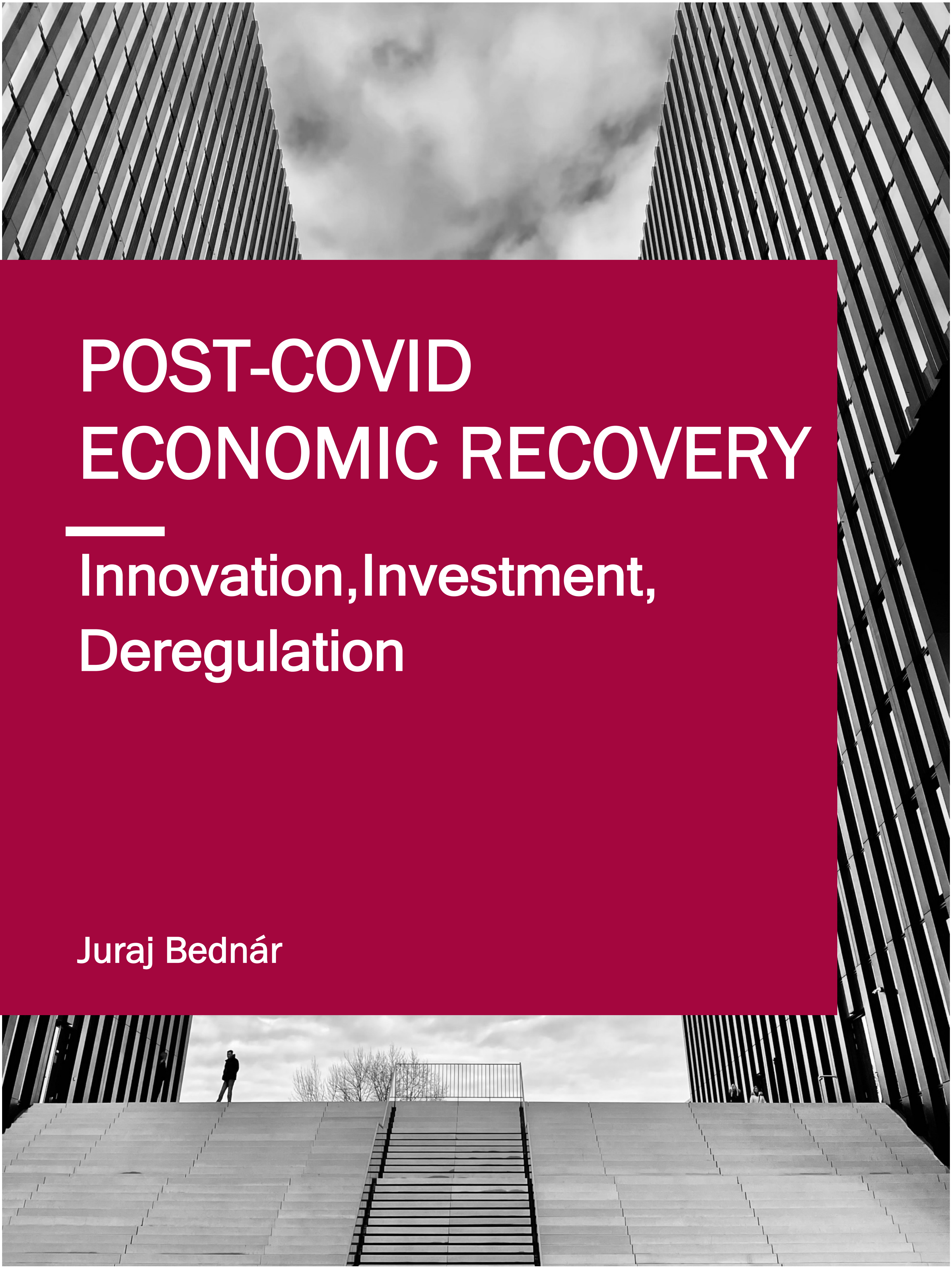

# POST-COVID ECONOMIC RECOVERY

## Innovation, Investment, Deregulation

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# Post-covid economic recovery through innovation, investment, and deregulation

## Introduction

COVID-19 pandemic and related economic trouble has led many countries into an unprecedented situation. The traditional macroeconomic recipes do not work. Quantitative easing does not "restart" economies as advertised by mainstream economists but causes a waves of consumption mania followed by scarcity and disturbance in supply chains. Price inflation is reaching levels that were promised to never happen again, breaking promises of central bankers at the beginning of this millennium that crises, inflation are things of the past. The recipe for avoiding disaster by monetary stimulation ceased to work and if we are honest, it has never worked in the first place.

