

杀猪盘 (SHĀ ZHŪ PÁN) AND THE CONSEQUENCES OF CRYPTOCURRENCY

A discussion on Griffin and Mei (2025)

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In 7 minutes I will:

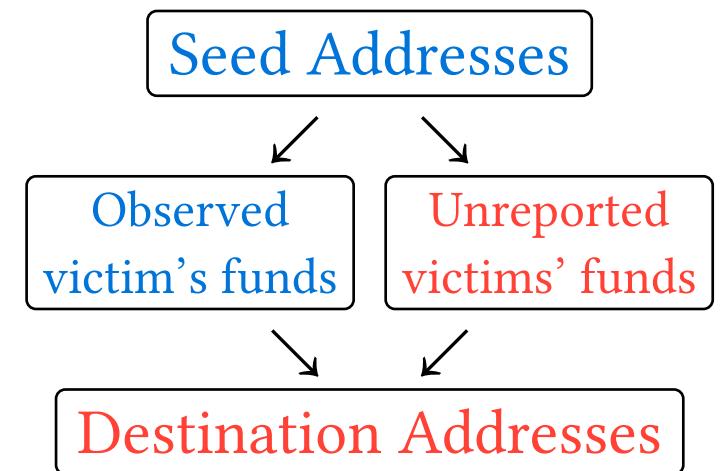
1. Very briefly summarize, handwaving the authors' significant data work
2. Provide the emphasis that I think is most important in the paper, and what I would encourage the authors to focus on
2. Critique the finance profession in its take on cryptocurrency research

A tale of two parts:

1. Victim is en納red in relationship online with scammer
 - [Fattening] Small payments are made to build trust over time
