



## Mains Practice Question

**Q.** The rise of cryptocurrencies presents a paradox between financial freedom and the potential for harm in terms of market instability and misuse. In light of key ethical principles, critically assess the ethical challenges posed by cryptocurrencies in India. (150 words)

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### Approach:

- Introduce the answer by briefing about the rise of crypto and ethical issues surrounding it.
- Highlight Ethical challenges posed by Cryptocurrencies in India
- Suggest Measures to Strengthen Cryptocurrency Regulation in India
- Conclude suitably.

### Introduction:

The rise of cryptocurrencies in India presents a complex dilemma. While **offering financial autonomy and the potential for innovation**, they also pose risks like **market instability, security vulnerabilities, and misuse for illegal activities**.

- These challenges raise important ethical questions regarding **individual freedom, justice, and societal impact**.

### Body:

#### Ethical challenges posed by Cryptocurrencies in India:

- **Financial Freedom vs. Market Instability**
  - **Utilitarianism:** While they provide financial freedom for some, the **speculative nature of cryptocurrencies can lead to widespread harm and inequality**, contradicting the principle of the greatest good for the greatest number.
  - **Virtue Ethics:** Encourages moderation in using cryptocurrencies to avoid excessive risk-taking that can harm individuals and society.
- **Privacy vs. Misuse for Illicit Activities**
  - **Kantian Ethics:** Cryptocurrencies offer privacy, but their misuse for illicit activities (**money laundering, tax evasion**) violates universal moral duties, highlighting the need for responsible use.
  - **Rousseau's Social Contract Theory:** The use of cryptocurrencies for illicit purposes undermines the social contract, as individuals must prioritize the collective good over personal gains, calling for **ethical regulation**.
- **Access to Technology vs. Digital Divide**
  - **Rawls' Theory of Justice:** Cryptocurrencies could worsen inequality by excluding those without digital literacy (only 38% of the households are digitally literate in India) or access to technology, violating the principle of justice as fairness.
  - **Capability Approach (Amartya Sen):** Ethical governance should ensure cryptocurrencies are **accessible to all**, enhancing individual capabilities and preventing

exclusion.

- **Equality of Opportunity:** Ensuring that the benefits of cryptocurrencies extend to marginalized communities is essential for promoting fairness.

- **Environmental Impact vs. Technological Progress**

- **Sustainability Ethics:** The energy consumption of cryptocurrency mining raises concerns about **environmental sustainability**, posing an ethical dilemma between **technological progress and ecological impact**.
- **Consequentialism:** The long-term environmental damage caused by cryptocurrency mining might outweigh the **short-term financial benefits**, calling for regulation to minimize ecological harm.

- **Regulatory Oversight vs. Innovation**

- **Libertarian Ethics:** Cryptocurrencies, by nature, promote **financial autonomy and freedom from government control**. However, a balance must be found where innovation isn't stifled but is still ethically regulated to prevent harm.

In light of the ethical challenges presented by cryptocurrencies, it is crucial to establish robust regulatory measures that ensure their positive contribution while minimizing potential harms.

### Measures to Strengthen Cryptocurrency Regulation in India:

- **Promote Financial Literacy and Inclusivity:** Ensuring equitable access to cryptocurrency is essential for fairness, **as emphasized by Rawls' Theory of Justice**.
  - Improving digital literacy and infrastructure is key to empowering individuals and enabling them to participate in the cryptocurrency ecosystem.
- **Regulating to Prevent Illicit Activities:** Implementing **Know Your Customer (KYC)** regulations is crucial to prevent cryptocurrencies from being used for illegal activities, respecting the moral duty to protect society, as called for by Kantian Ethics.
  - Regulations should prioritize the collective good by ensuring cryptocurrencies are not misused for money laundering or tax evasion, as suggested by Social Contract Theory.
- **Promote Environmental Sustainability in Cryptocurrency Mining:** Regulating the environmental impact of cryptocurrency mining by encouraging the use of **green energy sources** is essential to ensure ecological responsibility, **as emphasized by Sustainability Ethics**.
- **Ensure Privacy While Protecting Public Safety:** A balance must be struck between privacy and transparency to prevent harm, ensuring that cryptocurrency systems respect privacy while ensuring public safety, **as advocated by Deontological Ethics**.
  - Regulations must create a balance that serves both individual freedom and the collective good, upholding moral responsibility in the use of technology, as called for by Indian Mythology (Dharma).
- **Allow Innovation with Ethical Boundaries:** While encouraging innovation in the cryptocurrency space, it is essential to set ethical boundaries to prevent exploitation and ensure consumer protection, as suggested by Libertarian Ethics.
- **Enforce Regulations and Accountability:** Ethical behavior should be promoted through clear regulatory frameworks and codes of conduct, emphasizing responsibility and accountability among all cryptocurrency stakeholders, as advocated by Virtue Ethics.
  - A focus on **education** and reparation in cases of violations, rather than purely punitive measures, will foster ethical engagement within the cryptocurrency space, as called for by Restorative Justice.

## Conclusion

The need for **moderation, justice, and responsible governance** is paramount to ensuring cryptocurrency's positive contribution to society. As, **"True innovation lies not in the freedom to create, but in the wisdom to regulate, ensuring that progress uplifts society without compromising its integrity."**