In parallel, there are new sectors that are genuinely booming, because they go around the problems caused by central planning of countries through central banks, government mandates, price quotas and regulations. Countries differ in their stance to these new parallel economies. Some, like China, are adversarial and try to scare entrepreneurs by banning thriving businesses like crypto mining, because of misplanning of the energy sector. In other countries, such as in the European Union, the countries decided to protect consumers by misguided regulations that are obsolete even before they are implemented. Some countries, such as many in Latin America, wait and see what others will do, which is good as long as they do not follow bad examples. Other countries (El Salvador), Swiss cantons (Zug) and especially cities (Miami) are cheerleaders of the new crypto economy, often forcing a voluntary economy on people that have other problems and do not want to accept this innovation, which should be spread voluntarily.

Is there a way to tap into these sectors of the economy without overregulation on one side and without forcing people into accepting change that they are not ready to accept? This paper is a collected thinking of a community of people from the new economy about what they would like to see in the world. This collected knowledge shows how to make use of these new developments for increased production, better capital allocation and higher quality of life.

Throughout our lengthy discussions with various stakeholders in the economy, we have come to realise that these developments are easy to accept by wide populations of people as long as they are not forced on anyone. The only people that have trouble understanding this new world are politicians, who would like to be seen to protect against scary new developments on one side (hard regulation) and as newfound Prometheus bringing fire to the citizens on the forced adoption side (such as forced tender laws). The fact is that the only change required from politicians is something boring, not requiring the light of the cameras and lengthy heartfelt speeches. Simply make way for entrepreneurs. While it might not be the best PR stunt for politicians to enable innovation by not hindering it, the result is something that they should deliver to their customers - wealth and better quality of life.

The innovations in these fields are happening regardless of politicians, their goals, and their promises. What the politicians can influence however is if these innovations are available to the citizens of their countries and if they can benefit from that. They can also attract entrepreneurs to build these innovations in their countries.

All the sectors mentioned here are already booming in some parts of the world. Because of the comparative advantages, the investments seek the best place where they happen. While politicians think they are deciding whether something happens or not, in reality they are only deciding on whether the benefits will be sown by their country or some other country. It is a highly competitive market.

As an example, in 2014 New York State's first Superintendent of Financial Services Benjamin Lawsky introduced the **BitLicense** - a business license for virtual currency activities. The thinking of the office was that they wanted to protect the residents of New York from the wild west of cryptocurrency innovation. And of course, a false belief that since New York is home to Wall Street, everyone would want to do financial innovation there. Most cryptocurrency businesses however solved this requirement easily - they introduced a checkbox during the sign-up process, excluding residents of the state of New York from the service. Wall Street did not matter a bit, people were building these innovations in Switzerland, Singapore, India, Hong Kong, California, Texas, and other places. Not only many companies did not apply for BitLicense and were formed elsewhere, but residents of the New York state are excluded too. For the crypto companies, it is not a big deal - cryptocurrencies are permissionless and serve potentially billions of people, so twenty million people living in New York, even if they are rich, do not make a dent in the market.

Cryptocurrency companies and services are very flexible, and they go where they are treated best. The same is true for other parts of the new economy. We will now continue by exploring the possibilities for positive policy change, namely deregulation, that would positively affect the productivity of local economies, the wealth and quality of life of the residents.

# The new crypto economy

Cryptocurrencies have brought much more than a new asset class for speculation. They are enablers of financial services - to anyone who wants them, anywhere. Cryptocurrencies allow for unprecedented movement of capital, give access to online payments and savings options to the unbanked. They bring new investment opportunities, market-based interest returns (as compared to fiat based low or even negative interest rates of western economies). They allow for collateralized loans, financial derivatives, and other options. They have enabled new forms of sale of art and are increasingly powering global trade, innovating on transaction costs and speed of international trade.

The global aspect of cryptocurrencies and DeFI (decentralized finance) means that it no longer matters where people do projects, or where they store their wealth. The cryptocurrencies are not "stored" anywhere, they are parts of the distributed ledger that is everywhere on planet earth, including the satellites of geostationary orbit. They can be accessed with a specific piece of data called "private keys".

Old questions such as "are you bringing valuables worth more than $10,000 over the border" do not make sense anymore in the same sense as you do not "bring" your Google Document or your team-mates and co-workers, you just access them - they are in the cloud.

Decentralized autonomous organizations (DAOs) are a new form of organizations. They do not have to be incorporated in the "old world" and many are not, yet they manage millions or hundreds of millions of dollars' worth of funds. Old tax questions such as "where are the management decisions made" do not make sense anymore, because DAOs are governed by token holders, who are identified only by their public key address (and proven by ownership of private key). DAOs themselves do not know who they are, and the ownership of governance tokens can be traded and moved. Management decisions are results of consensus convergence which is finalized in the cloud as a result of a voting decision of multiple token holders in multiple countries.

