

What Drives Crypto Currency Investors?

“An Analysis of Crypto Currency Investors’ Motivations Through a Framework of Norm Life Cycle Theory”

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## Abstract

The frenzy of public interest in crypto currencies has meant that many have started to invest in the crypto market over the past years. Such investments come with great risk as the market is very unstable. Yet, more and more people continue to enter this market. This thesis seeks to understand what drives investors to enter the market and why this happens. It will analyse this question by looking at the role of ideas and norm spreading actors through a theoretical framework based on norm life cycle theory. The results indicate that investors are strongly influenced by such normative actors, who compel them to start investing in the market. Several explaining mechanisms are identified in the results. Key explanans are formulated as mechanisms of enforcement, which can be observed as the promise of high reward and forms of peer pressure, such as the fear of missing out.

## Table of Content

<b>1. Introduction</b>	<b>6</b>
<b>2. Theoretical Background</b>	<b>10</b>
2.1. Social Constructivism	10
2.1.1 Constructing Reality	11
2.2.2 Strengths, Weaknesses, and Critique	11
2.2. Norm Life Cycle Theory	12
2.2.1 Norm Emergence	13
2.2.2 Norm Cascade	13
2.2.3 Norm Internalisation	14
2.3. Academic Responses and Critique to Finnemore and Sikkink	14
2.4. A General Model	16
2.5. From Theory to Hypotheses	17
2.5.1 Hypothesis 1: Norm Identification and Formation	18
2.5.2 Hypothesis 2: Propagation and Transmission	18
2.5.3 Hypothesis 3: Internalisation as a Part of Emergence	18
<b>3. Methodological Approach and Operationalisation</b>	<b>20</b>
3.1. Data Collection Methods	20
3.2. The Collection of Sources	21
3.3. Operationalisation	22
<b>4. Empirical Analysis</b>	<b>24</b>
4.1. The Inception of Crypto Currencies	24
4.2. The Crypto Market	25
4.3. Normative Actors: Musk and Coin Bureau	27
4.3.1 Elon Musk	27
4.3.2 Coin Bureau	28
4.4. Normative Messages and the Effect on the Crypto Market	28
4.4.1 The Musk-Effect	28
4.4.2 The Coin Bureau-Effect?	29
4.5. Through the Lens of Norm Dynamics Theory: Applying the Framework	30
4.5.1 Investing in Crypto Assets as a Norm	30
4.5.2 Propagation and Transmission of the Norm	31
4.5.3 Internalisation as a Part of Repetitive Enforcement	32
4.5.4 Internalisation as Market Knowledge	32
<b>5. Conclusion</b>	<b>35</b>
<b>6. Reference List</b>	<b>39</b>

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## 1. Introduction

Cryptocurrencies have taken the world by storm since their invention roughly 15 years ago, when Satoshi Nakamoto presented the designs for the Bitcoin, the first of its kind (Nakamoto, 2008). Since then, the crypto world has in terms of total market capitalisation stretched beyond several trillion USD (Statista, 2023). Besides Bitcoin, prime examples of crypto coins are Ethereum, Tether, Binance Coin, and Cardano. These crypto coins are very successful in terms of individual value, as they constitute the most valuable crypto coins based on their market share at the time when this thesis was written (Statista, 2023). The plethora of different crypto coins even stretches as far as the likes of ‘Dogecoin’, a crypto coin whose right of existence is based on an online joke (Chohan, 2021), but has still managed to climb from a total value of 60 million USD in 2014 to around 10 billion USD in 2023 (Statista, 2023). This shows that in the world of crypto coins, even a joke can become a multi-billion-dollar financial asset. Because of this, many people are drawn to becoming investors in crypto assets, even though there are many negative aspects to such investments. Hence, this thesis embarks on explaining why people keep investing in crypto assets, despite some strong downsides and risks to such investments, which will be illuminated upon hereafter.

Creating a crypto coin is possible for anyone with a computer and an internet connection. Hence as of 2023, there are around 9000 different crypto coins, but it is estimated the top 20 of these make up nearly 90% of the total market (Statista, 2023). In general, since the emergence of the crypto currencies, the expectation was that they would in time become actual currencies, like the name suggests, and could maybe even take over from traditional fiat money once the value of crypto coins would stabilise. These expectations made them popular and in a short amount of time, the total crypto asset market exploded to a market whose daily trades exceeds billions of dollars (Bartoletti et al, 2020, p. 1). This meteoric rise exemplifies the hype around crypto coins.

Now, after 15 years of crypto assets, it is time to make up the balance. Many of the initial expectations have not been met. For example, despite the crypto market encompassing roughly three trillion US dollars in November 2021 (Statista, 2023), it has not taken over from fiat money in usage for purchases in the legal economy. Although a quick google search does bring you to web shops and websites which allow you to use certain crypto assets as method of payment for goods like smartphones all the way to cars, that level of usability is nowhere near widespread across society. On top of that, it has not been institutionalised to an extent it can be relied upon as a currency in major economies or economic zones. The only example is El Salvador, who declared Bitcoin as legal tender for the whole country in 2021 (Alvarez, 2022). In contrast, countries such as China, which is the leading country in the world in terms crypto investing, research, and development, have declared all crypto transactions to be illegal in the same year El Salvador did the opposite (Riley, 2021). Moreover, the US government in their turn has launched investigations against several of the biggest crypto traders in the world because of suspected fraud and illegal security trading (SEC, 2023). Finally, as a market and as a financial asset, crypto currencies are infamously volatile. This becomes evident through the several times the market collapsed. Based on data from CoinDesk, one of the largest crypto-analysis platforms, several crashes throughout 2013 and 2018 saw important coins like Bitcoin and Ethereum lose over half their value in a single day (Coindesk, 2023). The best example of such crashes, in 2022, saw the market’s total value drop from 3 trillion USD to under a trillion USD in less than 6 months, according to market capitalisation data from Statista (Statista, 2023).

Despite these negative characteristics of crypto currencies, many individuals and organisations still heavily invest in the market and its individual coins. This still makes it a trillion-dollar industry. Moreover, the number of investors in crypto assets keeps on rising

steadily and that trend shows no signs of slowing down in the coming years (WorldBank, 2022). This is puzzling at the least and this article will zoom on what causes individuals to invest in crypto assets.

It is within this field of tension, that this thesis poses the following research question:

*RQ: Why do people keep investing in crypto assets, despite incredible market volatility and lack of institutionalisation?*

This question is not new as motivations for crypto investors has been examined by academics, which will be shown through an overview of the relevant literature below. None of these works, however, provide an in-depth, theoretical understanding of what the role of ideas are in crypto acquisition. Thus, the novelty of this thesis lies in the theoretical approach to this question, as it will employ the norm-life cycle theory and look at how ideas can influence the crypto market. This constitutes the scientific relevance of this thesis, as it presents a new theoretical approach towards understanding investment motivation in the crypto market. The exact manner in how this approach is shaped, will be outlined in chapters 2 and 3.

Given that crypto currencies have experienced a period of strong development over the past years and have become popular assets in global financial markets (Bialkowsky, 2020; Fang et al, 2021), it is not surprising that it has received plenty of attention plenty of attention from media, investors, government agencies and of course the academic world. The wider academic discipline of behavioural finance has in this period been including new research on investors behaviour in the crypto currency market. Because of this, various topics have been addressed, such as investment sentiment in crypto currency market (Nie et al, 2020; Drobetz et al, 2019; Gupta et al, 2020), herding behaviour where individuals follow groups (Papadamou et al, 2021; Bouri et al, 2019; Shrotryia and Kalra, 2021), and the news effects on choices regarding crypto investments (Zhang et al, 2019; Domingo et al, 2020). Several other studies focused on finding out why crypto currencies have experienced such a dramatic entrance in the finance and trade world and the reasons for individuals to invest in bitcoin (Mattke et al, 2020; Martin et al, 2022; Smutny et al, 2021), or sought to understand the differences between crypto investors and traditional investors (Kim et al, 2020).

The least surprising conclusion of the combined effort of the scholars above is that a very large motivational factor for people to invest in Bitcoin and other crypto currencies, with respect to sex and generation, is the speed of increase in the value of crypto currencies. Interestingly, they also found that Bitcoin and crypto-investors in general are not necessarily guided by likely revenue of their investments, but also by something which can be identified as a crypto-ideology (Mattke et al, 2020). Moreover, the main intentions to invest in crypto assets are affected by (online) social influences (Gupta et al, 2020; Mai et al, 2018; Nie et al, 2020; Drobetz et al, 2019). Moreover, research has shown that because of the mediatic nature of the market leads crypto investors to engage in herding behaviour (Papadamou et al, 2021; Kallinterakis and Wang, 2019) Several scholars have explained which factors lead to herding behaviour in the crypto market (Xiong et al, 2020; Kumar, 2020; Papadamou et al, 2021), but no deeper analyses has been performed on its origins. Similarly, none of the scholars above has explicitly focused on gaining a deeper understanding of the role of social influences and how that leads to herding behaviour. Hence, the scientific relevance lies in the above-mentioned employment of such a theoretical framework, based on norm life cycle theory, which allows to explain why social influences have effect on crypto investors and how this relates to herding behaviour in the crypto currency market.

In order to answer the research question, an analysis through the lens of the constructivist norm-life cycle theory will thus be performed. Based on this, the central premise in this thesis is that individuals are actively influenced by normative actors, or norm

entrepreneurs, into investing in the crypto currency market, in turn creating new investors in the crypto market. The choice for approaching the research question through norm life cycle theory is made because of its nature to explain where standards for behaviour originate from and why they exist (Finnemore and Sikkink, 1998). Furthermore, it allows for uncovering the mechanisms of how these standards for behaviour exercise influence over individuals and groups and under what conditions they can impact specific behaviour (Finnemore and Sikkink, 1998). Because of this, it can be employed to create a theoretical framework which allows for the answering of the research question and analysing the specific role that ideas and social influences have in motivations for individuals to invest in the crypto market.

Within norm life cycle theory, there is an essential role for those actors who are responsible for the creation and spread of standards of behaviour, or norm entrepreneurs, as they are called in previous paragraph. To this end, the main approach in this thesis is to single out such suspected norm entrepreneurs and to empirically assess their effect on crypto investors and the market, which allows to explain why this is happening. The results of an analyses according to this framework, should fill the gap in the literature as carved out above. This analysis will than focus on the specific moments in time when these suspected norm entrepreneurs broadcasted messages containing information which steers individuals into specific behaviour in the crypto market. This will be further outlined in chapter 3.

