: Bitcoin allows completely anonymous transactions, enabling illegal activity

Zachary B. Johnson 2016 (JD candidate at University of Memphis Cecil C. Humphreys School of Law) I Got 988 Problems But Bitcoin Ain’t One: The Current Problems Presented by the Internal Revenue Service’s Guidance on Virtual Currency" University of Memphis Law Review (accessed 24 Dec 2022) https://www.memphis.edu/law/documents/johnsonpub3.pdf

The anonymity of Bitcoin transactions represents an attractive part of Bitcoin to some but a concern to others. While each hash value contains a specific key identifier, the key is only tied to a specific unit of Bitcoin, not to an individual. This has made Bitcoin attractive to those who make illegal sales on illicit websites, such as Silk Road.

Governments are powerless to stop Bitcoin transactions

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Bitcoin can provide instant, peer-to-peer transactions that the government is powerless to prevent because of Bitcoin’s decentralized nature.

Impact: Prolongs the war. Sanctions make it more likely Putin will be forced to end the war

Prof. [Kevin Fahey](https://theconversation.com/profiles/kevin-fahey-605600) and Dr. Douglas Atkinson 2022 (Fahey - Assistant Professor in Political Science, University of Nottingham. Atkinson - Postdoctoral University Assistant in Political Science, University of Salzburg) " **Ukraine: what will end the war? Here’s what research says"** <https://theconversation.com/ukraine-what-will-end-the-war-heres-what-research-says-178721> (accessed 1 July 2022)

Wars require the tacit approval and support of those on the home front. Regardless of a country’s government style, a leader is still dependent upon the support of a [group of people](https://mitpress.mit.edu/books/logic-political-survival), or coalition, to stay in power. Vladimir Putin depends on oligarchs, [the Russian mafia](https://bpr.berkeley.edu/2019/12/16/gangs-and-gulags-how-vladimir-putin-utilizes-organized-crime-to-power-his-mafia-state/) and the military for his survival. Although Putin attempted to build up a financial bulwark that would allow him to protect the interests of the oligarchs, the sanctions imposed by the west have undercut most of his efforts. The war has already become [very costly](https://www.vanityfair.com/news/2022/02/russian-oligarchs-start-to-speak-out-as-putin-brings-the-economy-to-the-brink-of-ruin) for the oligarchs and these costs will only increase with time. When a sufficient number of Putin’s coalition privately turn against the war, this will pressure Putin to end the war or risk his position of power.