The new crypto economy is uniquely **detached from territory**. Countries attempt to capture them, but the more they try, the more they avoid being captured (see the example of the State of New York above). Decentralized autonomous organizations, as well as cryptocurrencies are not of this world, they are everywhere and nowhere. Countries can territorially limit access to these projects, but if you can get one cryptocurrency, you can get all of them. This is possible by decentralized exchanges (DEX) and technologies such as atomic swap. If you can buy Bitcoin in New York, you can buy all the "forbidden" cloud-based tokens (such as Uniswap - a governance token of Uniswap exchange, which is officially not available to residents of NY) by swapping Bitcoin for this token.

Countries can bring capital from the new crypto economy. The programmers, designers, product and project managers, security auditors and financial experts have to work from somewhere. Because they are paid in cryptocurrency (DAOs do not have bank accounts), these experts go where they are treated best - that means where they can use their earned crypto easily.

Another group of people that go where they are treated best are traders. They easily move to country with a good crypto tax regime - this has been the case also in the old financial world.

If a country wants people to earn cryptocurrency, invest it and see their pies grow and then eventually spend parts of it in the country's economy, they can deregulate it in a few specific aspects:

## 0% tax for crypto income and capital gains

0% here means zero percent. Not 1%, not 5%. The reason for this is that anything higher than zero percent means accounting, reporting and calculation of gains. This might sound like not a big deal, but it is increasingly difficult, because of the different nature of cryptocurrencies and DeFI trading. We see new form of derivatives, never seen before, such as liquidity pool shares. There are new forms of payments - paying the token holders in cryptocurrency or paying them indirectly by burning part of the supply of the token, which leads to price appreciation. There are new forms of loans, such as flash loans, where the loan exists only during one crypto transaction, which is instant - there is no p.a., because there is no time aspect for the loan. The transaction either happens or does not happen, but it does not have a duration - it is like a loan recorded on paper ledger without a timestamp, borrowed and returned in the same moment. This kind of a loan could be used for arbitrage.

Some tokens change forms - is wrapping BTC to wBTC an exchange of one token for another? Does treating a stablecoin differently to covered short make sense?

For experts, DAOs, foundations or traders, the easiest way is to either operate outside of jurisdictions or to go where they are treated best, which is a 0% tax regime.

The 0% tax regime still gets new money spent in the economy. These are people and organizations who bring wealth through the crypto networks in the country where they spend it. They are like foreign investors, bringing investments not from different countries, but from different (parallel) financial systems.

0% tax also requires no reporting requirements, because most of the reporting does not make sense in these new protocols.

Attracting crypto investors to a country by getting out of their way, not implementing any specialized crypto legislation, simply leaving people alone means new wealth coming to the economy - and this wealth could help boost the local economy.

## Easy access to banking and crypto infrastructure

Another aspect to attract crypto investments and production in the country is to get rid of requirements for the banks to separate crypto and traditional financial system. The flow of wealth into the country should not be hindered by any kinds of bank regulations that would penalize banks for working with crypto exchanges and crypto companies. If a programmer or designer for a crypto project wants to buy a house with Bitcoin, they should be able to easily exchange it on a local crypto exchange for local currency, get it wired to their personal bank account and pay for the house. This decreases indebtedness of the population increases home ownership and propels a healthy housing market driven by production, not debt expansion.

Please note that there do not need to be any special crypto regulations “enabling” any of this - banks just should be confident, that the central bank or bank regulators do not consider crypto a problem and gives banks verbal encouragement of incorporating crypto into their business as a first-class citizen. There should not be any additional risk for banks by accepting and using cryptocurrencies - banks should be even allowed to use cryptocurrencies themselves to provide additional services, like using cryptocurrencies for international transfers or allowing people to buy cryptocurrencies through banks. All this innovation should be driven by interbank competition, not regulation, because regulation could not possibly catch up with the rapidly changing innovation happening in the crypto economy.

In this aspect, forced tender laws or specific treatment of a particular cryptocurrency by a state is a negative example (El Salvador). We do not know which cryptocurrency, which project and what types of payment networks will win in the end. The state should provide a favourable environment for any kind of innovation and private business, not pick winners and losers, and definitely not force innovation on population that might not be ready for it as a whole.

## Positive examples

Positive examples so far are countries like Paraguay, Uruguay or Panama, which do not regulate cryptocurrencies in any way at the time of writing this policy report. The crypto infrastructure is lacking, mainly due to conservatism of the banking sector. In Panama, after Panama papers, banks are afraid to innovate and adopt new technologies. In part this is also because of regulations from the USA through the requirements of the corresponding banks which provide connectivity to the international banking network (Panama uses USD and thus relies on US-based correspondent banks for dollar connectivity). On the other hands, many projects moved from Europe to Panama, especially if they do not require banking connectivity - such as one of the largest crypto-derivatives exchange Deribit.