Important for such an analysis is that this thesis defines what it understands as the crypto market, as that is where the analysis will take place. In this sense, the crypto market is not like regular stock exchanges as we know from Wallstreet, Hong Kong or Amsterdam. This makes it a tricky concept as it exists on online trading platforms such as Binance or Coinbase. One cannot attach a geographical location to it because individuals and actors can access the market from most countries in the world as long as they have access to the internet. Thus, the market exists in cyberspace, is open to anyone, and can be observed through market and trading trends, which in turn are available online on crypto information websites such as Cointecko or CoinDesk.

The results of the analysis below, will help broaden the understanding of the crypto market and why its investors are influenced into entering the market. This is relevant since it is becoming increasingly important for policy makers and scholars to understand what moves the multi-trillion-dollar crypto market because of its growing role in modern economies and investment portfolios, all the while being uncontrolled by institutional checks and balances. Learning how the crypto market functions and what motivates investors could provide for important insights which are necessary to control and institutionalise crypto currencies in the future. An uncontrolled market of this size might contribute to future economic instability. Thus, the societal relevance of this thesis is constituted as such.

This thesis is structured as follows. In the next sections, starting with chapter 2, the theoretical framework will be outlined. Norm life cycle theory finds its origins in social constructivism, hence that is where the theoretical outline starts. This will be followed by an overview of the original norm life cycle model of Finnemore and Sikkink (1998) and how the academic community has responded to this fundamental work. From those theoretical considerations, several hypotheses will then be formulated. Chapter 3 will elaborate on how this thesis approaches the research topic from a methodological point of view. This includes an explanation of how data collection methods will be applied, what kind of sources this thesis relies on, and how the research question will be operationalised. Then, in chapter 4, an empirical analysis will be presented which allows for a deep analysis of the research topic to become visible. Finally, the data gathered through the empirical analysis in chapter 4, will lead to chapter 5 where the conclusions of this thesis' research will be drawn. There, the hypotheses to the research question will be looked upon once more and if they can be confirmed based on the research results.





## 2. Theoretical Background

The analysis performed in this thesis is grounded in a theoretical framework which will be outlined in this chapter. As mentioned above, the novelty of this research lies not in the research question but in the manner in which it is answered, namely through a framework based on norm life cycle theory. This theory was first worked out by Finnemore and Sikkink (1998) and was an attempt to understand the dynamics of ideas and social rules and how they impact behaviour. In their words, their theory aspires to uncover the origins of norms, their functioning mechanisms, and the factors that allows them for having societal impact (Finnemore and Sikkink, 1998). Since the publication of their seminal work, it has received a lot of critique and expansions from various authors. The general strand of literature concerning norm life cycle theory, however, is embedded in social constructivism. Hence, this will be addressed first in this chapter.

### 2.1. Social Constructivism

Social constructivism is a theoretical understanding which was fleshed out in the discipline of international relations from the late 1980s throughout 1990s. As a theory, it should be regarded as an academic response to the failure of Neorealism and Neoliberalism to explain what was happening in the international sphere such as the end of the cold war and the rise of a new wave of terrorism (Bertucci et al, 2018, p. 1). Academically, the roots of constructivism draw upon the work of sociologist Peter Berger, who wrote on the social construction of reality in the 1960s (Bertucci et al, 2018, p. 1). Constructivism was first worked out by Onuf (1989), who termed the new approach as (social) constructivism because of its focus on interpretation, the practice of actively creating and giving meaning, and social structures such as norms and identity. In the years after the Cold War up until the present, it kept on gaining traction since international politics never returned to the simplistic bi-polar world. Instead, it became increasingly complex with international issues such as climate change and the Russia's annexation of Crimea. This ushered in a new way for constructivism to explain this new interplay between multiple actors and their societal context (Bertucci et al, 2018, p. 2). Given that constructivism was first worked out in the late 1980s, with a second scholastic wave in the late 1990s, it is relatively young. Authors such as Onuf (1989) and Wendt (1992) belong to the first wave. Their work was continued by authors such Katzenstein (1996) and Acharya (2001). In the below sections, the origins of constructivism will be explored starting with Onuf's latest contributions to the debate concerning the meta-physical foundation of constructivism.

Nicholas Onuf's fundamental position for constructivism was that states, much the same as individuals, act in a world made and shaped by themselves. Therein, social facts play an important role. As opposed to brute facts, which are independent from human presence, social facts are created and developed through human (inter)action (Behraves, 2011, p. 1). Constructivism is much discussed and well-practiced in several disciplines. Despite the fact that Onuf first started developing the theoretical framework based on observations made in international relations, he acknowledges and advocates that constructivism should be regarded as a theory with specific focus on social relations in general (Onuf, 2018, p. 16). Because of this specific focus, its application in other disciplines becomes possible. This is based on the central assumption that humans in general are inclined to fill their world, or their field of perception, with "moderate sized dry-goods", as Onuf calls it (Onuf, 2018, p. 17). These "goods" are then given meaning and value. In simple terms, this refers to how we humans are inclined to see the world full of "things" with discernible boundaries and properties we give to these things. This mechanism is the scientific and philosophical foundation of

constructivism, where we constantly translate and rescale the phenomena we are confronted with in our perceptual field, to fit to our understanding (Onuf, 2018, p. 16). The above description of the fundamental mechanism in constructivism can be difficult to understand, but it is important to mention since this is how social facts are created according to Onuf. In other words, this mechanism constitutes the starting point of any social construction from where we make useful social objects/facts by giving them properties and value through our own action and interaction with others.

### 2.1.1 Constructing Reality

In international relations, social constructivism introduced itself as a challenge to the traditional neo-theories in various manners. Whereas the traditional theories regarded reality as solely the material world, constructivists also include the ideational dimension into their conceptions of reality (Bardier and Levine, 2012; Onuf, 2018). The effect of this difference is that constructivists do not take the material world as a starting point for analysing phenomena but start their observations at the point where humans give meaning and value to the material (Onuf, 2018). This point of entrance is unique to constructivism.

Thus, in constructivism the material and the immaterial is analysed. Humans relate to these two dimensions in different ways. The material world is filled with brute facts, as Onuf called them above, and is not shaped or formed through human (inter)action. It is independent from us. The immaterial world, however, only has meaning through a shared subjective understanding and social interaction (Wendt, 1992). This means that the ideational, or immaterial, world is completely dependent on human presence and behaviour. Money is one of the most obvious examples of such constructs (Wendt, 1992), in how we all agree that a bill of hundred euro can actually be used to pay for that amount in a store. In that sense, money is a construct we are all confronted with in our day to day lives. Another good example are states. States are social constructions only because we visualise them as having more or less comparable properties (Onuf, 2018). Even how this thesis makes use of theories are a form of social constructions. Scholars in general for example make use of theories and frameworks in order to analyse complex phenomena such as international relations in order to locate themselves in such complex and abstract places such as the space where states deal with another (Onuf, 2018). In short, these are some examples of what and how humans deal with and are responsible for the immaterial world.

### 2.2.2 Strengths, Weaknesses, and Critique

With the arrival of constructivism in the theoretical realm, the ideational world was incorporated in an analytical framework for the first time which allowed its observation and acknowledged its importance in understanding social phenomena across the social sciences. Constructivism started to emerge from the discipline of international relations as a sort of metatheory about how social sciences in general operate (Behraves, 2011). As an approach it emphasizes the ideational factors, and not just the material ones, in explain social action and interaction (Bertucci et al, 2018). It asserts that the most important ideational factors are created and shared through subjective interaction and contends that these ideational factors shape the interests and identities of actors (Bertucci et al, 2018). Because of its meta-theoretical nature, constructivism received growing critique over the years. The main points of criticism in the discipline of international relations were that it provided little in the way of substantive knowledge generating, as well its inability to create hypotheses (Behraves, 2011).

As was established above, the recognising of ideational factors in social processes proved to be an enrichment in social studies. However, as a consequence constructivist scholars began to over-emphasise social factors and reduce the role of the material dimension in their research (Marsh, 2009). This is problematic, as the role of the material dimension is still essential in how reality is shaped. Besides this critique on constructivist scholarly work, Marsh goes on to argue that it is crucial to recognise that the relationship between the material and the ideational is dialectical (Marsh, 2009, p. 679). In simple terms, their relationship is interactive and repetitive. This means that is not only important to consider the material dimension to get a complete overview of reality, both dimensions also influence the other as they interact. Hence, it is not only the ideational that gives meaning to the material, but also the material shaping the ideational. This argument by Marsh, which is based on his empirical analyses of literature in the fields of globalisation international politics, consequently, means an extension of the original constructivist assumptions about the nature of the relationship between the material and the ideational.

In the fundamentals of its theoretical framework, constructivism allows scholars to look at the phenomena in a more complete way, as it puts the ideational dimension in a prominent position. This helps researcher to answer important questions about how the meaning and value we have given to concepts and material phenomena have come into being and how social facts are created. Constructivism gave scholars new perspectives in their research and new avenues of exploring their topics. However, as a theoretical framework it has its shortcomings. These shortcomings can mainly be found in the inability of constructivism to answer why such social facts came into being at specific moments in time and why they developed the way they did and reached dominance (Bieler and Morton, 2008). Furthermore, it neither provided any conceptualisation of where new ideas and social facts come from and what is responsible for their inception (Bieler and Morton, 2008). To find theoretical bedrock in order to answer such questions, this thesis looks towards the norm life cycle theories, developed in the late 1990s and early 2000s. In the below section, this theoretical strand of literature will be explored.

## 2.2. Norm Life Cycle Theory

Norm life cycle theory is an exponent of the theoretical turn towards constructivism, as was outlined above. Among the strand of literature dealing with norm emergence and spreading, the work of Finnemore and Sikkink can be regarded as a sort of fundamental framework. Specifically, they developed three aspects of norm dynamics based on observation in international politics. Namely their origins, the mechanism of how they exercise influence, and the conditions under which they can impact societal processes and politics (Finnemore and Sikkink, 1998, p. 888). In their article they argue why (international) norms are an important object of study, which thus lead them to developing their framework which allows for the observation and analysis of such norms in society. Since Finnemore and Sikkink laid the groundwork for norm dynamics theory, their framework will be presented below in detail.

