

Ranking Member Pat Toomey (R-Pa.)  
Opening Statement  
Full Committee Hearing: Cryptocurrencies: What are they good for?  
July 27, 2021 at 10:00 AM

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Mr. Chairman, thank you.

Today's hearing provides us an opportunity to learn about the current and potential uses of cryptocurrencies. In short, a cryptocurrency connects one person with another through open, public networks—separate from government control or other intermediaries.

Cryptocurrencies are a growing part of our lives and economy. The first cryptocurrency—Bitcoin—was implemented in 2009. While there are varying definitions of what is considered a cryptocurrency, there are now thousands of them available in many different forms.

According to a recent University of Chicago survey, 13% of Americans bought or traded cryptocurrency in the past 12 months. That's more than half of the total percentage of Americans who invested in stocks during the same period.

Like other currencies, cryptocurrencies may be useful as a store of value or a medium of exchange. However, it's important to acknowledge upfront that a significant impediment to cryptocurrencies becoming a widely used store of value or medium of exchange is their price volatility. That problem could potentially be solved by tying a cryptocurrency to other assets, such as a fiat currency like the U.S. dollar. That's what stablecoins are meant to do.

On the other hand, some cryptocurrencies may prove to be useful as a store of value by serving as alternatives to fiat currencies, like the dollar. They may serve as a store of value because, unlike fiat currencies, the government can't come along and print trillions of a cryptocurrency.

In this way, cryptocurrencies might complement the role that gold has historically played as a store of value and hedge against inflation. For example, we've seen recently in Venezuela how people can use Bitcoin to store value when a government devalues its currency.

Also, some cryptocurrencies may prove to be useful as a medium of exchange for buying goods and services. With cryptocurrencies, making payments and conducting transactions may become cheaper, easier, and faster for consumers than it is using traditional currencies.

Cryptocurrencies can be exchanged without the need for an intermediary, such as a bank, which could virtually reduce transaction costs and fees for consumers to zero. In addition, since a person does not need a bank account to use cryptocurrencies, they could increase access to financial services for all Americans.

Beyond these often-discussed uses for cryptocurrencies, there are other ways that the distributed ledger technology underlying crypto can be used. A distributed ledger is a database that shares information across various sites and geographies that is accessible by multiple people. This structure ensures that all of these people can access and verify the data, and reduces the risk of any one central actor manipulating the data.

In my view, the use of distributed ledger technology to have non-intermediated transactions verified in a fool proof way is a powerful technological innovation. This innovation already is having an impact on supply chains, financial services, and securing digital identities. And it has significant potential for verifying the ownership of property, like automobiles, homes, or securities.

In the United States, we spend a lot of time and money to verify property ownership. Distributed ledger technology may provide a way to do this faster and at a lower cost. Over time, it's possible that the application of this innovation may become more important than the usefulness of crypto as a currency.

We're already seeing it have a real world impact. As we know, democracy and individual freedom in Hong Kong are under assault from the Chinese Communist Party. That assault has included the forced closure of a pro-democracy newspaper—Apple Daily. But the Chinese government has not been able to erase Apple Daily's important work.

That's because R-weave, a cryptocurrency network that enables permanent data storage, was used to permanently store portions of the paper. This technology makes it impossible for the Chinese government to

destroy Apple Daily's work no matter what it tries to do. That's just one example.

Today we will hear from two expert witnesses about other current and potential uses of cryptocurrencies. Mr. Jerry Brito is Executive Director of Coin Center, a think tank focused on cryptocurrencies and related topics. He will discuss an array of uses for cryptocurrencies and how these technologies could be further developed. Ms. Marta Belcher is Chair of the Filecoin Foundation. She helped to develop and launch a cryptocurrency—Filecoin—that provides data storage access on a decentralized file storage network.

It's important to note that people have raised legitimate issues about cryptocurrencies. These include their use in illicit activity and their possible effects on monetary policy and on our existing financial infrastructure. We need to discuss and understand these issues, and address them if needed. But we shouldn't lose sight of the tremendous potential benefits that distributed ledger technology offers.

We should also be mindful that private innovation has enabled most of these developments. We should not suppress the concepts of individual entrepreneurship and empowerment that have made this innovation possible.

I look forward to hearing from our witnesses today about the ways cryptocurrencies are impacting and can potentially impact our lives. I hope we will listen to them with open minds.