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Berkeley's Decision to Incorporate Blockchain into Microbond Financing Program Sparks Controversy.

Berkeley residents expressed their concerns and frustrations following an announcement by Berkeley Mayor Jesse Arreguin on Twitter sharing the city's plans to incorporate blockchain into the municipal bond system.

The concerns raised by the residents include the environmental impact of blockchain and the security of the technology.

"Crypto and blockchain applications have—so far—taken a path that I believe is directly opposed to the city's stated goals around mitigating climate change," said Berkeley resident Marc Hedlund in an email.

According to City Councilmember Ben Bartlett, who is credited with introducing the idea to the city, the mining operations of earlier blockchain applications were environmentally caustic, but newer applications of blockchain are not.

However, Hedlund alleged in an email that only 4.2% of transactions use the more environmentally friendly blockchain technology, which requires far less electricity.

"If our intention is to make bonds available to people with lower net worth so they can invest more easily, should we be relying on systems that are the vast minority of an already just-emerging technology—the cutting edge of the cutting edge, so to speak?" Hedlund said in the email.

Berkeley resident Peter Seibel said in a Twitter direct message that he sees the value of microbonds but cites similar concerns and believes incorporating blockchain technology does not necessarily make it less risky for the city or the people who invest in them.

However, Bartlett refuted security concerns, stating the decentralized nature of blockchain makes it less hackable and less penetrable.

"Blockchains provide a real-time audit. You cannot erase what happened on it. It is immutable as they say," Bartlett said. "They are more secure and they allow programmability, so you can have the instruments do whatever you imagine they should be doing for the community."

The idea to introduce blockchain technology into the municipal bond market came after the federal tax cuts imposed during the Trump administration, according to Bartlett. He added that incorporating blockchain technology as a new tool for community finance creates a system that has the ability to withstand changes to federal policy.

Bartlett affirmed his faith in the consultants working to develop this project, citing their experience and "technological prowess" and believes criticism of the initiative is premature, asserting that the project is merely a pilot and participation is optional.

The council member further highlighted that the city has prior financing successes, such as the invention of Property Assessed Clean Energy, or PACE, financing, and that blockchain continues this legacy.

“This is our tradition of financial innovation for the people,” Bartlett said.

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BY ANNA ARMSTRONG

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