 - [Slaughter] Then, victim is convinced to transfer cryptocurrency to scammer, where is it now gone
2. Stolen money is moved to obfuscate its origin
 - The scammer eventually cashes out the cryptocurrency into fiat currency



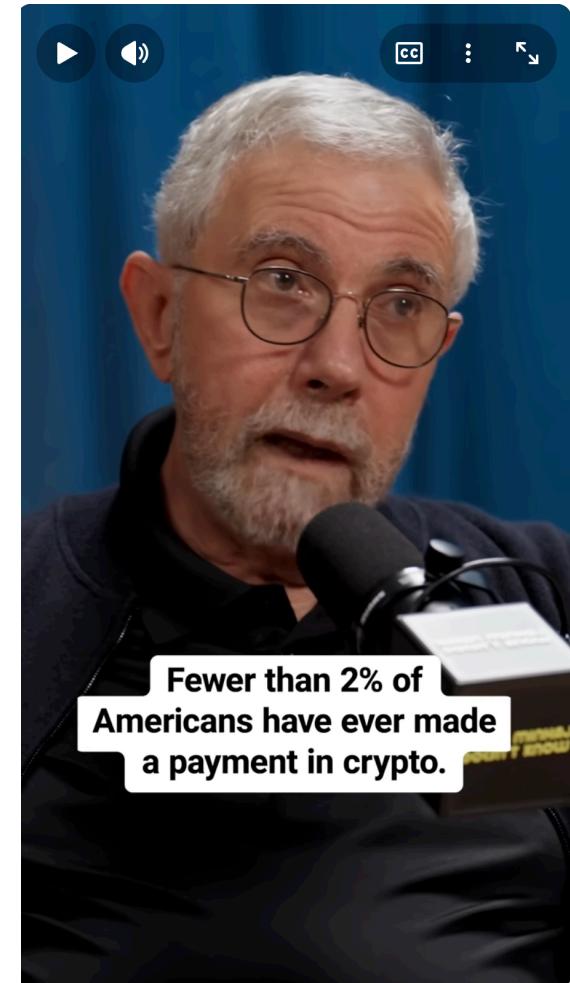
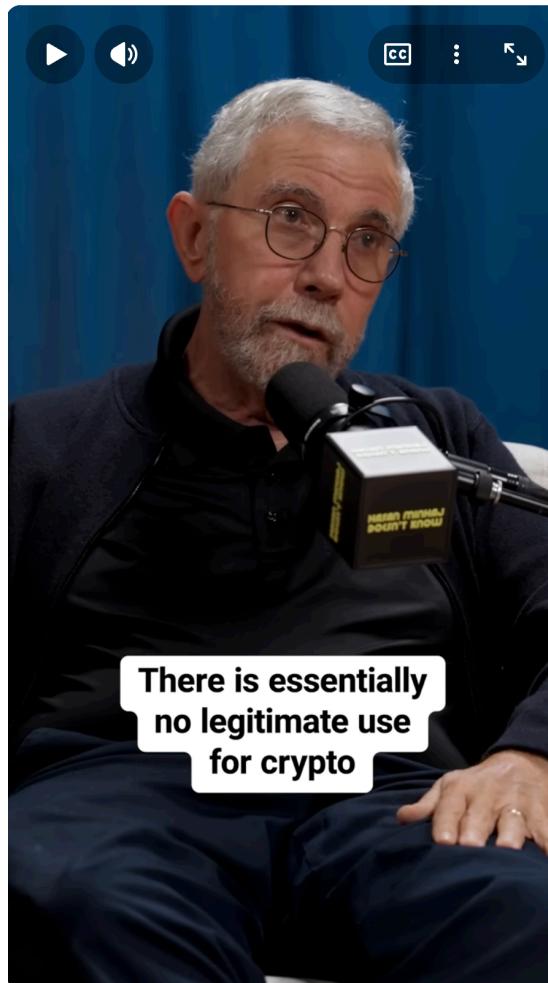
1. There are $(18,165) \rightarrow 9,899$ reported deposit addresses. These are **seed** addresses.
2. Authors trace the flow of funds from these deposit addresses to other addresses
 - This gives a conservative estimate of pig butchering scam amounts (75bn USD)
 - It also tells us where it goes – exchanges with low protections



