

Building on some of my previous work (and [an earlier FB Collective post](#)), I wrote a paper “MEV on Ethereum: A Policy Analysis”. You can download it [from SSRN here](#).

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2146×1866 366 KB

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Abstract

The aim of this paper is to provide an overview for policymakers regarding what we know today about MEV, but perhaps even more importantly, how much we do not know. I will offer general critical analysis of policy questions raised by MEV extraction on the Ethereum blockchain. The paper is intended both for those unfamiliar with MEV and those who are broadly familiar.

I consider whether MEV extraction poses a problem that merits public-policy intervention. I argue that the mere fact that MEV extraction may adversely affect some market participants is not sufficient to answer that question. As in stock trading, which may likewise appear to be a zero-sum game with a “winner” and “loser” in each transaction, the nature and effects of MEV extraction have more dimensions that need to be considered.

It is important to carefully consider the costs and benefits of regulatory responses to MEV extraction. Moreover, regulation and regulatory enforcement in the realm of public blockchains faces the problem of regulatory arbitrage. Operators may choose the most favorable jurisdictions, while retaining influence on markets in other jurisdictions. This provides a strong argument to prefer and support technical solutions that would apply globally over national or even international legal rules.