Opening Statement of the Honorable Michael C. Burgess, M.D.
Subcommittee on Commerce, Manufacturing, and Trade
Hearing on "The Disrupter Series: Digital Currency and Blockchain Technology"
March 16, 2016

Good morning and welcome to the next hearing in our Disruptor's Series. Today we will be examining digital currency and blockchain technology. This technology has the potential to disrupt a whole host of industries from financial services to manufacturing supply chain management to health care records by infusing transparency and trust into traditionally closed systems.

This is an incredibly new technology – the whitepaper describing the first public blockchain application, Bitcoin, was published in 2009. And already there has been $1 billion in capital investment to over a thousand firms, most of which are start-ups.

Having seen the development of email, the Internet, and the transitioning of the U.S.'s economy to the digital space in the last two and a half decades, I am interested to hear from our panel about what the development of blockchain technology means for the next 25 years of global commerce.

Bitcoin is the best known digital currency and as a good case study for the disruptive nature of the blockchain. The Federal Reserve Bank of Chicago highlighted how Bitcoin's blockchain solves the two basic issues with digital currency: controlling its creation and avoiding its duplication. Bitcoin limits individual's ability to copy and paste new "money files" to double spend or accumulate "digital wealth" through advanced cryptographic signatures. The solution Bitcoin presents to currency may also be applied to other asset cases including intellectual property, mortgages, and other property records. In a way – it provides a way to create singular possession online, mimicking possession in the physical world, but with a transparent and immutable ledger recording the possession along the way.

While there have been issues through the development and growth of Bitcoin, including the Mt Gox issues, the technology has withstood the stress of growth to date. In the same way that the Internet transformed communications, the adoption of Blockchain technology has the potential to disrupt digital asset transfers. Cybersecurity is at the forefront of this Subcommittee's activities this Congress. It is fascinating to see the possibility of another technological revolution on the horizon that could help address the trust and security issues that are a daily challenge for individuals and companies in every sector of the US economy.

However, to serve as an alternative to today's settlement mechanisms the technology must demonstrate the scalability needed to handle the volume of transactions that flow through U.S.

firms on a daily basis. I hope the panelists will discuss their work to address concerns about the viability of the blockchain moving forward.

I have heard about many potential uses cases for this technology, including for digital health records, where security and immutability are necessities. I would be interested to hear how blockchain technology could help individuals gain control over their health records and transparency into how those records are created and shared.

Today's witnesses represent a variety of interests in digital currency and Blockchain technology industries. We will hear about what consumers can do today using digital currency. We will also hear about consumer protection issues that may develop. Even more exciting is the potential consumer benefits that have yet to be realized for firms that leverage the blockchain.

Currently, a number of regulatory bodies at the state and federal level have weighed in, or are considering action, around Bitcoin or other blockchain applications. While there are serious concerns to be addressed with anti-money laundering efforts for digital currency, we should also be cognizant of future applications of the blockchain technology that may improve transparency in both the public and private sector. These future applications could be stifled if the regulatory environment becomes too burdensome on small companies trying to leverage this new technology.

I thank the witnesses for taking the time to inform us about the applications and future potential of digital currency and blockchain technology. I look forward to a thoughtful and engaging discussion.