- \$75.3 billion in total flows over 3 year → **27.8 billion annually**
- **Scammers like stablecoins!** → 87% of funds in USDT or USDC
 - Hide money in the system without risking price fluctuations
 - You can probably even use it as collateral in a loan
- **Funds exit from exchanges with weak KYC/AML protections**
 - Binance, OKX, and Huobi
 - Tiebout sorting on steroids because of minimal transaction costs
- Estimated transaction costs are low: 0.33-0.87%
 - Contrast to estimated money laundering costs of 4-20%
 - **10x reduction in cost of laundering money!**

What is crypto actually good for?

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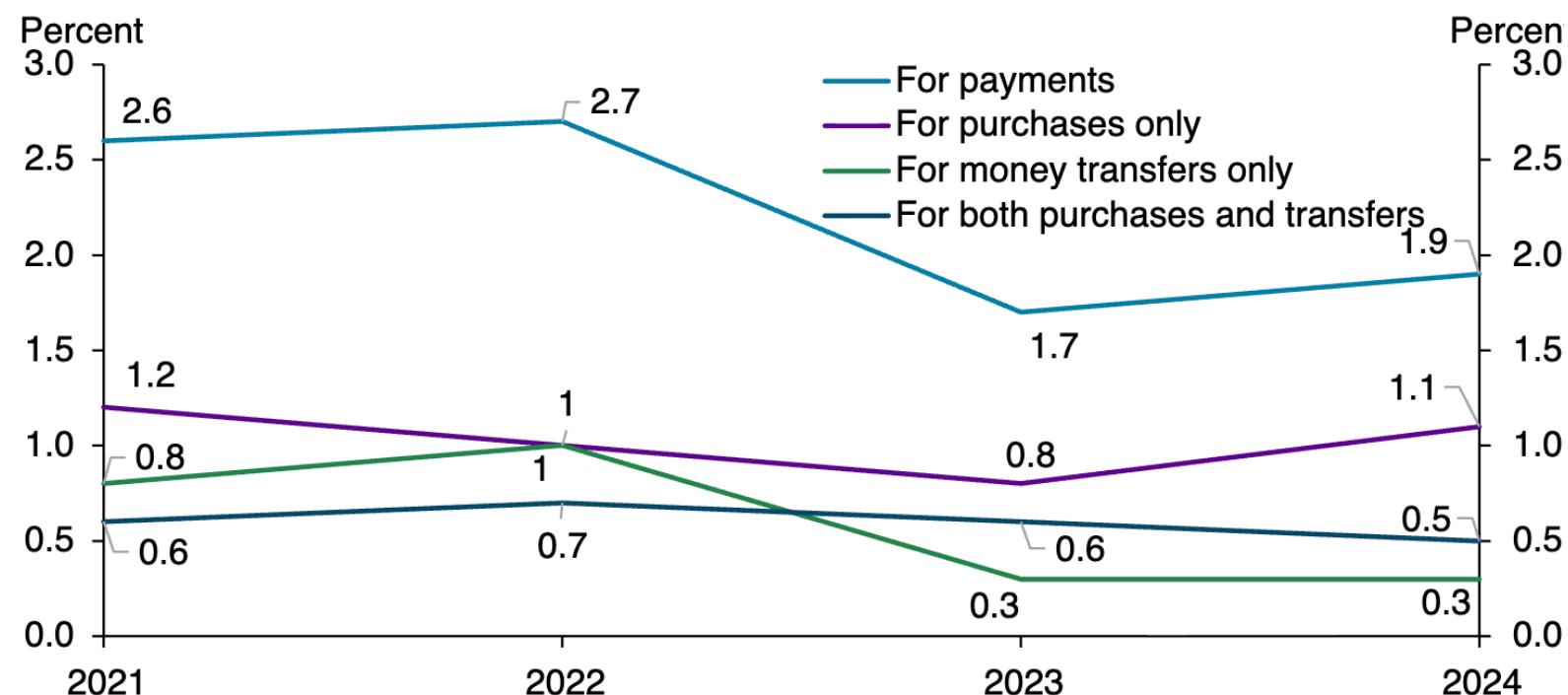


- Crypto is useful for criminals!
 - Liquidity provision by traders in this market makes it more so!
- Crypto enables large-scale scams like pig butchering
 - Low transaction costs to move money around the world
- Fine, that's a cost to crypto, but we're economists
 - What's the benefit?

People don't use crypto for payments (SHED survey)

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Chart 1: The share of U.S. consumers who use cryptocurrency for payments has declined slightly