Finnemore and Sikkink developed their theories based on several definitions of what norms are. The most fundamental definition they use is that “a norm is a standard for appropriate behaviour for actors with a given identity” (p. 891). They make distinction between three categories of norms, namely regulative norms, constitutive norms, and prescriptive norms. The first refers to norms that order and constrain behaviour and the second refers to those which create new actors, interests, or categories of behaviour. The third category, an overlooked one at the time of writing of their article, refers to norms that prescribe what is ought to be (Finnemore and Sikkink, 1998, pp. 891-892). For this research, the interest lies in the dynamics of these norms. It is theorised that norms go through several

stages where they grow to a point where it reaches widespread agreement among a group of actors or in a community and becomes empirically observable. The tipping point towards widespread agreement occurs once the norm has reached a critical mass, according to Finnemore and Sikkink (1998, p. 893).

### 2.2.1 Norm Emergence

Finnemore and Sikkink described norm-influence as a three-stage process. This can be seen in figure 1 below. Before a norm's influence can be observed empirically, it must move along these three stages. As can be seen, stage 1, norm emergence, and stage 2, norm cascade, are divided by the tipping point. This is the point where the norm reaches a 'critical mass', from where on it is adopted by relevant actors. The mechanism that drives this change from stage 1 to the next is the presence of norm entrepreneurs. Norm entrepreneurs are actors who have the goal of convincing a critical mass of relevant actors to embrace new norms. This makes them essential for the emergence of new norms because they are the first to call attention to an issue or are even able to create new issues (Finnemore and Sikkink, 1998, p. 897).

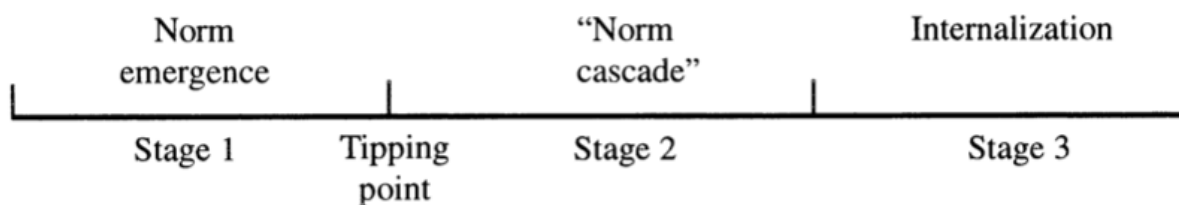


Figure 1 Finnemore and Sikkink, 1998)

Norm entrepreneurs can be motivated to function as such because of empathy for the norm, altruism, or ideational commitment. Once these actors have decided they will promote the norm in a group of relevant actors, their modus operandi is simply to persuade as many actors as possible to adopt the norm.

Besides norm entrepreneurs, there is a second element which is vital for the emergence of new norms. Namely, to promote a new norm, these entrepreneurs need a platform which allows them to reach their targeted actors (Finnemore and Sikkink, 1998, p. 899). In most cases, whatever the platform, norm entrepreneurs usually need the support of major actors to endorse their norm in order to achieve the tipping point (Finnemore and Sikkink, p. 900). In the 21st century with the widespread presence of internet, platforms with a broad reach are of course much easier to access in the form of social media. In such cases it is not necessarily the case that you need the support of major actors, as a single norm entrepreneur can reach millions of individuals on their own through modern digital means. This an important understanding to this thesis, hence it an aspect which will be looked at and incorporated in the hypotheses at the end of this chapter.

### 2.2.2 Norm Cascade

The second stage, that of norm cascade, is signified by the norm being adopted by relevant actors without the pressure of norm entrepreneurs. This stage can only be reached when the aforementioned tipping point is reached, which is when the norm attains a 'critical mass'. This tipping point is somewhat vague, but Finnemore and Sikkink argue that within

international politics for example, a norm can reach this tipping point when one third of the relevant state-actors adopts the new norm (Finnemore and Sikkink, 1998).

When the norm passes the tipping point, it reaches the second stage. Within this stage, the central mechanism is a form of socialisation which triggers more actors to become norm followers. This socialisation occurs in various forms. First, through emulation, meaning the drive to match heroes or successful norm followers. Second, through the praise for norm confirming behaviour, and third through ridicule for norm deviation (Finnemore and Sikkink, 1998, p. 902). In simple terms, these forms of socialisation basically amount to various forms of peer pressure. Besides these forms of socialization, norm entrepreneurs continue to actively promote the norm through their platform which further stimulates the process of norm cascade. However, even without the propagating activities of norm entrepreneurs, once a norm has reached the second stage, it is essentially capable of growth based on its own strength.

### 2.2.3 Norm Internalisation

In the third and final stage, the norm is internalised. In this stage, norms become so widely accepted that they are internalised by actors and become a part of natural automatic behaviour and assumptions (Finnemore and Sikkink, 1998, p. 905). They are taken for granted. This makes them powerful in their effect on actors and simultaneously hard to recognise, since they are deeply embedded. The process of internalisation is strengthened through professions, or lines of work, where certain behaviour or assumptions become part of the job description. A second mechanism at play in this stage, is what can be described as habits or iterated behaviour. As behaviour is repeated by actors in a community this will in time embed itself in the fundamental norms in a group of people (Finnemore and Sikkink, 1998, p. 905). In simple terms, one could call this the power of repetition. In turn, this is something that norm entrepreneurs can still affect by their presence and action. Despite norm entrepreneurs remaining active in repetition and affirmation of norm-compliant behaviour, in the framework of Finnemore and Sikkink, the norm has now reached its endpoint.

## 2.3. Academic Responses and Critique to Finnemore and Sikkink

Finnemore and Sikkink's theoretical understanding of the dynamics of norms is not very difficult to understand and has been applied in various studies. Especially in research which deals with normative structures, which seems obvious, such as research in the area of human rights, ranging from democratisation (Thomas, 2001) or workers' rights (Payne, 2001). Given that norm life cycle theory hails from constructivism, which in turn is rooted in international relations theory, research on norm dynamics using Finnemore and Sikkink has also been practiced in this discipline. Examples of this include research on international norms regarding warfare and weapons usage (Price, 1995 and 1997).

Besides norm research having been practiced based on Finnemore and Sikkink, their framework has also drawn critique from other norm dynamics scholars. This critique primarily focuses on the fact that norm dynamics are portrayed to be static by Finnemore and Sikkink, in the sense that there is no circularity in their model. The only way for a normative framework to change, is for a new modified norm to come into existence which then must go through the whole cycle again. Furthermore, they approach the concept of norm entrepreneurs to be simplistic and do not take other shapes or forms of normative actors into account. Below, several scholars will be outlined who have responded to Finnemore and Sikkink and have attempted to deal with the above shortcomings in their works.

In general, whereas Finnemore and Sikkink designed their theory based on international politics, authors such as Savarimuthu and Cranefield (2009; 2011), Hollander and Wu (2011), and Mahmoud et al (2014), applied and expanded the model to normative multi-agent systems. In such a system, multiple agents keep control over each other and consequently are dependent on the other in the extent they can change norms (Boella et al, 2006, p. 5). By approaching norm dynamics theoretically in such an environment, the subsequent norm models of these authors are much more suited to explain how multiple norms can be dominant and compete with the other in the same community at the same time, something the model of Finnemore and Sikkink did not consider.

Savarimuthu and Cranefield (2011) were the first to respond to Finnemore and Sikkink by making several contributions to the three-stage model. First, they expanded norm creation, arguing that besides norm entrepreneurs, norms can also be created through off-line designers and norm-leaders. Off-line designers refer to those who create norms but are not part of the community as an actor. The distinction of norm-leader comes from the reasoning that norm-entrepreneurs do not necessarily have to be norm-leader, who in this case are powerful actors who can force new norms on other actors to follow (Savarimuthu and Cranefield, 2011). Additionally, they added two steps to the model. A new second step, namely identification, is necessary because in some cases after creation, norm appears unintentionally through interaction among actors. In such a case, it first needs to be recognised as a new norm. The other new step comes as norm enforcement, which means for norm agents to make sure the norm is followed in a community (Frantz and Pigozzi, 2018, p. 503). Enforcement can happen in many ways and does not always have to be negative, as will be shown later.

In terms of complexity the model proposed by Hollander and Wu (2011) takes the top-spot. They adapted a model from Finnemore and Sikkink, and Savarimuthu and Cranefield with ten stages. These ten stages are derived from the three mainstages in the model of Finnemore and Sikkink. However, what mainly separates Hollander and Wu from the other models, and is consequently their main contribution to the debate, is that they think of norm dynamics as something which is more circular than linear. This means that they theorise norm dynamics as an iterative process which involves the evolution of existing norms into new ones. Especially the emergence stage is a repetitive aspect, involving the transmission of the internalised norm, which is the end stage, to new participants. Approaching this stage in this manner lies in contrast to all the other norm theory models (Hollander and Wu, 2011). Other models treat the end-stage of their models as the abandoning of the norm. Thus, this circular view is explicitly different.

The final and newest addition to the norm dynamics discourse, comes from Mahmoud et al (2014). This model heavily builds on the work of Hollander and Wu (2011), but its attempt is to simplify their model towards the level of comprehensiveness of the initial model. This consequently translates to the main critique of Mahmoud et al on the earlier work of Hollander and Wu, that it is too complex which makes it difficult to apply. Hence, Mahmoud et al choose to not focus on the detailed mechanisms behind each stage like the previous models and instead chose to identify the essential process of norm dynamics in five stages. This weakens the model, especially in the stage of emergence where it fails to explain how norms are internalised and instead omits this vital component of norm dynamics (Frantz and Pigozzi, 2018, p. 514). Overall, the model seeks to rationalise and simplify the norm life cycle theory. This leads to a cut and clear model, but one that is not sufficient in explaining norm dynamics completely (Frantz and Pigozzi, 2018, p. 516).

## 2.4. A General Model

Given the above outline of the most important models in norm life cycle theory, which all seek to improve on previous contributions, it can be difficult to keep track of where all these contributions have brought norm life cycle theory in general. To summarise the above, Finnemore and Sikkinks model emphasises long-term perspective of normative change in a clear, but extensive model. Savarimuthu and Cranefield provide a detailed account of how norms come into being, going into more detail in the first stages of the cycle, but lack a long-term perspective. Hollander and Wu created the most detailed model, whose novelty lies in the circularity of the model, solving a major point of criticism aimed at the Finnemore and Sikkink. This means that norm life cycles are repetitive in nature, especially in the emergence and internalisation of norms which is a process that can be continued without the abandonment of norms. Mahmoud et al condensed the above models but did not take over the circularity of emergence and internalisation. The problem with all these models, is that they are designed in similar fashions, based on the initial designs of Finnemore and Sikkink, but they use different terms, and each come up with different stages for norm dynamics. This terminological comprehension problem is solved by Frantz and Pigozzi (2018) who attempted to synthesise a general norm life cycle model, taking into account the main points of critique and shortcomings of all previous models. This model can be seen in figure 2 below.