In Paraguay, the environment is lacking competition and innovation, with high fees for working with cash and lack of local crypto exchanges, although there are entrepreneurs working on these projects.

Both Panama and Paraguay would benefit from encouragement of the local banking regulators, explicitly saying that crypto transactions are allowed and not regulated or problematic in any way, even though this is the legal status.

In Europe, slightly positive examples are Portugal, which does not tax retail investments in a temporary regime and Germany, which does not tax retail investment after one year of holding. Both countries have significantly limiting conditions, especially for traders and businesses. Many European residents move to Portugal regardless, because of the easy of moving – there are no special permits required – residents can just rent an apartment, register their residency (which does not have to be approved) and live in Portugal for at least a year.

Puerto Rico attracts mainly US residents. As an unincorporated territory of the United States, it has a special tax status for Americans, who can benefit from the unique regime - Uncle Sam does not reach to their income as if they would travel abroad, yet they do not have to be direct customers of IRS. This Bloomberg title summarises it well: "Zero Taxes, Golf and Beach Houses Create a Crypto Island Paradise. After a meteoric year, investors are relocating to Puerto Rico for its savings on individual and corporate taxes."

## The secondary network effects

After attracting the participants of the new crypto economy, secondary network effects kick in. It is not only about saving on taxes, but other people also move to a specific place because of who is already there. For Americans, if they want to experience the Silicon Valley or Wall Street effects in crypto, they move to Puerto Rico. Many crypto enthusiasts, entrepreneurs and investors moved from Germany, Slovakia and Czech Republic to Asuncion, Paraguay.

# Residency and investment

During pandemic, we have experienced two opposing forces: Reduced mobility because of the fear of infection and regulated travel on one side and moving of the populations due to open possibilities of remote work on the other side.

People living in expensive cities switched to remote work using videoconferencing tools and getting paid using new fintech start-ups (such as Revolut accounts or cryptocurrencies). They realized they can save money on rent, buy a much larger property in a beautiful environment - either in a smaller city or in the countryside. Their shopping is fulfilled by e-commerce such as Amazon the same way they were used to. They avoid traffic jams, boring unhealthy office environments and can customize their living and working environment. They get the pay of the large city with the expenses of a cheaper real estate market.

Many countries realized that and started offering remote working visa - Dubai, Georgia, Estonia, while others are thinking about relaxing their requirements and offer a tax-free visa (Bali, Indonesia). Of course, many other countries already had this option, either for digital nomads, remote workers, but also for easily obtainable permanent residency.

Similarly, to the new crypto economy, easy immigration with favourable personal tax treatment means that producers attract new money, and they spend part of it while living in the country. The easier the immigration process gets, the more immigrants and thus money that were not otherwise accessible arrive. Remote workers do not come to the country to participate in the existing job market (although there is nothing bad in that either), they usually come with the job for their existing employer or themselves. Digital nomads use the country's infrastructure and markets to produce in the physical space, for a remote company.

Make it easy to work as contractors for foreign companies and invoice with low (preferably zero) tax the work they do in the country. This money is then spent locally for food, accommodation, and other services, including healthcare, wellness, travel, data networks, childcare (babysitting) and other products and services produced in the local economy. It is a foreign investment not directly into producers but given to local producers by the consumers.

There are a few requirements for this to work - the process should be easy (ideally within a few days), relatively cheap - digital nomads are not starting a new life, at least they do not know it yet - they want to test the waters and live somewhere for a few months. There should be no requirement to invest in the country, nor in any particular sector (such as real estate), people want to get their residency first, try it out and when they like it, live in the country for longer and seek opportunities.


For example, Panama has killed their digital nomad ecosystem right when it started to make sense by investment requirements. Digital nomads do not want to invest in real estate, they are **nomads**, even when they stay within the country, they prefer to change places and rent. The ownership stays with local investors, and they are financed by digital nomads, adding a structure to the real estate market by decoupling investors, owners and users of properties.

It should also be possible to get a tax residency for the purpose of local work - and the tax should be low and bureaucracy free. An example of an easy immigration would be Paraguay, where you can get permanent residency easily and painlessly. A negative example would be European Union or United States of America, where the process is bureaucratic, painful, and not open. Many people immigrating to EU or USA end up working without permits and thus separating themselves out of the normal economy. They make sure not to stay invested in the country, because their workplace could change at any time.

For people to come to work to the country, they should not be burdened by exit taxes and their (existing) foreign income should not be taxed. Territorial taxation is a must. Positive examples of a favourable tax regime for immigrants are Panama, Paraguay, Uruguay, Costa Rica, Nicaragua, Georgia.

