

Comments on “Distrust or Speculation? The Socioeconomic Drivers of U.S. Cryptocurrency Investments” by Raphael Auer and David Tercero-Lucas

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Summary

- Very interesting topic
- Most studies of consumer payments look at aggregate demand only, rarely show differences across income, education, age, or gender
- Take advantage of detailed survey data, distinguish awareness from ownership
- I will point out some details about the SCPC data

Why buy and hold cryptocurrency?

- Speculative asset, store of value, or means of payments?
- If people's attitudes towards cash and online payments matter, that implies that people hold crypto for payments
- But if buy as speculative investment or store of value, then their attitudes towards payments may be irrelevant
- Use term “invested” in cryptocurrencies – implies use as an asset
- SCPC asks for “Primary reason for owning cryptocurrency”

Cryptocurrency holding is rare

SCPC survey data

Survey year	Number of observations	Number of crypto adopters (unweighted)
2014	1238	*
2015	1429	6
2016	3404	11
2017	3099	18
2018	3153	37
2019	3372	35
2020	1909	44

Mainly for investment, not for payments

trust not a big reason

Reason for owning cryptocurrency	2015 (n = 8)	2016 (n = 11)	2017 (n = 21)	2018 (n = 50)	2019 (n = 48)	2020 (n = 52)
To buy goods and services in the U.S.	4.7	24.3	—	1.2	7.0	—
To make remittances or other international payments	—	2.2	—	6.3	1.5	—
For investment	24.1	39.7	21.7	51.5	54.0	59.5
To make payments anonymously	7.0	—	2.2	—	—	3.0
It uses secure blockchain technology	—	—	10.2	7.5	0.9	6.0
I am interested in new technologies	4.5	33.7	20.9	26.6	22.7	18.4
I do not trust banks	—	—	4.3	1.4	0.7	2.9
I do not trust the government or U.S. dollar	32.1	—	18.8	—	2.9	5.9
Other	27.6	—	21.9	5.6	10.2	4.4

Aware of crypto, but not knowledgeable

- Awareness ≠ understanding; may have heard of cryptocurrency or Bitcoin, but not understand
- In SCPC, owners of virtual currency were asked what kind have. Some wrote in “PayPal” or “Euros”
- How familiar are you with how Bitcoin works? **Only asked if respondent is aware of Bitcoin**

	2015	2016	2017	2018	2019	2020
Not at all familiar	62.4	55.7	58.8	55.9	60.1	56.9
Slightly familiar	24.6	27.5	25.2	27.3	22.5	27.0
Somewhat familiar	8.3	10.7	10.0	10.3	11.0	10.3
Moderately familiar	4.2	4.8	4.9	5.4	5.2	4.7
Extremely familiar	0.6	1.2	1.1	1.2	1.3	1.1

Knowledge of cryptocurrency

- “Since knowledge about cryptocurrencies is already pervasive...”
- The extent of understanding is likely not sufficient to make educated investment decisions
- Network effects: more information → more interest in using it → more merchant acceptance
- Could administer a special survey to measure the extent of knowledge, have done it in the past

Measuring security and convenience

- Authors measure attitude towards “commercial banking services” with two banking-related payment methods
- But both are electronic payments out of bank account using ACH:
 - Bank account number payment (BANP), payor puts bank account number on payee’s website
 - Online banking bill payment (OBBP), payor pays from his own bank account website online
- Ratings of convenience and security: use relative ratings?
 - Ratings are numerical, but subjective
 - Some people may be more positive in their assessments than others
 - Relevant measure is how consumer i rates payment method j relative to all other payment methods; e.g., security of cash relative to security of all other payment instruments

Methodology

- Survey weights are constructed based on demographic variables to generate sample resembling the US population.
- When demographics are included in the regressions, why are weights also included?
- Age: tried using nonlinear, e.g., age^2 ?
- Restrict the sample to people who know about cryptocurrency (Table 6), but the sample size is identical in all the tables. Typo?
- Gender: Women more risk averse for fintech and cryptocurrency, but men use significantly more cash, even after controlling for income, education

Conclusions

- Why conclusions about regulation of cryptocurrency? Not really related to the content of the paper