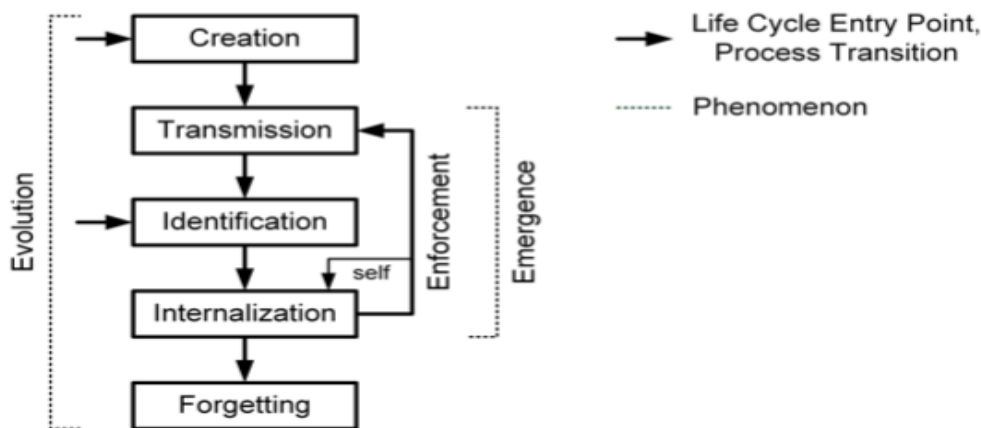


Figure 2 (Frantz and Pigozzi, 2018)

In this synthesised model, five steps are developed which are necessary to follow if one seeks to analyse norms in society. The first step is to distinguish whether the normative process one is analysing is a micro-level or macro-level phenomena. For an in-depth analysis of a norm, it is useful to make this distinction between micro processes and macro phenomena, since this impacts later modelling considerations for the approach towards the specific normative structure (Frantz and Pigozzi, 2018).

In the second step, which deals with analysing norm identification and formation, several theoretical mechanisms are considered based on the 4 models above, of which especially Savarimuthu and Cranefield (2011) is relied upon. Concerning norm creation, these mechanisms are norm leadership, off-line design, social interaction, and norm entrepreneurship as developed by Finnemore and Sikkink (1998), with the unintentional inception of norms as the first mechanism that should be considered when analysing norms. This, as it is the most fundamental possible starting point of a norm's life cycle, followed by



intentional norm creation (Frantz and Pigozzi, 2018, p. 524). The reason for this is because not all norms are created intentionally, as was mentioned above.

For the third step, dealing with propagation and transmission of norms, a prerequisite is enforcement. Enforcement is the essential mechanism in this phase because it is a dynamic process that promotes the reinforcement of norms, leading to their spread among a community of actors. This can happen in different forms and does not have to be negatively motivated, as is commonly associated with a concept such as enforcing. For example, norms can be enforced through rewards for norm-compliant actors or through punishment for norm-breakers (Frantz and Pigozzi, 2018, p. 524). Apart from enforcement from external parties, such enforcement can also be directed at oneself. This can happen through experiencing a feeling of having to do the right thing, the feeling of guilt because of norm-breaking behaviour, or the feeling of peer pressure which in turn can have several causes, as presented in the above sections (Finnemore and Sikkink, 1998, p. 902). Whether the enforcement is positive or negative, for a norm to be enforced, some level of internalisation of the norm is necessary in order to be able to recognise compliance or non-compliance. Hence, emergence as several of the models call it, is not per se a process in its own (Frantz and Pigozzi, 2018, p. 524). Emergence should be seen as an outcome of the cyclical enforcement of norms through formation, propagation, internalisation, and reinforcement of norms. This is in line with the cyclic model of Hollander and Wu (2011).

The fourth step is what Frantz and Pigozzi determine as “norm forgetting”, which is a by-product of norm evolution (2018, p. 525). Hollander and Wu introduce forgetting as an end point of an evolutionary cycle of norms which is repetitive in nature. However, Frantz and Pigozzi characterise norm forgetting as what happens when an old norm is becoming obsolete and forgotten. While the forgetting of norms is indeed an essential endpoint in normative life cycles, it does not represent the starting point for continuous evolution but is rather what remains as waste when this continuous evolution restarts when a new norm arises. Hence, it is a by-product of norm evolution (Frantz and Pigozzi, 2018, p. 525).

The fifth and final step in this overview, is a potential step a norm can go through, according to Frantz and Pigozzi (2018, p. 526), namely that of norm modification. This step is included because the model of Hollander and Wu (2011) proposes that norm-modification is part of norm dynamics as a separate phase as part of the internalisation of norms. However, Frantz and Pigozzi propose that norm-modification is process that happens continuously throughout the iterative process of norm dynamics. It can potentially happen at any point in its life cycle, either intentionally and systematic because of norm-entrepreneurs or norm-leaders who actively change and reshape norms, or unintentionally because of social interaction. Hence, the fifth step of norm modification can occur at any time during transmission, internalisation, or enforcement.

## 2.5. From Theory to Hypotheses

The above sections have presented the theoretical background based on which a framework will be created through which the research question will be answered. It has shown how social constructivism is the theoretical bedrock of this thesis, but also how this theoretical stream is epistemologically unequipped to explain why new ideas and social facts appear, where they come from and how they develop. In response to this inability, Finnemore and Sikkink (1998) developed their norm-life cycle theory which sought to fill this gap. Their work proved to be the catalysator for an interesting debate among constructivist norm-theorists. Their model for the dynamics of norm development, drew a lot of criticism for its simplistic approach towards norm socialisation and internalisation. Several authors have vocalised their critique in works of their own and moved ahead by reshaping and updating the initial norm life cycle model to

account for these shortcomings. Over the years of academic discussion, this has amounted to a general norm-life cycle model by Frantz and Pigozzi (2018) who incorporated the critique from various authors above.

Based on that synthesised general model, this thesis will perform its empirical analyses. As such, the model will lead the below analyses to explain keep investing in the crypto currency market, despite major negative aspects such as its volatility and lack of institutionalisation. As such, three hypotheses can be formulated which are connected to the steps of the general model and specific aspects of the other models produced by the various normative scholars outlined above.

### 2.5.1 Hypothesis 1: Norm Identification and Formation

In the original norm life cycle, as developed by Finnemore and Sikkink (1998), an essential role for norm entrepreneurs was emphasised for the spread of norms. They defined these actors who have the goal of convincing a critical mass of actors to embrace new norms. Frantz and Pigozzi (2018) argue that the norm entrepreneurs are too narrow as a concept, hence they include norm-leaders, off-line designers, and social-interaction as concepts which can be responsible for the creation and spread of norms. Such normative actors, as this thesis will collectively refer to them, in turn make use of platforms to spread their norms and reach their targeted audience. This leads to the following hypothesis:

*H1: Normative actors, through making use of their respective platforms, actively seek to influence crypto asset market trends with specific messages about crypto currencies.*

### 2.5.2 Hypothesis 2: Propagation and Transmission

The main mechanism which is essential for the transmission of norms is enforcement, as was shown above based on Frantz and Pigozzi (2018). Enforcement can take on two main forms. First, as external enforcement through reward and punishment, and second as internal enforcement, through guilt and peer pressure. Because of these various forms in which enforcement happens, norms are allowed to spread or ‘cascade’ through society. In essence, the following hypothesis encompasses how enforcement thus causes specific behaviour to spread in the crypto investment market. Hence, it is formulated as:

*H2: Individual investors in the crypto market are strongly encouraged to invest in crypto currencies because of enforcement mechanisms which can be observed in investment motivations, causing investors to be shaped into norm followers.*

### 2.5.3 Hypothesis 3: Internalisation as a Part of Emergence

As norm emergence is an outcome of cyclical enforcement which ends in norm internalisation, the third and final hypothesis of this thesis seeks to zoom in on this aspect of the general model of Frantz and Pigozzi (1998). At this point, when norms have become internalised at the end of the diffusion process in society, relevant actors have made the norm part of their standard behaviour. This means that the behaviour which is part of the norm can be observed in society. Hence, the final hypothesis is given as:

*H3: Normative messages spread by normative actors concerning crypto assets have a direct and observable effect on market trends of specific crypto assets.*



### 3. Methodological Approach and Operationalisation

In this chapter, the methodological approach towards the research question will be outlined. This will be followed by sections on what kind of sources will be consulted and how this thesis will operationalise its research goals. In short, this chapter deals with explaining how this article will seek to generate knowledge. This is called the epistemology of science, which is a term that has become interchangeable with the theory of knowledge whose focus lies on the origin and structure of knowledge (Rawnsley, 1998, p. 3). Given that this article deals with questions pertaining to social research and these questions will be answered based on qualitative methods, as will be shown later, several epistemological classifications come into play.

Firstly, it is worth mentioning that even though qualitative research is often thought of as inductive, this is not a rule set in stone nor is research either purely inductive or purely deductive (Ritchie, 2014, p. 12). Inductive research collects evidence bottom-up, which leads to new knowledge and theories. Deductive research is the opposite, as it is top-down, meaning it takes in a position through a hypothesis and tests this position against observations. However, even when so-called inductive researchers interpret their data, they cannot approach this with a blank mind. Even without hypotheses testing, they need some framework through which they analyse the data which is deductively derived from previous work. Similarly, deductive researchers make use of theories which have been inductively derived from previous observations (Ritchie, 2014, p. 31). This also holds for this article, as it will use normative life cycle theories to formulate hypothesis which will be tested in order to explain why people keep investing in crypto assets despite the market volatility and lack of institutionalisation. Thus, whereas the analyses in this thesis will be deductive, it makes use of a strand of literature which is based on thorough inductive research. Besides deduction and induction, Blaikie (2017), introduces two more epistemological approaches. There is abductive logic, which means using research participants own account of everyday activities, ideas, and beliefs as a starting point for collecting data. Secondly, a retroductive approach is identified as the researcher identifying the structures or mechanisms that may have produced patterns in the data and trying to find several theoretical models that fits this pattern (Ritchie, 2014, p. 32). This closely touches on how this research is designed, as its hypotheses propose that mechanisms from norm life cycle theory can be used to explain patterns in crypto market data. Thus, the epistemology of this thesis lies somewhere between deductive and retroductive.