Digital nomads and remote workers are in the supermarket situation, exactly like the new crypto economy - they look around the world and pick the country where they are treated the best. The countries make up the rules for immigration, but it is the customers - the nomads and remote workers - that pick up the right country with the most favourable rules. Digital nomads are very specific in the fact that they do not dream of a country to live in and do whatever it takes to move there, it is the opposite - **they pick the country based on the treatment they get**.

# Reversing brain drain

Easy residency and no crypto tax attract investors, entrepreneurs, and smart people alike. With good quality of life and favourable treatment, these people come and live in the country, spending their money and powering local businesses. But in addition, they often start local businesses and provide expertise to the local economy.

Many countries have experienced brain drain - they paid for the education of people only to see them leave for better opportunities. Medical doctors leave to countries with more advanced medical systems and higher wages, to be able to use state of the art machinery. Exceptional academics leave for the top universities, leaving local educational institutions with mediocre talent. Entrepreneurs follow capital, markets with better scaling opportunities and less barriers. Reversing brain drain is not about asking locals to come back - they need to be treated well and unless the reason they left in the first place is resolved, they are not coming back because a politician asked them to. They are building new life somewhere else.

Reversing brain drain can be done by attracting smart, entrepreneurial foreigners to move to the country and providing them with good, deregulated environment. Many entrepreneurs realize, that in their preferred country, there is an access to capital, but the sectors they want to innovate are so overregulated they are not able to do it. Skype was started in Estonia. They did not ask the local Telecommunications bureau to give them telecommunication license, they started, grew to a few million users and then proceeded to create a new industry. In post-communist countries in central Europe, after the fall of the communist regimes, entrepreneurs from western Europe came because of two reasons - there were opportunities to build companies that did not exist and there was little regulation or barriers to stop them.

Reversing brain drain and attracting foreign investments is easy - do not tax them too much, deregulate and remove as many barriers as possible, make it easy to come, bring and spend their money, hire locals and foreigners alike. As places like Silicon Valley become prohibitively expensive, cities like Austin (Texas), Miami (Florida), Tallinn (Estonia) or Singapore are attracting entrepreneurs. How easy is it for them to start from zero to operating business, even if they hold a foreign passport? Can they buy real estate, or do they need to go through bureaucratic hell to have a formal co-owner of the company with the right passport to be able to invest? Do they have to pay expensive lawyers, fill forms, or can they start right away? From the moment they set foot in the bank, does it take 10 minutes or 6 months to have a functioning bank account for the business? When they register a company, can they start producing tomorrow or in a few months?

# Crypto economy and state budget

Post-covid era is the largest transfer of wealth the world has seen. By state stimuli, the transfers happen within countries - from the (still) productive sectors of the economy to the unproductive sectors, affected by the crisis.

Cryptocurrencies such as Bitcoin enable an international transfer of wealth, allowing countries to import capital investments from abroad. Bitcoin is a hard-cap currency with a hard limit of 21 million units of Bitcoin (or 2.1 quadrillion basic units called satoshi, or sats). We have explained how to attract this new capital to the country by deregulating crypto investments, removing barriers of immigration and entrepreneurship and creating a favourable, no tax environment. These forms of deregulation will be followed by crypto capital that seeks a favourable environment.

Countries can also participate in this new economy by buying Bitcoin in their state budget, treasury or as a reserve held by central bank - same as Microstrategy, Tesla Motors and many other companies, investment funds, pension funds, family offices and individuals do.

A bet on parallel crypto economy can pay out huge dividends, especially if the country deregulates and supports the existence and functioning of the parallel economy - one of the rare instances of skin in the game in state policy.

The role of the state is to enable beneficiary interactions among private individuals. At a first glance, it is not a role of state to do risky investments into assets. On the other hands, the state budget is not usually held in a safe store of value such as gold, but the state managers are speculating on the value of the state currency. Paraguayan state is collecting taxes, accounting, issuing debt and holding cash reserves in Paraguayan Guarani, Panama is using US Dollar, Argentina is using Argentine Pesos. This by itself is a speculation on future value of the currency. It might be under the control of the state's central bank, but in some cases the states are betting on another state's currency (Panama with US Dollar) or is making consistently bad bet (Argentine Pesos' inflation is legendary). While it may be a good idea for the state to be able to inflate away the state's debt by printing money (even if they call it "quantitative easing"), we can be almost sure that it will almost never gain value. Compare this with hard currencies such as gold or Bitcoin, which cannot be created out of thin air. While it is not common for the governments to save, it might be just what is needed for the recovery of the economy. Saving means less future taxes. Getting out of debt and allowing production means less taxes and in the future less need for inflation.

