

Bitcoin: Alternative Currencies Reloaded, Part Two

The Sociology Forum event held in January 2014 attracted a large audience to hear the panel discussion on Bitcoin and what is sociologically interesting about this alternative cryptocurrency. This post summarises the lively debate that ensued.

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Garrick Hileman, an economic historian and commentator on Bitcoin, began by highlighting the two aspects of Bitcoin that have resulted in the media hype – the fact that its price (in terms of US dollars) has increased exponentially and because it has solved the so-called “double spending problem”, it cannot be duplicated (unlike analogous currencies) and therefore cannot be spent twice.

Alternative currencies are not a new phenomenon, they can be dated back to the 17th century when copper ‘Merchant Tokens’ were minted by merchants to overcome a shortage of change. Fast forward to the Great Depression of the 1930s, and an Austrian town called Wörgl which issued Freigeld to kickstart the economy, a project that was eventually shut down by the Austrian Central Bank. More modern times have seen ideas such as LETS, a UK-based bartering system which started in the late 1980s but is now in decline. According to Hileman, these three cases illustrate the three most common causes of the death of alternative currencies: death by technology, death by regulation and death through lack of demand.

Bitcoin is currently very far from dead, but does face a range of challenges from the threat of regulation to uncertainty to specific technical challenges (e.g. it takes ten minutes to update after every transaction). Perhaps the greatest challenge of all is the risk that it is seen as an asset for speculation rather than as a unit of exchange, mostly due to the inbuilt deflationary character of the currency (Satoshi’s code allows for a finite amount of Bitcoins to be produced). Notwithstanding these challenges, however, more merchants are signalling their willingness to accept Bitcoin as a means of payment and it has even attracted attention from the **fourth largest bank in the US**.

Brett Scott, author of *The Heretics Guide to Global Finance: Hacking the Future of Money* has first-hand experience of using Bitcoins. He has received them in payment for his book (in addition to other alternative currencies such as Dogecoin and Brixton Pounds) and has also used them to pay his bills. He contends that Bitcoin, as opposed to many other **alternative cryptocurrencies**, owes its success and renown to the mystery and mythology surrounding its creator, Satoshi Nakamoto. This creates the emotional dimension which currencies need for us to literally ‘buy in’ to them. Fiat money, such as sterling, also has emotional resonance, tied up in notions of patriotism, sovereignty and even imperialism. He observes that in explanations and discussions of Bitcoin are shrouded in terms of the technicalities of mining, blockchains and algorithms rather than in the context of ordinary currencies which can make it seem opaque and tricky to understand.

However, if it is compared to ordinary currencies, what is distinctive about Bitcoin is the lack of reliance on a central authority, such as central banks in the case of fiat currencies. This is pushing towards Rousseauian notions of trust as being the glue binding the social together, as opposed to the requirement of centralised authority as espoused by Thomas Hobbes.

In contrast to this view, **Nigel Dodd**, an expert on the sociology of money argues that Rousseau isn’t present when considering Bitcoin as a currency. There is no trust, he suggests. It seems as if the intention of Bitcoin is to remove the ‘human’ from the currency, to substitute confidence in central banks for confidence in machines as the new intermediary in a step which is both central to

Bitcoin's appeal and perhaps points to a wider appeal to those who distrust social institutions such as politics.

Therefore, there is nothing social about the intentions of Bitcoin. It is, in Dodd's view, a call-back to the old and conservative monetary theory that money is a 'thing' in itself as opposed to Simmel's notion of money as a claim on society, as a social relationship, stemming from the fact that Bitcoin is a finite resource, like gold. Indeed, Bitcoin celebrates in this 'thingness', as do those who mine and hold Bitcoins as assets.

Can we go as far as to say, therefore, that there is nothing sociological about Bitcoin? The ensuing discussion about the gendered nature of the Bitcoin 'community' would suggest that there is, however, something of sociological interest in the alternative currency world. Brett Scott's observations that it is a world dominated by men, with aggressive undertones and macho posturing, may indeed echo the 'thingness' of Bitcoin, that it is something to be possessed. He argued that women are put off by the lack of practicality in using Bitcoin as a means of exchange for goods and services, and that there are other more significant barriers to women that echo the gender imbalance in other areas of social life such as technology and the wider financial industry. The very fact that we can talk of a Bitcoin 'community' would indicate that indeed there is something social going on – whether it is to do with Bitcoin as money or as a process is still an open question.

The discussion concluded with the question of how threatening Bitcoin really is to fiat money and the existing payments systems that rely on banks as intermediaries. One way in which it was suggested Bitcoin could gain in legitimacy would be if it was somehow accepted either for the payment of state imposed taxes or if it itself was taxed. The legal and regulatory status of Bitcoin is yet to be determined in many jurisdictions, though this [recent survey](#) by the US Congress shows that it is attracting global attention from tax authorities and regulators. Indeed, it could be argued that it could well be regulation and the formalisation of the tax status of Bitcoin that actually ensures its continuation, therefore contradicting the very principles on which it was founded – the bypassing of the state, politics and the entrenched financial system.

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