A second epistemological issue that is worth mentioning concerns the relationship between the researcher and the researched and how this influences the connection between facts and values. Especially in the social worlds, it is believed that the relationship between the social phenomena under study and the researcher is interactive. Hence, neutrality is difficult to achieve (Ritchie, 2014, p. 33). Thus, a certain degree of emphatic neutrality is necessary in qualitative studies. This means that the researcher takes a position that recognises that research cannot be value free, which calls for transparency regarding their assumptions, biases, and values (Ritchie, 2014, p. 33). In short, reflexivity is particularly important for this, and any, qualitative research. In the praxis for this thesis, it means that the sort of normative actors which can be analysed is limited by the language they commune in, which in this case is English.

#### 3.1. Data Collection Methods

Methodology, or the practice of science, is concerned with the procedures of yielding information. Thus, methodology serves as the arbiter of reality in promoting epistemological

aims (Rawnsley, 1998, p. 3). In this paper, based on the epistemological nature of the research aims, an explanatory narrative will be created along retroductive lines as theorised mechanisms based on norm-life cycle theory are used to explain investing behaviour in the crypto market. In this narrative, qualitative document analysis will be employed as the main methodological approach in order to elaborate on the research goals.

Explanatory narratives is an approach to structure an empirical analysis often applied in historical analyses (Dray, 1985). In essence, it entails to tell a highly detailed story in which a causal mechanism is embedded and explained in a wider narrative (Dray, 1985). If practiced and applied well, it allows the researcher to convey a complex explanation of a detailed process through the wider frame of where this process occurs. In the case of this thesis, the narrative will be about the impact of normative actors on the behaviour of the general public in the crypto asset market. To observe this effect, the first step is to look for suspected normative actors, as described in the theory. These actors must be known for propagating messages in which they advocate for certain crypto assets or give other forms of investment advice. Secondly, specific messages at specific moments in time will be selected in which they explicitly called or advised for an investment in crypto asset A or B. The third and final step is to then check if this message has an observable effect in the crypto market for asset A or B at the moment in time the message was conveyed. The main challenge here is to select such normative actors who are likely to be able to have had such an impact on the crypto asset market. Hence, this will be tackled in the operationalisation section. The main hypothesis, as presented in the previous section, proposes that this impact is present because of mechanisms as worked out in norm life cycle theory. Hence, the choice was made to conduct the empirical analyses through the aforementioned methods of an explanatory narrative and qualitative document analysis.

Several advantages for this methodology are its straightforwardness, efficiency, cost-effectiveness, manageability, and the availability of documents, usually at little or no costs (Cardno, 2018, p. 626). Moreover, this method provides the opportunity to gather data without being forced to conduct interviews with normative actors and investors in the crypto market. With the choice for this methodology comes the need to account for the context in which the information is produced, since this helps to gain a deeper understanding of the meaning, values, and motives embedded in the material (Halperin and Heath, 2017, p. 336). This need is filled by the usage of an explanatory narrative.

Inversely, disadvantages of the methodology are that it is not always possible to retrieve a document or that it can be difficult to locate and access. Furthermore, a limitation that often arises is biased selectivity, which is related to the incompleteness of sets of documents or the information they contain. To an extent this can be overcome by being aware of both what is available and what is not and why that is the case (Cardno, 2018, p. 627).

### 3.2. The Collection of Sources

With qualitative document analysis various kinds of sources can be consulted by the researcher, such as histories, archival documents, interview transcripts, or other relevant documents in order to see if the theoretical or hypothesised causal relation can be observed. In the following empirical analyses, several examples of suspected normative actors, and their activity will be connected to general trends in the crypto market. Regarding the collection of sources for this thesis' empirical analyses, strong emphasis will be made on academic sources regarding (crypto) investors behaviour, crypto markets, and financial assets in general. Furthermore, online statistic bureaus such as Statista will be strongly relied upon for data on crypto assets and the market in general. In the same order, online platforms such as Coindesk

and Coinbase provide up to date trends and information on price indexes of individual assets and the total market. Hence, this thesis will rely on them as sources for its analyses.

Besides the various sources mentioned above, additional sources such as social media pages and internet forums will be consulted. Examples of such sources are twitter pages and posted tweets and YouTube channels and their videos. The main reason for this is because the narrative on social media and other places on the internet plays an essential role in the spread of information about crypto assets and has been observed to influence the crypto markets' infamous volatility (Mai et al, 2018; Bakas, 2022).

### 3.3. Operationalisation

In order to answer the research question and subsequently examine if the hypotheses as formulated at the end of chapter 2 are correct, it is necessary to decide upon a means to observe the phenomenon under investigation through empirical data. The aim of operationalisation is to give guidance to your empirical analyses by identifying indicators. These allow the researcher to make abstract concepts measurable through observation. This means that in this section the effect of norms and norm creators in the crypto asset market needs to be operationalised. This will be done based on the concepts of the norm life cycle theory as encapsulated in the hypotheses.

Thus, when looking back at the three hypotheses in chronological order, it first needs to be decided what this thesis will consider as **normative actors**, as mentioned in H1. As outlined in the theory, such normative actors can manifest as norm entrepreneurs, norm leaders, and off-line designers. Finnemore and Sikkink defined these as such actors that seek to convince relevant actors to follow a norm by conforming to a specific standard of behaviour. In this category, several entities could fit that description. For the analysis in this thesis, it was chosen to investigate the activities of Elon Musk and the YouTube channel Coinbureau as suspected normative actors. Both Elon Musk and Coinbureau are very vocal about specific crypto currencies and the market in general and are prone to advise their following base on investments. They convey their messages through social media, in these specific instances Twitter and YouTube. The literature on crypto investment motivations has shown that social media in general plays an important role in spreading information about crypto assets (Mai et al, 2018; Bakas, 2020). Thus, the **platforms** of these possible normative actors, as formulated in H1, are operationalised as social media such as Twitter and YouTube.

In H2 the main concept in need of operationalisation is **norm followers**. In essence, norm followers come into existence once the behaviour set out in the norm is **internalised**, meaning that it becomes part of the natural behaviour and assumption. This happens because of several **enforcement mechanisms**, as described by Frantz and Pigozzi (2018). In the case of this thesis, internalisation occurs when information about the crypto market is practiced and applied by those who received the normative messages as broadcasted by normative actors such as norm entrepreneurs or norm leaders. To observe that phenomenon in society, as is the central assumption in H3, several normative messages will be isolated. These messages need to contain specific information about crypto assets or other investment advice about the market. If the normative messages are indeed internalised, and have consequently started guiding behaviour of relevant actors, this should be observable in the market trends.



## 4. Empirical Analysis

In this chapter the aim will be to explain why individuals keep investing in the crypto market, despite several negative aspects to such investments and the crypto market in general. The approach will be to first outline the explanandum, meaning the field of tension in which this research is practiced, in greater detail. It was outlined briefly in chapter 1 the introduction, but a deeper understanding is necessary in order to link it to the explanans as derived from norm life cycle theory. Out of these explaining mechanism outlined in chapter 3, the most important are the various normative actors such as norm entrepreneurs. This, because the theoretical framework in this thesis is based on the understanding that investment behaviour in the crypto market is affected by the activity of these actors. Thus, it functions as the starting point of the process this thesis seeks to uncover and explain based on empirical data. In the following chapter, all of the above will be worked out.

### 4.1. The Inception of Crypto Currencies

Before this analysis will move anywhere near answering questions related to investment motivations in the crypto world, it is necessary to look back at the origins of crypto coins and the market. The main reason for this is if one wishes to understand why people invest such vast amounts of money into these assets, it is not only worthwhile, but necessary to understand where they come from and how they function. This, because to many investors who are in the crypto community, there is an ideological argument to support crypto assets (Mattke et al, 2020). This ideology is based in the fundamental technology of crypto assets and centres around its decentralisation, empowerment of individuals, and weakening of the role of financial intermediaries such as banks (Mattke et al, 2020, p. 265). Hence, the specific functioning of crypto assets will be elaborated upon. This discussion starts with the emergence of the first and most infamous crypto coin, the Bitcoin. After all, crypto currencies did not appear out of thin air, but were actively created.

In the past years, crypto coins and currencies have become a household concept, meaning most people have some idea of what it is, how it works, and what it is used for. In short, crypto coins were designed as digital currencies that have a certain value like the dollar or euro and can be traded for money or used as payment. The idea of digital money is not new and has been experimented with in previous decades (Di Pierro, 2017), but the Bitcoin was the first widely successful example of such a currency. It was officially launched in 2009 by someone or a collective of people under the pseudonym Satoshi Nakamoto, who presented their designs in a famous whitepaper published in late 2008. In that paper they proposed the following thesis: “a purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution” (Nakamoto, 2008, p. 1). Such a form of money would solve the weaknesses of the trust-based model we use in our current system. Trust in the financial institutions is necessary in contemporary payments, since they act as third party, safeguarding against double spending of money and fraudulent activities. Cutting out the institutions as a third party would lower transaction costs and increase efficiency of payments due to their directness between two parties.

To protect against abuse, such a system should be based on proof instead of on trust. Hence, crypto currencies, or an electronic coin, should be defined as a chain of digital signatures, where each owner attaches their signature to the coin upon acquiring and transferring the individual coin (Nakamoto, 2008, p. 2). Such a system in itself is still vulnerable to fraud, as the new owner cannot verify if the coin was not double-spend. Nakamoto revolutionised this system by offering a solution to this problem, which created



what is now known as the Blockchain. Specifically, he designed a solution in which every signature is time stamped where no party can tamper with this data without detection. This time stamp is added to every signature of both parties involved in the trade and added to the bitcoin. Hence, Bitcoin and every other crypto currency, provides a system in which every computer involved in the transaction of a specific coin (or fraction of a coin) keeps a copy of the history of that coin's transactions. The blockchain technology makes sure that no party storing this history can tamper with it without being detected when that history is compared with the copies other computers hold (Di Pierro, 2017, p. 93).