While the president of El Salvador has been called a speculator or a gambler by buying Bitcoin with his state budget, it is one of the few measures by El Salvador that makes sense in the long term - if they are able to cut down debt, save and lower taxes in the future. Participating in the crypto economy as a first-class citizen and being invested in it also ensures it is not regulated in the future. By not buying Bitcoin, El Salvador would not avoid speculation and gambling, on the contrary, El Salvador is constantly speculating on the future value of US Dollar. While US Dollar has a good reputation as a reserve currency, it is also prone to monetary inflation - in the first year of covid crisis, 40% of the dollars in circulation were created in that year. If countries bet on USD or their own currency, they are still betting on something they have very little control about. Price inflation is a nightmare of politicians, yet they cannot control it as well as they think with central bank measures or central planning of either the financial sector or other parts of the economy.

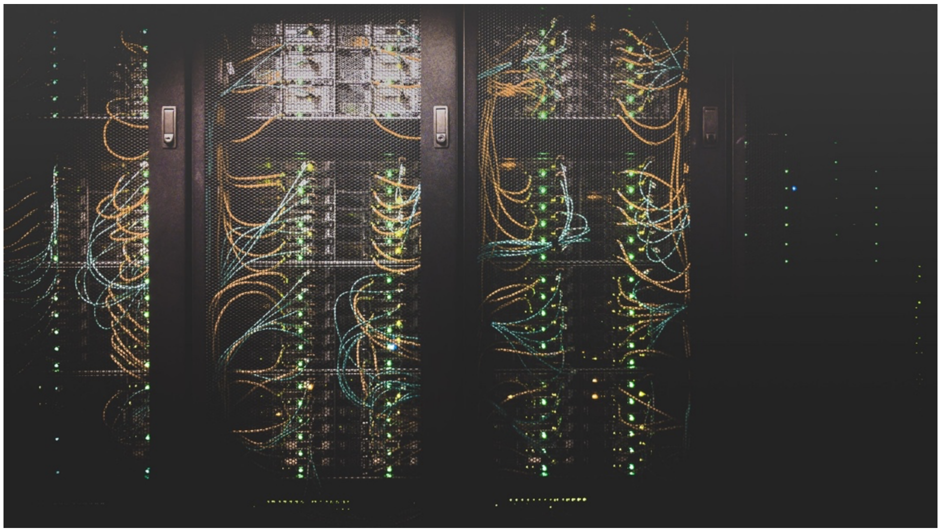
Adding another bet to the state budget - such as gold or Bitcoin - could be beneficiary, especially if it is hard money. This could also lower the interest rates on existing state debt because the state has a valuable form of collateral to pay their debts.

Another option would be to collect taxes (possibly with a discount to counter Gresham's law) in Bitcoin and keeping the proceeds in Bitcoin, not exchanging them to fiat.

# Local advantages boosted by crypto economy

Whether in agriculture or energy, crypto economy seeks investment opportunities. This new money that countries attract by deregulation can be used in local markets to further develop some sectors that the countries are already good at.

## Energy production and mining



Example: Paraguay as the largest exporter of electric energy can arbitrage the price of energy by selling it to local miners to produce cryptocurrencies.

How: Allow an easy access to cheap and abundant energy, remove barriers of entry. If the energy company is state owned, it should accept and keep payments in Bitcoin, having skin in the game and a possible upside of Bitcoin. It should be easy to sign up for the energy, get building permits for datacentres and operate with as little bureaucracy as possible.

The main capital expenditure of mining is the mining equipment (specialized hardware) which should be easily imported without bureaucracy and especially without excessive duties or taxation. The speed of the process matters as well - mining equipment that is not mining in a datacentre but waiting for custom's officer's stamp in a customs clearing area is losing money. The import process should not take more than a few minutes and be as cheap as possible.

The main operational expenditure of mining is electric energy. It should be stable, with predictable low prices.

The cryptocurrency mining sector is a very competitive environment, and it seeks the lowest costs worldwide. If Europe collects a carbon tax for electricity, Paraguay collects import taxes, the miners will move to Kazakhstan or Georgia (also saving on cooling costs). Mining does not require anything besides good electricity, cooling and a stable, low latency internet connection. It can be viewed as a form to permanently store and leverage energy overproduction in an asset that can be used worldwide.

It goes without saying, that many investors from the new crypto economy invest in crypto mining operations.

