

A few years ago, most people had never heard of cryptocurrency – most people still don't know what all these terms mean, from stablecoins to non-fungible tokens.

But they've become a hot topic in Washington – and on Wall Street, and online, among millions of Americans who, understandably, don't trust big banks, and are looking for an opportunity to make money.

Over the last several years, the number of cryptocurrencies has exploded – from the hundreds to the thousands. The supposed value of all of these digital assets in circulation recently passed three trillion dollars.

That's about the size of JPMorgan Chase's balance sheet – the biggest bank in the country.

With that much money tied up, that's pretty much the definition of a systemic issue in our economy.

And those big numbers have come with big promises.

We've been told that blockchain – the technology these coins are built on – will “democratize” money, or build a more inclusive economy.

But none of those promises have materialized, and likely never will. Instead, we've gotten wild financial speculation.

As we've heard before in this committee, the wild price swings and high transaction fees for many cryptocurrencies make them useless for payments – the one thing they claim to be designed for.

Stablecoins were supposed to solve this problem.

Unlike other cryptocurrencies, their value isn't just based on market enthusiasm – a stablecoin's value is supposed to be backed by real assets held by the company that issues the stablecoin.

In other words, stablecoins are a particular type of cryptocurrency whose value is managed by a single company. These include Tether, Circle, and Abracadabra – a fast-growing scheme that makes “Magic Internet Money.” Their words, not mine – what could possibly go wrong with something that claims to be “magic money”?

Cryptocurrencies' advocates argue that crypto assets are superior to real dollars, because they are decentralized and transparent. But stablecoins are neither.

Most of them, and certainly the largest ones, rely on a single, centralized company to manage the reserve assets and their supply of coins. That sounds a lot like what traditional financial institutions do.

It's not decentralized when one company controls when people can access their own money. And it's certainly not transparent when critical information about stablecoins, and the companies that issue them, isn't available to people who have their money tied up in these assets.

Last month, I wrote to some of the biggest stablecoin issuers to get more information on how they manage the funds that back their coins, and to ask what rights their users have. Their responses were not very enlightening – and should lead us to assume most ordinary customers don't have much in the way of rights at all.

So let's be clear about one thing: if you put your money in stablecoins, there's no guarantee you're going to get it back.

They call it a currency, implying it's the same as having dollars in the bank, and you can withdraw the money at any time.

But many of these companies hide their terms and conditions in the fine print, allowing them to trap customers' money.

And if there's no guarantee you'll get your money back, that's not a currency with a fixed value – it's gambling. And with this much money tied up, it sure looks to me like a potential asset bubble.

Stablecoins make it easier than ever to risk real dollars on cryptocurrencies that are at best volatile, and at worst outright fraudulent.

Just a few weeks ago, we saw how quickly these tokens can crash, with crypto markets diving by almost thirty percent in one day. History tells us we should be very concerned when any investment becomes so untethered from reality.

Look at the 1929 stock market crash.

Securities started out as a way for regular Americans to invest in new companies that wanted to bring new products to market or expand their operations.

By the end of the decade, companies were invented out of thin air, to create more stocks to satisfy wild demand. Banks allowed customers to borrow against one stock to buy another, until the whole market collapsed.

And of course we should all remember the 2008 crash.

Subprime mortgages were supposedly created to give more families access to the American dream, while derivatives were created to help financial companies reduce their risks.

In reality, predatory mortgages were used to strip homeowners of the equity they had in their homes in order to create complex mortgage-backed securities and derivatives that ended up increasing risks at banks and financial companies.

We all know how that turned out.

We can't deny that betting on cryptocurrencies has made a few people rich – just like some people became fabulously wealthy trading stocks in the 1920s. And we all heard the stories about mortgage brokers and house-flippers becoming millionaires in the 2000s.

But for most people, this kind of wild speculation ends in disaster. And the only ones who tend to walk away unscathed are the big guys – it's always the big guys – the ones who call it “innovation” while lining their own pockets.

So far, what happens in the crypto markets has stayed in the crypto markets. But stablecoins create a very real link between the real economy and this new fantasy economy.

We saw this with “Dogecoins,” a satirical cryptocurrency that was all of a sudden worth billions when a tech billionaire tweeted about it.

It's understandable that a lot of people are looking for an alternative to our current financial system. Wall Street banks dominate, and they make record profits no matter what's happening to workers and small businesses and the country at large.

To a whole lot of people, that seems like a fantasy economy too.

But a Big Tech scheme that makes it easy for hardworking Americans to put their money at risk isn't the answer.

Stablecoins and crypto markets aren't actually an alternative to our banking system. They're a mirror of the same broken system –with even less accountability, and no rules at all.

Today we'll hear the same arguments from this industry against regulation that we've heard from financial industry lobbyists so many times before – it harms innovation, the free market will solve all our problems, America needs to be globally competitive.

What makes America the strongest economy in the world isn't wild betting in the financial sector. It's our workers – their talent, their ingenuity, their dedication. That's what our economy is built on.

You can't fake that. But as we've seen so many times before, you can put it all at risk.

The rest of the world trusts the U.S. dollar when we have orderly, sane markets. The real threat to our global competitiveness is regulators who ignore clear warning signs.

We have reason to be encouraged this time around, though.

The Biden administration is putting strong watchdogs in place at the banking and market regulators. We're empowering workers. Wages are rising. Infrastructure investment is about to spur more job growth. And we're fighting to bring down costs with the Build Back Better plan.

We can't put all that potential at risk.

I will continue to work with the financial watchdogs to ensure they have all of the tools they need to protect people's hard-earned money and our economic recovery from another bubble, and another crash.