In short, this system of time stamped signatures which are added and copied to each coin when it is traded cannot be cracked or hacked unless you have access to each copy ever made. This is virtually impossible. Because of this revolutionary design, many users started to flock in groups who have come to support what has grown into a bitcoin or crypto-ideology. This is an ideology which revolves around the believe of the impeccability of this system and the conviction that it will be the future of the financial world (Mattke et al, 2020). Whatever the future holds for the system designed by Nakamoto, since the publication of their paper, the amount of different crypto currencies in the market has increased dramatically, all based on the same blockchain technology as the Bitcoin. In total, the designs of Nakamoto led to a market of over 9000 different crypto coins encompassing a multi-trillion-dollar industry.

When taking a closer look at what Nakamoto invented, it is not hard to imagine that this Blockchain technology can and will be used for much more than crypto currencies. Unfortunately, those possibilities and what the future holds for blockchain technology does not lie within the scope of analysis of this thesis. However, understanding what crypto currencies are and how its ground-breaking technology works will on the other hand give the reader a better feeling of what the discussions in the following sections are about.

## 4.2. The Crypto Market

Crypto currencies can be worth staggering amount of money and are offered and sold countless of times every day, just like regular stocks or financial securities. However, where do these trades take place? In this section, the attention will be on what the crypto market is and what its place is in the financial and regulatory world.

The crypto market is an abstract concept, as it located completely in cyberspace. It is not connected to traditional physical stock exchanges such as in Wallstreet or Hong Kong. Furthermore, crypto assets are not connected in any way to companies or service providers, such as stocks or shares, and neither to countries nor monetary zones such as fiat currencies. Its value is not connected to something with physical properties. Yet it is multi trillion-dollar market. So, the main question anyone would have at this point is, where exactly is the crypto market and where does exchange take place?

Fundamentally, the crypto asset market is very similar to already existing financial markets. The modern versions of these markets are “characterised by rapid flows of information and huge numbers of transactions with their behaviour being the result of various influencing factors such as economic data, results of companies, (central) bank policies, political events, tweets of elitist actors, and interaction between participants” (Watorek et al, 2021, p. 3). This is no different for the crypto asset market. However, unlike regular financial markets such as the stock market, real-estate markets, or commodity market, the crypto market has only been around for a little more than a decade. Since its birth, it has grown dramatically to encompassing more than 9000 different crypto coins spread across 420 million users (Statista, 2023). However, given that creating a new crypto currency is possible for anyone with a computer, they appear and disappear daily (Bartoletti et al, 2020). Indeed, the market itself is dominated by the top 20 crypto currencies who make up nearly 90 percent

of the total market in terms of monetary value (Statista, 2023). Out of these 420 million users, 63 percent is male, 73 percent are younger than 34 years, and have generally enjoyed higher education (Datareportal, 2023; Statista, 2023).

After the launch of the bitcoin following the publication of its initial designs by Nakamoto (2008), it took a few years before an actual crypto market took form. This changed with the appearance of the first widely recognised crypto-trading platform. This platform, called Mt. Gox, was the first to offer Bitcoin-to-fiat-currency exchange and was launched in 2011 (Watorek et al, 2021, p. 4). Since then, a wide plethora of crypto-exchange platforms has appeared, and the market grew quickly in the following years. In terms of capitalisation, the market has become a multi-trillion-dollar market, with a total worth of almost 3 trillion USD in November 2021 (Statista, 2023). However, the market is known for its volatility and crashes, as it dipped to just over 1 trillion in July 2022 (Statista, 2023). This volatility is due to several reasons. Research has shown that volatility in the market is in many cases caused by speculation and quickly shifting investor attention, which especially affects crypto currencies since its value is based solely on market sentiment unlike regular stocks or shares whose value reflects the performance of the company (Li et al, 2021). Furthermore, it appears that the narrative on social media platforms and other places on the internet are an important factor in causing market volatility, along with general consumer confidence (Bakas, 2022). Moreover, the overall crypto market seems highly reactive to trends in individual assets. This means there is a strong spillover effect, where the trend in one coin heavily influences the trend in value of other crypto assets (Jiang et al, 2022). This volatility has resulted in several market crashes where the entire market lost a large portion of its capitalisation, which is exemplified by the crash of 2022 as described in this paragraph.

Besides pungent volatility, the crypto market is also struggling with its position in terms of how it relates to financial laws and institutions. This primarily relates to marketplace platforms, such as Mt. Gox. These platforms more or less exist in a sort of grey zone in terms of legislation. This became evident when the American Security and Exchange Commission (SEC) reported it had launched an investigation into two of the biggest crypto trading platforms in the world in early June 2023. The SEC acts as the watchdog for the US government. It is tasked with protecting investors and keeping markets orderly and efficient (SEC, 2023). In doing this, it is the enforcer of the US government against market manipulation. Based on this mandate, the SEC officially sued Coinbase and Binance. The first being the biggest crypto trading platform in the US and the latter being the biggest in the world. The main charges of the SEC against these two platforms essentially come down to the fact that both organisations operate as unregistered exchanges, broker dealers, and clearing agencies (SEC, 2023). These charges of the SEC touch upon why these platforms exist in this grey zone. They revolve around crypto assets, a phenomenon which simply is so new, it has not been controlled and acknowledged in legislation (yet). Regardless of this, the SEC still sees these platforms as securities exchangers, who are not registered as such. In order to do so, the SEC has decided in their charges to now officially label 61 of the larger crypto assets as financial securities (SEC, 2023).

Given the fact that these charges of the SEC were only made public in the late stages of the writing of this paper, the conclusions and consequences of these events are far from clear at this time. However, it seems likely other countries' financial market watchdogs will follow soon with charges of their own as these organisations act on a global level. The consequences for the functioning of the crypto market will become clear in the next few years, but it seems likely the SEC charges against these platforms will mark the beginning of more regulations and legislation pertaining to crypto assets and their trade.

### 4.3. Normative Actors: Musk and Coin Bureau

As outlined in chapter 3, there will be two suspected normative actors which will be looked at closer. The reason that only two entities will receive closer attention in the empirical analysis is because the purpose of this thesis is to gain an understanding of investment motivation through norm life cycle and to determine if that approach can be used to explain why people invest in the crypto market. A deeper analysis of more normative actors in the crypto market would provide a good avenue for future research, however this is not the goal of this thesis, nor does it fit within its scope.

#### 4.3.1 Elon Musk

The normative actors that will receive attention in these sections are Elon Musk and Coin Bureau. First, however, it is relevant to outline who these actors are and how they work on their respective platforms. Out of the two chosen actors, the most famous one is evident. Elon Musk has been in on centre stage for several decades now and for more than one reason, as his name is attached to various companies and organisations and frequently makes headlines. So, who is Musk and how did he become a relevant actor in the crypto world?

The first association anyone has when hearing his name is: wealthy. In fact, he is the richest person in the world, at the time of writing, with more than 200 billion dollars worth in assets (Forbes biography, 2023). He earned this capital through multiple operations he helped set up, some of which are very well known. These include PayPal, Tesla, and SpaceX. The last two of these are still under his leadership through managing positions. Moreover, he is also the majority shareholder of twitter and has led the company as CEO for the past year (Forbes biography, 2023). Because of the success of his companies, he has gained a lot of fame. But to Musk, most of his business activities are not just random projects he started in the hopes of making a fortune. Of course, he did make a fortune, but his activities seem motivated by a deeper ideology rather than just making a lot of money. He himself has commented on this, by saying that he regards his businesses as a form of philanthropy. This, because in their activities they are focused at solving fundamental threats to our existence and human crises (BBC interview, 2022). Examples of this mindset are how Tesla offers solutions to climate change by developing large scale batteries and electric cars or how SpaceX helps develop inter-planetary space travel with the goal of creating new liveable places for humans. His activities are even decisive in the Ukraine War against Russia, as his project Starlink supplies Ukrainian forces with vital satellite internet connections for communication and other military activities, as reported by the US military (Reuters, 2023; Washington Post, 2023).

In short, Elon Musk is a man who seems like someone who can do it all and because of this is regarded as a genius. His success and impact on our day-to-day life has caused him to receive plenty of adoration and above all influence and raw power, because people are very willing to listen to him. From the president of the United States to leaders of China (Forbes, 2023), Musk meets all of them because he is invited. After all, who can argue against his accomplishments. Just as people are willing to listen to him, Musk has increasingly begun to speak up. He does not shy away from any topic and is known for his controversial statements, which he broadcasts to the world through his favourite medium: Twitter (which he owns and leads).

One of the topics he is most of fond of to talk about in his tweets are crypto assets. With an audience of over 140 million followers on his twitter page, he is one of the most powerful advocates for crypto assets and their technology with the ability to launch a message directly onto the phones of any of his followers. Musk has a particular love for two crypto

assets, namely Bitcoin and Dogecoin. His company Tesla bulked up on Bitcoin over 2022, acquiring over 1.5 billion worth of it. However, the company sold all of the Bitcoin in the same year when the market crashed (Washington Post, 2022). The other crypto asset that Musk is a fan of, Dogecoin, is one he tweets about frequently. He has also revealed that he personally owns Dogecoin, alongside others such as Bitcoin and Ethereum (Full Send Podcast interview, 2022). His love for Dogecoin even goes one step further than for any other crypto asset however, as Musk has stated he likes it because it is based on a joke and does not take itself seriously (Full Send Podcast interview, 2022). Because of this, he announced that SpaceX and Tesla will accept Dogecoin as viable payment method for merchandise of the companies (Forbes article, 2022).

#### 4.3.2 Coin Bureau

Besides Musk, the other normative actor central in this analysis is no individual person, but a channel on YouTube. This specific YouTube channel is called Coin Bureau and it is the largest YouTube channel in terms of subscribers which is fully dedicated to crypto assets with almost 2.3 million subscribers. According to their YouTube page, they have been active on the platform since early 2019 and over the years their videos have been watched over 200 million times (Coin Bureau channel, 2023). In short, their reach is formidable. But who are they? In their own words, Coin Bureau was created with the intent to provide education on crypto currencies and blockchain technology to its followers (Coin Bureau Website, 2023). They do this with a very clear goal, or mission, as they call it. Ultimately, through their “education on the cryptoverse” they hope to pave the road towards crypto assets being adopted as large-scale methods of payments (Coin Bureau Website, 2023). In short, they are proponents of the aforementioned crypto-ideology. The YouTube channel is governed by a team of individuals who are responsible for running the Coin Bureau community. These individuals can all be found on their website, but the central figure, who appears in all the videos and is the so-called “chief content Officer” is Guy Turner. His bio on their website reveals nothing noteworthy about possible interests he might have in propagating for specific crypto assets, unlike Elon Musk, who acts more as a norm leader as he openly states which crypto currencies he owns and invests in. In the case of Coin Bureau, it is more difficult to classify them as a specific form of a normative actors, as little is known about their personal details. In the next paragraphs, this classification-problem will be tackled.