## Cannabis industry

Example: USA, Colombia, Canada, Uruguay, Netherlands, Portugal

How: Leveraging high quality agriculture production and automation can be done by deregulating the cannabis industry. The governments that still try to regulate or in the worst-case ban cannabis growth, sale and use do not understand that they have already lost this game years ago. Cannabis products are one of the most widely available products on the planet. Anyone, including tourists can get their hands on a joint or an edible within hours of entering any country in the world regardless of legal status. In some countries with the harshest punishments for the sale of weed such as Singapore, Thailand, or South Korea, you can get weed through the social network, which does not mean knowing "the right people". A hotel owner has seen a tourist's ID, they know they are not a local cop, and they connect the tourist to a local dealer and possibly get a cut. This process is surprisingly easy and effective. This same process also applies to cryptocurrencies – after a ban of exchanges in Colombia or bank transfers to and from exchanges in Nigeria, a local peer to peer market boomed. Banning sale of a plant or a cryptocurrency just moves the trade to a grey or black market.

In most countries only psychoactive forms of cannabis (containing THC) are regulated and other products can be sold on the local market. This includes CBD products, skin creams and cosmetics, or building materials. In many countries this only means import, because it is not always easy to grow cannabis with the required low levels of THC, so the market is served by growers with a less regulated environment for growing cannabis plants, processed and then imported, satisfying the strict conditions.

Meanwhile, the world is moving towards deregulation. In many places, you can simply buy psychoactive forms of cannabis in a shop, exactly as one would buy a bottle of wine, cigarettes or aspirin. In many of these countries, the growing and selling is still heavily regulated, hindering the markets and possible tax revenue. By forcing this booming market into black economy, countries forgo an important source of income.

The less regulated the growth and sale of cannabis is, the better for the economy. It is a product like any other.

Why is this field mentioned in a paper where we talk about new crypto economy? Cannabis economy is growing alongside the crypto economy. Many crypto investors choose this type of investment, because they are used to investing in booming sectors. And cannabis industry is exploding, especially in Canada and the US. Because of the conservatism of banks and payment processors (such as credit card companies) and some regulations, cannabis companies have problems accessing the classical payment infrastructure, so they are served by both crypto and cash economies. Many payment processors even refuse to process payments of sellers of fully legal CBD products. This creates an opportunity for the crypto economy that is permissionless.

Historically, one of the first crypto-based DAOs was an illegal crypto grower that was doing an initial public offering (IPO) of crypto stocks on a semi-dark-market unregulated crypto stock exchange. The business proposition was to raise capital for purchase of growing equipment and paying crypto dividends to the shareholders. It was an anonymous company, showing the world the possibilities of a new crypto economy. Of course, many countries can react anxiously, and the politicians can be uncomfortable that these new crypto organizations do not hold the local laws in a very high regard. On the other hand, they can realize that by deregulating, these companies can provide value, help local economies. And “it’s just weed” we are talking about. The world has changed and almost no one who knows what they are talking about considers it a dangerous substance that citizens need protecting from. In countries where possession was decriminalized for the longest (Netherlands, Portugal, Czech Republic, Uruguay), it has not turned into a significant drug problem. On the contrary, the drug problems are much more manageable when there is no criminal stigma and drug use is considered a health issue, not as a criminal act.

Here the same thing applies as with the new crypto economy and immigration - investments go where they are treated the best. The less bureaucracy and regulation for growth, the more people do it. The other countries become consumers and if sale is prohibited, these sales are not taxed. To be clear, this section is about deregulation of production, regardless of the market where the resulting product is sold. Some countries allow production, but not sale on local markets. That being said, decriminalization of possession makes sense and has been shown elsewhere to be a net positive.

## Psychedelic research and therapy

Examples: USA (Colorado), Netherlands, Ibogaine centres, Costa Rica, Czech Republic, …

How: R&D of new safe psychedelic substances, clinical trials, therapy centres, five-star resorts with psychedelic therapy, integration therapy, etc. are examples of businesses that are incorporated in many countries after the great opening of psychedelics. According to Wikipedia: "**Psychedelics** are a class of hallucinogenic drugs whose primary effect is to trigger non-ordinary states of consciousness. Many psychedelic drugs are illegal worldwide under the UN conventions, with occasional exceptions for religious use or research contexts. Despite these controls, recreational use of psychedelics is common. Legal barriers have made the scientific study of psychedelics more difficult. Research has been conducted, however, and studies show that **psychedelics are physiologically safe and do not lead to addiction**. Studies conducted using psilocybin in a psychotherapeutic setting reveal that psychedelic drugs may assist with treating depression and alcohol addiction, and possibly also nicotine addiction. Although further research is needed, existing results are showing that psychedelics may be useful for treating certain forms of psychopathology".

