

# Blockchain and bitcoin: In search of a critique



One of the few things that has grown as fast this year as the price of cryptocurrencies, such as bitcoin, is the number of books available about them, along with blockchain technology and their many derivatives. There are now in excess of 500 books available on Amazon on these topics. These books include excellent technical guides like “Mastering Bitcoin: Programming the Open Blockchain” by Andreas M. Antonopoulos, breathless accounts of the (short) histories of these technologies and wildly enthusiastic visions of a cryptocurrency- or blockchain-based future.

To the people who have sat through lectures on these topics at financial institutions around the world, there may be a feeling of surprise that there are 500 people who understand this topic. However, a fair number of these books are frankly deranged, offering no real explanation of how these technologies work or how they will live up to the promises made.

You would think this would leave the reader spoilt for choice but there is a key type of book missing: “the critique”. Criticism of the cryptocurrencies in the media and more broadly on the internet has been growing for some time, with their association with organised crime, ransomware and money laundering. In spite of this we have seen a bubble emerge in both the valuations of cryptocurrencies and the security-like “coins” sold in initial coin offerings (ICOs), a blockchain-based cousin of the initial public offering (IPOs), when a company sells stocks in the market for the first time. Cynicism about the application of blockchain-type technologies in banking and capital markets has also increased, as people in the financial sector have grown impatient for the delivery of tangible products.

[\*Attack of the 50 Foot Blockchain: Bitcoin, Blockchain, Ethereum & Smart Contracts\*](#), by David Gerard, is the first real, “no holds barred”, attack on the whole bitcoin/cryptocurrency/blockchain movement. Unlike many of the bitcoin/blockchain fanboys, Gerard is a true techie with long history in IT. He is also one of the founders of the notorious Reddit “buttcoin” forum, which combines bitcoin parody with often expert, logical analysis.

The book is primarily focused on bitcoin and the other cryptocurrencies, where it provides some excellent analysis of the reality behind many of the headlines. Do you believe that bitcoin is saving the people of Venezuela from starvation or helping the billions of unbanked climb their way out of poverty? You may change your mind after reading Gerard’s analysis of the truth behind the hype.

Equally informative is his detailed explanation of how the crypto-markets and their infrastructure work (often sporadically) in reality. If have been lulled into quiet belief that bitcoin and the other cryptocurrencies are turning into another asset class worth diversifying into, the reality will make you think otherwise. In just a few short years, everything that was bad about capital markets (which both regulators and the industry itself have worked so hard to deal with) have been replicated in the bitcoin/cryptocurrency world. Fraud, market manipulation, regulatory arbitrage, insider trading, unreliable infrastructure, blatant support of criminal activity and Ponzi schemes are rife.

There is less material on the more general application of technologies such as smart contracts and blockchain in finance but the chapters on these topics are a very useful antidote to frequently exaggerated claims. Gerard carefully points out the major technical and legal problems with the basic concept of a “smart contract”. The computer programs referred to as “smart contracts” are seldom either legal contracts or even particularly smart. In his blockchain chapter, he does not reject the possibility that research and development in this area may eventually produce something of value but he does provide a very useful set of questions to ask “blockchain salesmen” to establish whether their products are real software or simply dreams.

Enthusiasts will criticise this book for lack of balance but this is not an area where it is easy to find any alternative views. If you are interested in cryptocurrencies or blockchain (even if you already an enthusiast) it is worth reading this book simply to challenge your assumptions.



#### Notes:

- *The post gives the views of the interviewee, not the position of LSE Business Review or the London School of Economics.*
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