New Directions in Research on Blockchain and Cryptocurrencies

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• In late 2016, there was very little academic research on FinTech, including blockchain, cryptocurrencies, ICOs, etc.

• The editors team of the Review of Financial Studies decided to make concerted editorial push to stimulate research on the topic

• We adopted a novel editorial protocol based on the “Registered Reports” format; Shifting risk from the researchers to the journal

• We received 156 proposal submissions, leading to a special issue with 10 papers that appeared in May 2019
Current Research

• There is no longer a problem of scarcity of research on FinTech, including blockchain, cryptocurrencies, ICOs, etc.

• Two follow-up conferences co-sponsored by RFS and Georgia State have generated huge interest and submission flows

• Constant flow of papers on these issues submitted to the RFS in the regular channels
  • Good mix between theoretical and empirical analyses

• What are the main perspectives addressed by the finance profession on these issues?
Research Perspectives (I)

• The blockchain protocol
  • Identifying inefficiencies and design issues that affect the viability of the trading process and some of its consequences
  • Research at the intersection of finance and computer science
  • Examples:
    • Biais-Bisière-Bouvard-Casamatta: Coordination problems in the blockchain process
    • Easley-O’Hara-Basu: Transaction fees in bitcoin
    • Saleh: Alternative protocols
    • Cong-He-Li: The organization of the mining process
    • A couple of papers on this panel
Research Perspectives (II)

• The implications of blockchain for the real economy
  • Can blockchain trading and blockchain-based securities and coins solve (or aggravate) problems in real-economy transactions and contracts?
  • Research builds on corporate finance and industrial organization
• Examples:
  • Cong-He: The effect of smart contracts on firms’ interactions
  • Howell-Niessner-Yermack: Empirical analysis of ICOs and real outcomes
  • Li-Mann / Sockin-Xiong: ICOs help coordination in platform adoption
  • Chod-Lyandres: ICOs as a tool in incentivizing entrepreneurs
  • Goldstein-Gupta-Sverchkov: ICOs as commitment to competitive platform
Research Perspectives (III)

• Asset market properties of cryptocurrencies
  • Analyzing the properties of cryptocurrencies as an asset class and how they fit in investment portfolios
  • Research builds on asset pricing and monetary economics
  • Examples:
    • Liu-Tsyvinski: Empirical patterns in risk and return of cryptocurrencies
    • Cong-Li-Wang: Feedback between users’ adoption and cryptocurrency price
    • Schilling-Uhlig: Interaction between fiat money and cryptocurrency
  • One paper on this panel
Summary

• Economic research on blockchain, cryptocurrencies, and ICOs is now thriving
• Different perspectives borrow from and build on computer science, corporate finance, industrial organization, asset pricing, and monetary economics
• There is a good mix of theory and empirical work
• There are many good reasons to think that this trend will continue and be supported by robust real-world activity
  • In 2016, 52 ICO collectively raised about $283 million in this nascent market
  • Only two years later, in 2018, over 3,800 ICOs raised close to $29.7 billion, which is almost 90% of the size of the IPO market that year
• But, there is also room for caution, because the long-term viability of these instruments is still not clear