To rephrase and emphasize: **The classical psychedelics are safe for the body, do not lead to addiction and treat many of the current problems of the society.**

Not using these possibilities or at least researching them is a clear mistake. There are funds for research and development that can be used in favourable environments. The Multidisciplinary Association for Psychedelic Studies (MAPS) is a US-based non-profit research and educational organization. They have been performing and financing research of many classical psychedelics and MDMA, which has been studied in formal clinical trials performed in Switzerland - because it was the most favourable country to this type of research. If the US was more open to psychedelic research, they could have supported local research organizations. Investments find a way to achieve their goals, even if it means moving the money abroad. We hope that you see the pattern here - banning or regulating something that people badly want to do means it will be done elsewhere. The phase 2 clinical trials and the first part of phase 3 clinical trial were successful. MDMA was shown to be safe in a therapeutic setting and it is currently one of the best-known treatments of Post-Traumatic Stress Disorder (PTSD). More than 350 million people worldwide suffer from some form of PTSD worldwide, among them many war veterans. The results of the first Phase 3 study are remarkable. According to MAPS "67% of participants with severe PTSD no longer met PTSD diagnostic criteria two months after their third session of MDMA-assisted therapy, compared to 32% of placebo participants. Additionally, 33% of participants in the MDMA group compared to 5% of participants in the placebo group met the criteria for PTSD remission after three sessions."

Now there are three questions that the countries can answer: First - after such success, what else is to be discovered in psychedelics assisted therapy? Does the country want to participate in it, attracting investment and talent?

Second - Where will all these people suffering with PTSD be treated? Does a country want to attract medical tourism, build centres, reverse brain drain and be remembered as a country that heals people from all around the world?

Third - If we know that these substances are physiologically safe and non-addictive (which we do), is it a good idea to jail the users, pay for their prison stay and demonize them or provide them with opportunities to use these experiences, heal them if necessary and make use of their productive talent in the society?

PTSD treatments are not the only treatments. There are psilocybin-assisted and LSD-assisted psychotherapy centres in Switzerland, ketamine is used in therapy in Czech Republic, Netherlands and Mexico have ibogaine centres to treat addiction. And of course, cannabis is widely used around the world.

Many traditional cultures allow ayahuasca ceremonies, but not many people are willing to use traditional approaches, especially if they come from a different culture. Ayahuasca ceremonies are acceptable in South America, where they have been part of indigenous rituals for centuries, but clients coming from outside of local culture require integration, therapy with culturally accessible therapists that speak their language, … Treatment, wellness centres with psychological help and wide variety of treatment options will become an important part of the new economy.

The only thing required to make this happen in a country is deregulation of the industry. Abandoning non-functioning regulations and opening the markets.

# Why deregulation

It is difficult to make regulations “right” in booming industries. A European Markets in Crypto-Assets (MiCA) regulation totally missed the mark by regulating the way that crypto projects were being started until early 2018. The industry has since moved on and self-regulated, while the regulators are trying to grasp and regulate an old way of doing things.

Deregulation has been widely successful in many industries and the countries that chose this path have sown fruits of creating healthy growth in them. Examples are the airline industry in the US, EU and Asia, which allowed for competition, bringing cheap air travel through low-cost airlines. Some airlines are finally reporting profits, which was not the case for most regulated airlines before deregulation.

Deregulation of telecommunication industry allowed innovation and worldwide access to the internet and other telecommunication services. Costly international calls were replaced by high fidelity video calls offered often for free by innovative internet companies, not old telecom giants. These savings directly reflected in increased quality of life of many people and these changes brought the possibilities of remote work to many countries, bringing foreign money to a much wider variety of countries and cities.

Cannabis industry deregulation in Canada and parts of the USA enabled unprecedented innovation, research, and investment in the industry. Psychedelic research and therapy in

Switzerland attracts research capital and creates business opportunities for medical tourism and innovative treatments.

Deregulation enables innovation and attracts investment. Deregulation means abandonment of regulations. Regulations are limits on what people or businesses can do.

Deregulation often costs very little, often immediately saving money by not requiring bureaucracy and state forces to enforce the regulation. Entrepreneurs and investors seek places with lower costs and thus fewer regulations.

Regulations conserve industries in a particular state, which might not reflect current scientific knowledge, technological possibilities and best practices and market demands. Deregulating kick-starts new markets and that could lead to recovery of sick economies.

Another possible look at deregulation is through the lens of optionality. Deregulation brings options through entrepreneurs and inhabitants. The use of cheap options means faster adaptability to changing circumstances. We are experiencing a high volatility environment and thus fast adaptation is important. Optionality brings antifragility and thus environments which support and increase optionality lead to positive outcomes for these environments – they not only survive, but improve and thrive.

# About the author

Juraj Bednár is a serial entrepreneur (over ten ventures) and a co-founder of Paralelní Polis (Bratislava, Prague), which hosts Institute of Cryptoanarchy and it is the first crypto-only space in the world. He is an author of several books including Veľký restart, which concerns thinking in the presence of uncertainty and adapting to significant changes in society. An English version of the book is in the works. He hosts a podcast called OptionPlus and teaches about cryptocurrencies, including advanced use.

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