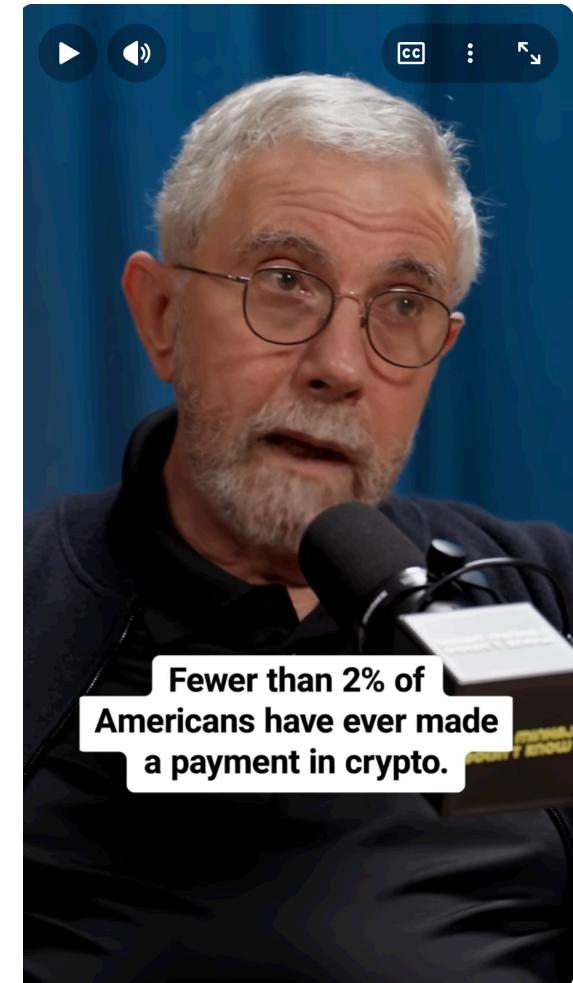


Sources: Board of Governors of the Federal Reserve System and authors' calculations.

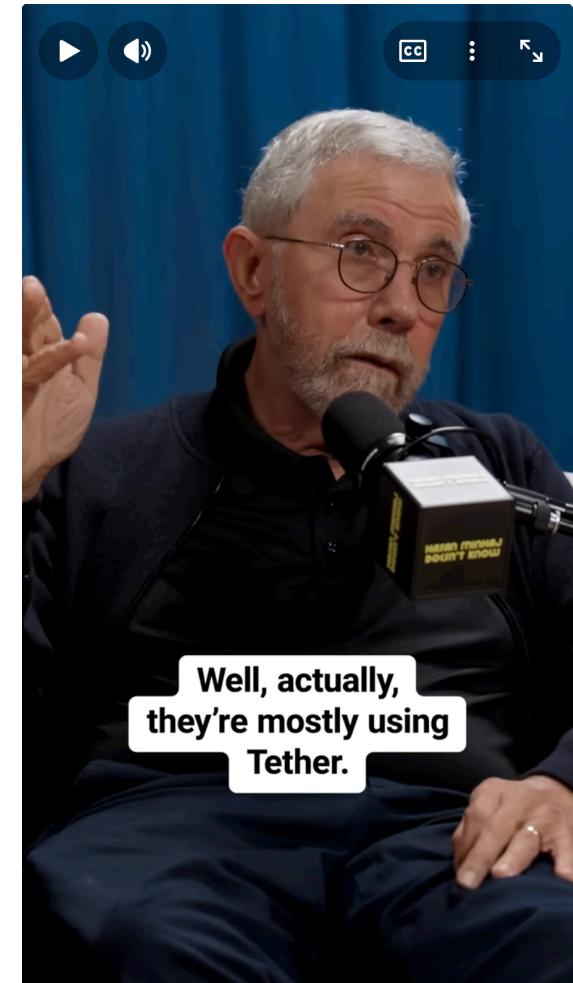
How big is 27.8 billion?

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- My son just asked my father “is 18 a lot?”
 - ▶ 18 trucks of apples would be a lot
 - ▶ 18 apples would not be a lot
- 27.8 billion dollars annually is...
 - ▶ 0.24% of Ethereum transfers
 - ▶ 900-1,400% of U.S. crypto **payments**
 - Calculation based on [Coinlaw.io](#)
 - Buyer beware! But even conservative estimates would put this number very high