#### 4.4. Normative Messages and the Effect on the Crypto Market

In these sections, the effect of normative actors on the crypto market will be analysed according to how it was outlined in chapter three. The analyses will first look at the effect of Elon Musk’s twitter activity on market trends, before moving on to Coin Bureau.

##### 4.4.1 The Musk-Effect

The effect of comments made by Elon Musk on Market trends outside of the crypto market is something that has received plenty of attention in the past years. For example, several media report that Musk is still involved in court battles started by the SEC over market manipulation after tweets he made about Tesla stocks in 2018. Back then, he tweeted about taking back Tesla at 420 dollar a stock, accompanied by the message that “the funding was secured” (Musk, 2018). The effects were immediate, as Tesla stock value grew with 8 dollars in one minute. This trend continued throughout the hours after his tweet, but reversed after a week when it became clear the privatisation of Tesla would not happen (The Guardian, 2023; New

York Times, 2023). This example clearly shows the immediate power Musk's tweets can have. The question that follows, is this effect also visible when we look at tweets that deal with crypto assets?

Because of the investigations above, attention from the academic community has already been drawn by Musk's activities on twitter. This was motivated by scholarly work on the relation between twitter activity of political persons such as Donald Trump on the stock market and the Bitcoin market (Klaus and Koser, 2021; Huynh, 2021). Because of the above, the focus was turned to Musk's twitter activity in the period of 2020 and 2021 where he would tweet about crypto assets a few times a day (Shahzad et al, 2021). Their results suggest that explosive behaviour in Bitcoin prices is enhanced by Elon Musk's tweets related to the crypto market in general. Furthermore, this effect was even stronger when Musk would tweet about specific crypto assets. This came to light based on his tweets that specifically dealt with Dogecoin, a coin Musk openly supports and is known to own. Those tweets again led to explosive price changes in the market (Shahzad et al, 2021, pp. 6-7).

These results are further supported by a deeper analysis of the tweets of Musk and their effect in a very recent article by Lennart Ante (2023). In their research they selected 47 individual tweets made by Elon Musk concerning crypto related topics. The results were quite astonishing, as every tweet caused a direct significant increase in trading volume. Within 2 minutes after a tweet, the returns had risen with 3.58% above the expected return of the crypto asset mentioned in the tweet. Within one hour, it has risen to almost 5% (Ante, 2023, p. 9). The numbers become even more startling when a more in-depth focus was applied on specific coins, such as Dogecoin. In the situations where tweets directly concerned Dogecoin, the returns had risen to over 12.5% in two minutes and over 26.5% in the first hour after the tweet (Ante, 2023, p. 10). These results indicate the enormous influence one man's words can have on financial processes and market trends. A form of influence which is not limited to the crypto world if the SEC turns out to be correct in their charges against Musk. Of course, the effect of the twitter messages of Musk are very much a momentary phenomenon and are not guaranteed to continue to have the same effect in the future. Whether the effect persists or not, the importance of these results is that they indicate an effect that has not been observed before on such a scale. In the next section, this thesis will attempt to find out if this effect can also be observed when looking at the activity of Coin Bureau on YouTube.

#### 4.4.2 The Coin Bureau-Effect?

In the case of the YouTube Channel Coin Bureau, there are no prior databases and research articles which can be relied upon. Hence, in order to investigate whether a similar effect as presented above can be established, two moments in time have been selected when Coin Bureau broadcasted a message with specific crypto recommendations. As Coin Bureau is YouTube channel, their messages are wrapped in videos. The first video was posted on 13 December 2020 and was titled as "Top Crypto Picks For 2021: Massive Potential!!" (Coin Bureau, 2020). In this video, as the title suggest, specific crypto assets are presented which they think will experience grow in terms of monetary value and therefore are good investments. The second video, titled as "Coin Bureau Portfolio: TOP Holdings and & Investing Strategy!!" and was posted on 10 April 2021 (Coin Bureau, 2021). In it, the presenter of the Channel, Guy Turner, explains how his own investment portfolio looks like and what his alleged favourite crypto assets are. Both videos received well over a million views, which increases the likelihood that an effect in the market can be observed.

In the two videos, 8 different crypto assets were presented. These were: Monero, Algorand, Theta, Injective Protocol, BarnBridge, Polka Dot, Cardano, and Chainlink. The first five were presented in the first video and the latter three are from the second video. The

problem however with analysing their exchange rate, is that the YouTube data on these videos only gives a date on which the video was posted. An exact time is not available as open information. This is different when compared to the twitter messages of Musk, which carry an exact timestamp. This allowed Ante (2023) to analyse the exchange rate of the crypto assets named by Musk down to the minutes and hours. For the analyses of Coin Bureau, this is not possible. To solve this, for each of the 8 coins, the percentual change in exchange rate is calculated over 72 hours (3 days) before the video was posted. The same is done over the 72 hours after the video was posted. By comparing the growth rates before and after the assets being mentioned in the video, the effect can be observed. The timeframe of 72 hours was chosen in order to get a stable sense of the market trend around the time the video was posted, while also keeping the risk that the data would be polluted by other unknown events in the crypto market to a minimum. This gives us the following data in the table below.

<b>Date of Coin Bureau video</b>	<b>Crypto asset</b>	<b>Percentual growth exchange rate over 72h before video</b>	<b>Percentual growth exchange rate over 72 hours after video</b>
13-12-2020	Monero	8.5 %	10.1 %
	Algorand	3.3 %	9.7 %
	Theta	-1.4 %	20.0 %
	Injective Protocol	2.4 %	75.1 %
	Barndbridge	6.4 %	30.5 %
10-04-2021	Polka Dot	3.2 %	5.8 %
	Cardano	1.7 %	17.5 %
	Chainlink	0.9 %	14.3 %

Table 1 (Based on data retrieved from Coingecko, 2023).

What becomes clear from the exchange rates of these crypto assets, is that all of them experienced stronger growth in the 72 hours after they were recommended as good investments than in the 72 hours before the videos were published on YouTube. These results indicate that a similar Musk-effect is happening to crypto exchange rates when Coin Bureau publishes videos with investment recommendations. The scope of this thesis does not allow for a more in-depth analyses, like the one performed on Musk’s tweets. However, given that the Musk-effect has been empirically established, assuming that similar effects are occurring in other instances seems like a certainty. The variation in exchange rates above certainly seems to support a claim that a Coin Bureau-effect is indeed occurring, in the same manner the Musk-effect is occurring.

4.5. Through the Lens of Norm Dynamics Theory: Applying the Framework

Given the above results when analysing the effect of Elon Musk’s twitter behaviour and effects of Coin Bureau videos, there seems to be a causal relation between their activity and crypto asset exchange rates. In these sections, norm life cycle theory as outlined in chapter 2 will be worked out to explain this relation.

4.5.1 Investing in Crypto Assets as a Norm

In order for norm dynamics theory to be applied, it needs to be established that there are norms to work with. To do so, we go back to the definition of what a norm actually is as given by Finnemore and Sikkink. In their models, a norm is a standard for appropriate behaviour for

actors with a given identity” (Finnemore and Sikkink, 1998, p. 891). However, conceptualising every message by Musk or Coin Bureau regarding crypto assets as an individual norm does not seem like the best approach, given that the market response to the message in question seems to be acute. In the case of Musk, the effect is within minutes of his tweet and for the videos of Coin Bureau the effect is visible in several hours at the minimum. This would mean that whole cycle of norm dynamics all happens in a very short timeframe, since the effect of the norm immediately propels individuals to invest resources in the crypto market. Thus, it is not the single message of ‘invest in crypto currency A or B’ that needs to be regarded as a norm in this analysis. The solution is to regard the totality of the messages as the norm. Hence, the norm in these instances is ‘behaviour in the crypto market is good when as it aligns with the recommendations made by Musk in his tweets or by Coin Bureau in their videos’.

To determine when this norm was created is tricky. When looking at the step in the general model of Frantz and Pigozzi (2018) that deals with norm creation, no tools are offered to observe the moment in time a norm was born. It is likely that pinpointing such a moment is not even possible in the case of Elon Musk and Coin Bureau. Given that Elon Musk was already very famous and considered successful when he first started tweeting about crypto assets, norm formation around him is likely to have happened somewhat quicker than with Coin Bureau as they had to build a reputation for being trustworthy and knowledgeable. Musk already had that because of his previous successful endeavours.

The crucial mechanism in norm formation is the presence of the aforementioned normative actors. In their model, Frantz and Pigozzi (2018) rely on how Savarimuthu and Cranefield (2011) worked out various forms of normative actors. Besides norm entrepreneurs, first defined by Finnemore and Sikkink, they identified norm leaders and off-line designers as forms of normative actors. In the case of Elon Musk and Coin Bureau, it seems they function as norm leaders. The reason for this classification is twofold. First, because of the empirically proven relation between the tweets of Musk and the videos of Coin Bureau and the market trends of various crypto currencies, they can be classified as normative actors. Second, because they are known to partake and invest in the market themselves based on their own recommendations, a more specific classification as ‘norm leaders’ can be argued.

#### 4.5.2 Propagation and Transmission of the Norm

In the next step of the norm dynamics model, the focus lies on how the norm spreads after it first appeared. An essential part of norm spreading is for the normative actors, norm leaders in this case, to have a platform through which they can broadcast their normative message. This aspect is part of the theorisation of norm emergence by Finnemore and Sikkink (1998, p. 899). With the emergence of social media, such platforms have become so mainstream that anyone with an internet connection has the ability to reach millions. In the case of this analysis, these platforms are twitter and YouTube. From an empirical point of view, this perspective can also be supported. In short, crypto assets and their markets respond strongly to public sentiment (Ngo and Nguyen, 2021). This public sentiment is based on information that is spread through social media. Because of this, most of the general public reports that social media are their primary source of information on crypto assets and the market (Mai et al, 2018; Bakas, 2022).

The primary mechanism responsible for the spread of norms is ‘enforcement’, as was outlined in chapter 2. Besides serving as platform for normative actors, social media can furthermore play a role in various forms of the enforcement process. Enforcement is the most important prerequisite for the spreading of norms, as per Frantz and Pigozzi (2018). However,

it should not solely be regarded as a negative concept, especially in the context of norm dynamics and the spread of norms and social facts.