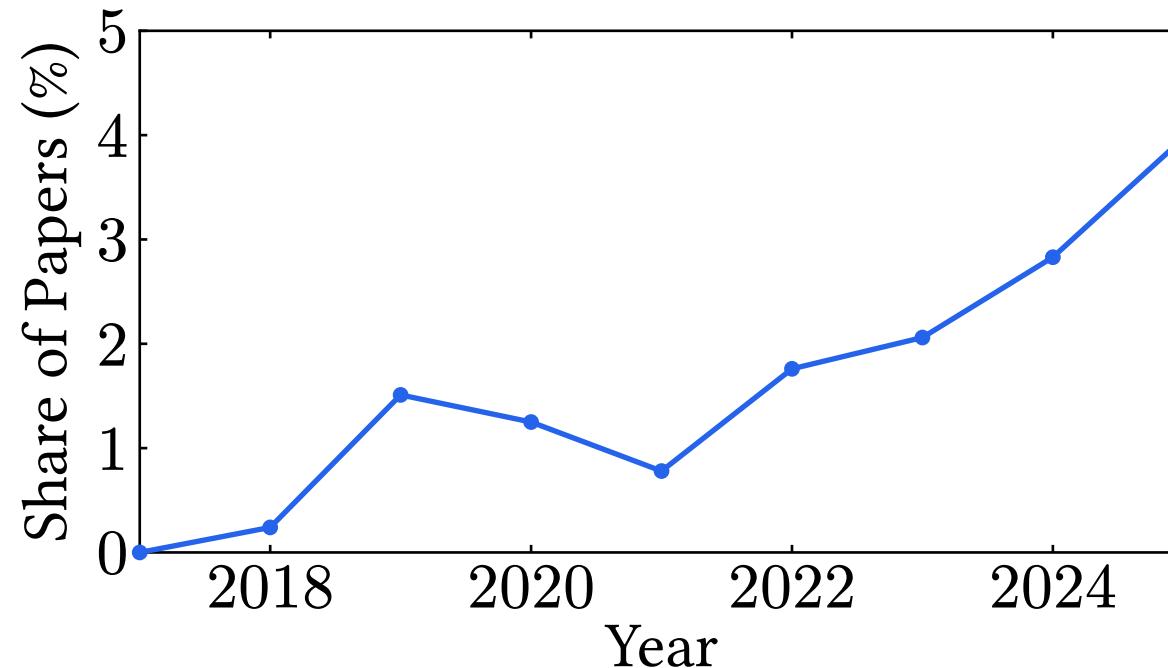
- Credit card fraud is 33.83bn – 0.06% of total transaction volume
 - [Nilson Report](#)
- So crypto seems good for scammers **because** of low transaction costs
 - Innovations in crypto like Stablecoin make it **even better**
 - Limited benefits on transaction side – benefits would need to be on investment side
- Why don't we focus on this more in academia?



What do we (academics) focus on in Crypto?