Enforcement can happen in various forms in norm life cycle theory, as outlined by Frantz and Pigozzi (2018). In this analysis, the main form of enforcement is the expectancy of reward for norm-compliance. The manner in which this form of enforcement functions is not difficult to grasp. Complying with the norm, meaning to follow the investment advice given by for example Coin Bureau in one of their videos, should lead to making money. Hence, following the norm, or complying with the behaviour it propagates, will bring you the reward of profit on your investment. In other words, people are more inclined to invest in crypto assets because of the promise of high profits (Przybylski et al, 2013). This process constitutes a form of external enforcement, the promise of reward comes from outside.

A second form of enforcement that is strongly present in crypto investment behaviour, is the fear of missing out (Almeida and Goncalves, 2023). This form of pressure is expressed onto the self and pushes to comply with the behaviour of a group. Such a social process has been shown to be crucial in stimulating individuals to invest in crypto currencies, as they are steered by popularity, emotion, and sentiment (Hou et al, 2020; Bianchi, 2020). Hence, two forms of enforcement can be recognised in crypto investments in this analysis. One is external and the other internal.

#### 4.5.3 Internalisation as a Part of Repetitive Enforcement

According to the model of Hollander and Wu (2011), after cyclical enforcement of the norm, which entails enforcement through the above mechanisms, norms emerge as dominant. Thus, as more people experience the promise of profit, more people will take notice, which in turn leads to more individuals experiencing the fear of missing out. After this process has repeated enough times, the norm will emerge as dominant and will keep growing in a continuous cycle of enforcement which leads to the norm being internalised more and more.

Based on the fact that the normative behaviour of Musk and Coin Bureau can empirically be observed as affecting the exchange rates of specific crypto assets, it can therefore indeed be claimed that they are active as norm leading actors. In other words, the content of their normative messages has visibly emerged in the crypto market, as was shown through the effect of the tweets of Musk and the videos of Coin Bureau. This means that those who comply with the behaviour set out in these messages have become norm followers who have internalised the norm, thus allowing for this behaviour to be observed in society and in the results of this thesis.

#### 4.5.4 Internalisation as Market Knowledge

Based on the previous sections, one question remains as to why internalised norms about crypto currencies can lead to corresponding changes in the crypto market trends. There are two reasons for this. The first reason comes from norm life cycle theory and has to do with the sort of normative actors Musk and Coin Bureau are, which are norm leaders. Savarimuthu and Cranfield (2011) describe that norm leaders convince relevant actors to become norm followers based on the authority they emit and the fact they partake in the propagated behaviour themselves. In the case of Musk and Coin Bureau, this authority is based on their reputation as successful, knowledgeable, and trustworthy. Hence, individuals listen to them, which in turn sets in motion the whole process and mechanisms of the norm's life cycle, outlined in detail in the sections above.

The second reason why internalised norms lead to changes in crypto market patterns is because normative messages are internalised as market knowledge by individuals. The effect



responsible for the changes in market patterns has to do with the phenomenon of perceived knowledge. The effects of perceived knowledge have been empirically observed in the crypto market. This was first established by Ichwan and Kasri (2019), who discovered that the intention to invest in peer-to-peer transactions such as crypto assets, is positively influenced by attitude variables such as the perception of knowledge about these financial tools. Perceived knowledge is a consequence of the overassessment of one's actual knowledge about a topic, which ironically occurs when someone has already invested a lot of time in the topic (Genter and Collins, 1981; Epstein et al, 1984; Glenberg et al, 1982). Meaning, the more knowledge individuals gather about crypto assets and the market, the more likely they are to overestimate their actual knowledge about the market. This causes them to be more likely to invest in the crypto market. Although this mechanism is largely not yet understood as to why it occurs, it has been observed to play a role in crypto acquisition (Almeida and Goncalves, 2023; Gupta et al, 2020) and financial decision making in general (Xiao et al, 2010; Hilgert et al, 2003; Moore, 2003; Parker et al, 2012; Allgood and Walstad, 2011).

In short, since social media and the internet are the main sources of information for investors in the crypto market (Mai et al, 2018; Bakas, 2020), and it has been established that information spread by norm leaders such as Musk and Coin Bureau affect market trends, it can be argued that these norm leaders are responsible for a higher perception of knowledge about crypto investments among norm followers. This, because normative information spread by norm leaders is internalised as knowledge about the crypto market, which positively impacts investments in crypto assets.



## 5. Conclusion

In this thesis, the aim was to answer the following research question:

*Why do people keep investing in crypto assets, despite incredible market volatility and lack of institutionalisation?*

In order to answer the research question, this thesis has employed theoretical concepts from constructivist norm life cycle theory and applied this by formulating three hypotheses with each of them covering primary aspects of norm life cycle theory. The research question was positioned in a field of tension which revolves around the negative aspects of the crypto market. In short, incredible market volatility, lack of institutionalisation, and growing animosity from government organisations, do not seem to stop growing numbers of investors from entering the crypto market. Through the theoretical framework as outlined in chapter 2, this thesis has attempted to explain why this is happening. Based on this framework, the main explanatory factors have been identified as the presence of normative actors, who through mechanisms of internal and external enforcement influence individuals into crypto investments.

The first goal of this thesis, as formulated in H1, has been to identify said normative actors through the content of their messages. To do this, Elon Musk and Coin Bureau were chosen as suspected normative actors based on their reach and message. Both actors have been found to propagate positive content about crypto currencies in general and specific coins through their respective platforms. Moreover, since both actors have openly stated being crypto investors themselves, who act in line with the standards of behaviour in their messages, Musk and Coin Bureau can be classified as normative actors, and more specifically as norm leaders. However, this thesis has not been able to uncover the deeper motivations of these actors for being norm leaders. Nonetheless, H1 can be confirmed, as normative actors are indeed active in the crypto market through their platforms where they intentionally spread normative messages regarding crypto currencies and the market.

The second goal of this thesis in H2, was to observe mechanisms of enforcement which can be used to explain why normative actors influence individuals into conforming to certain behaviour. Various form of enforcement can be derived from the theory, which in turn can be sub-divided in two groups. Namely, external enforcement and internal enforcement. Enforcement is the key mechanism that is responsible for the spread and internalisation of the norm and can explain why relevant actors become norm followers. In this thesis, two forms of enforcement have been recognised in the crypto market. There is the reward of norm compliance, expressed as the promise of profit upon investments in crypto currencies. This is a form of external enforcement. Secondly, there is the fear of missing out, which is a very strong motivator in the community of crypto investors. In essence, this is a form of peer pressure and can be classified as internal enforcement. These examples of enforcement have been empirically observed in the crypto market and are fundamental explanatory factors for why member of the general populace start to invest in crypto currencies. Thereby, H2 can be confirmed.

Finally, in H3, the aim was to assess whether the effect of normative actors and enforcement mechanism could be observed in market trends of specific crypto currencies. Based on market data of crypto currencies mentioned by Coin Bureau in their videos and an in-depth analysis of the effect of the tweets posted by Musk, the final hypothesis can be confirmed as data shows that the market responds to normative messages broadcasted by these two norm leaders.

Thus, the main explanatory factors, as derived from the theoretical framework, lead this thesis to argue that individuals in the general public are continuously compelled to invest in crypto currencies because of norm leaders who propagate investment behaviour through their platforms. Despite various negative aspects to crypto assets and the market in general, investments keep increasing because the receivers of the messages are subjected to various forms of enforcement which have a stronger impact on behaviour than the clear risks attached to crypto investments. This, because market trends have been observed to respond to the content of the normative messages spread by the analysed norm leaders.

This thesis and its analysis of what drives investors in the crypto market leads to several contributions and implications to the discipline of international political economy. Firstly, this thesis' main contribution lies in that it offers a new understanding of how (social media) actors like Elon Musk and Coin Bureau, influence the narrative around crypto assets which in turn has an impact on the value of these crypto assets and affects the broader market trends. This understanding flows from the novelty of this research, namely the analysis of investor motivations through a framework of norm life cycle theory. Besides the deepened understanding of the crypto market, this thesis opens the path to future research of financial markets through similar theoretical frameworks. Hence, it positively affects the ability of the theoretical model to explain normative processes in other disciplines besides international relations studies.

Second, given that the crypto market is completely in cyberspace and unbounded by physical borders, it is challenging to control and institutionalise for national governments and financial organisations. Understanding the role of normative actors such as Musk and Coin Bureau and their ability to shape this multi-trillion-dollar market, can provide new and strong starting points for (inter)national legislation against crypto assets and its market. Seeking to control and limit such normative actors might for example function as a starting point for bringing more stability to the market and the consequent international flows of capital.

Thirdly, the results of this thesis raise several ethical questions about how much power we let individual actors have over large financial markets such as that of crypto currencies. Crypto currencies are increasingly growing in value, and it is likely they will continue to do so, which simultaneously enlarges their place in our modern (global)economies. If the power of such individuals over these markets is not checked, they could choose to exploit their position in the future.

The analysis in this thesis has encountered several limitations. The main limitation being its scope. A broader analysis which includes more normative actors would have strengthened the conclusions and understanding about the effect of normative actors. However, selecting norm actors, isolating specific messages, and linking that to market trends is a very time-consuming process. This has limited the broadness of the analysis. Furthermore, its methodological approach could have been stronger if for example some interviews were conducted with investors or market experts in order to corroborate the main findings. This could have increased the validity of the results. Throughout the writing stages of this thesis, it became clear however that such interviews did not fit within the timespan of this research and that reaching relevant actors for such interviews could not have been accomplished.

Several options for further research arise from the findings and the limitations of this thesis. A first option for this purpose would be to perform a broader study, which can take more normative actors into account, over longer periods of time, covering more crypto assets and a deeper analyses of market trends. Such research would broaden the empirical base for the conclusions presented in this thesis and would allow for a broader and more complete overview of which actors are responsible for changes in market trends and what their motivations could be for spreading the normative messages responsible for these effects.

A second option would be to explore if the results hold when performing large N-study surveys among crypto investors. This would entail a deeper analysis on the origins of investor motivations and how they are impacted by normative actors in their decision making. If the results from these surveys would align with the results in this thesis, the conclusions would be strengthened because of this extra layer of empirical data. Such avenues of research and related questions could be addressed as a follow up to the research conducted in this thesis.



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