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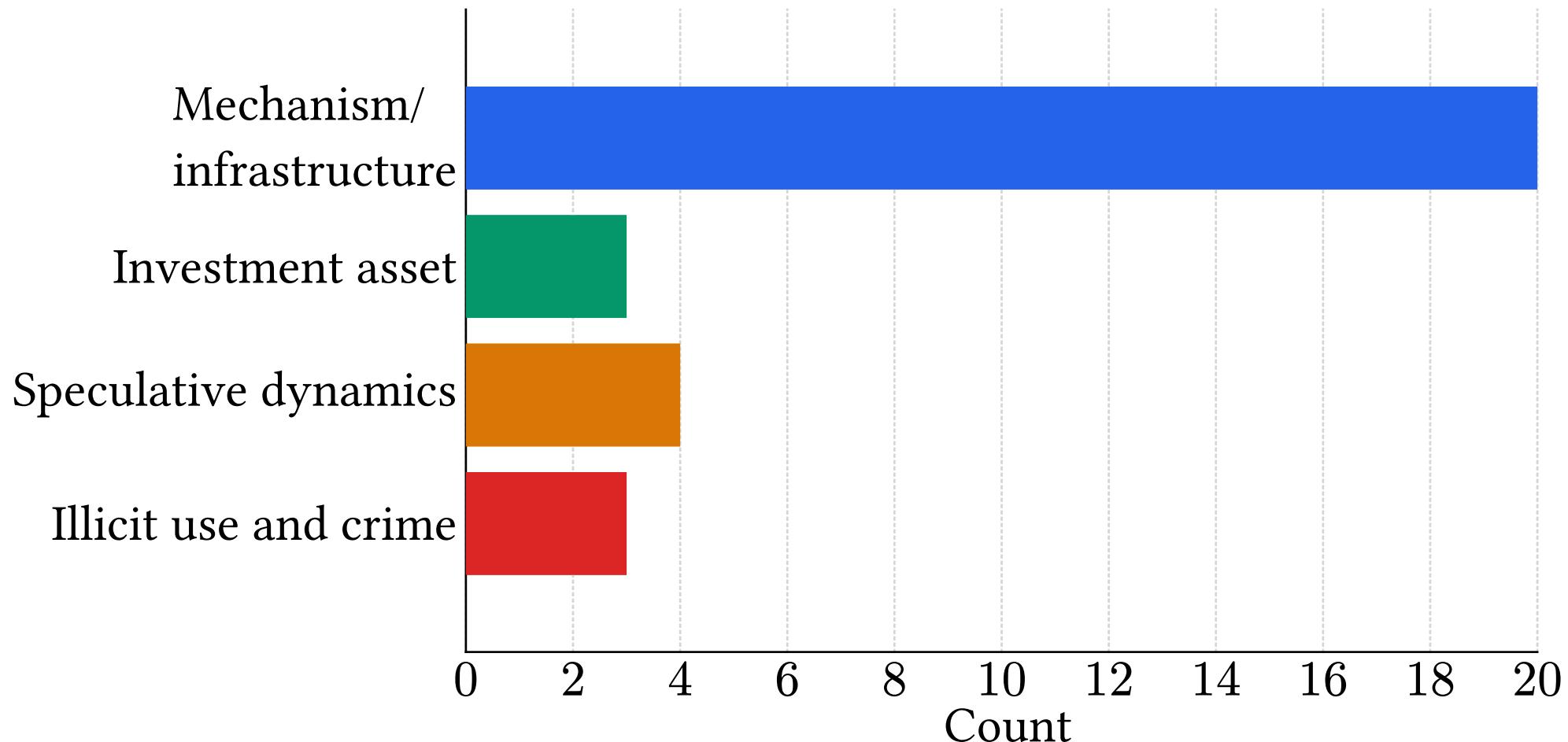
- Share of papers in JFE, RFS, and JF that mention “crypto”
 - ▶ 30 total papers



Source: <http://paulgp.com/econlit-pipeline/> Goldsmith-Pinkham (2025)

What do we (academics) focus on in Crypto?

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What do we (academics) focus on in Crypto? Market structure

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Paper	Year	Journal
Product market competition with crypto tokens and smart contracts	2023	JFE
Initial Coin Offerings: Financing Growth with Cryptocurrency Token Sales	2019	RFS
Optimal financing with tokens	2021	JFE
Decentralization through Tokenization	2022	JF
Decentralized Exchange: The Uniswap Automated Market Maker	2024	JF
Blockchain Disruption and Smart Contracts	2019	RFS
Strategic digitization in currency and payment competition	2025	JFE
Committee-Based Blockchains as Games	2023	RFS
Token-based platform finance	2021	JFE
From mining to markets: The evolution of bitcoin transaction fees	2019	JFE

Two papers out of 30 touch on the criminal side of crypto!

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Sex, Drugs, and Bitcoin	2019	RFS	Quantifies illegal activity financed through crypto
Ransomware activity and blockchain congestion	2021	JFE	Criminal activity affects blockchain operations

- Crypto is useful for scammers because of low transaction costs
 - ▶ This is an underappreciated fact in academia
 - ▶ We should focus more on the dark side of this technology for households, not just as the investment side
- Griffin and Mei (2025) provide a great service by quantifying the scale of pig butchering scams
 - ▶ We should think about the criminal uses of crypto more broadly
- The finance profession has largely ignored this side of crypto research
 - ▶ Time to change that!

- Why not do longer hops to trace further? Why stop with 5?
- Can you measure risk / volatility for scam money that is not in stablecoins?
- How do these hackers get around the KYC?
- Given the results in Sokolov (2021), can you see how volatility in the markets (e.g. in Bitcoin) affects transaction costs for this money laundering?
- Since you're worried about censoring in the data (e.g. not measuring recent flows), can you model this and account for it? (a la hazard models)