

# Book Review: Before Babylon, Beyond Bitcoin: From Money that We Understand to Money that Understands Us by David Birch

*In Before Babylon, Beyond Bitcoin: From Money that We Understand to Money that Understands Us, David Birch draws on a long sweep of history to trace how technological developments have changed, and will continue to transform, money, and outlines a largely optimistic vision for the future of payment technologies. Regardless of whether readers agree with all of Birch's claims, this is a timely and illuminating contribution that should be read by students of finance and financial law as well as policymakers working in the field of financial regulation, recommends [Stephen Minas](#).*

**Before Babylon, Beyond Bitcoin: From Money that We Understand to Money that Understands Us. David Birch. London Publishing Partnership. 2017.**

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The rapid proliferation of [cryptocurrencies](#), Bitcoin most prominent among them, has seized the attention of financial regulators and traditional industry players. Many do not like what they see. The US Securities and Exchange Commission has [ruled](#) that some cryptocurrencies are actually securities, not currencies, while in September the People's Bank of China went much further and banned '[initial coin offerings](#)', which cryptocurrency initiators use to raise funds. As buyers from [hedge funds](#) to [chicken farmers](#) invest in cryptocurrencies amid warnings of fraud, tulip mania and Ponzi schemes, there is an increasing need to understand both the dynamics of these nascent markets and the underlying technologies and social implications of financial technology ([FinTech](#)).

*Before Babylon, Beyond Bitcoin: From Money that We Understand to Money that Understands Us* by David Birch makes a valuable contribution to understanding how technology is changing money. Discussion of these developments has often been characterised by extremes: uncritical celebrations of technological disruption, on the one hand, and dark depictions of the coming crash on the other. This book sits in neither camp. Rather, it draws on the long sweep of history to place current developments in context and offers an optimistic, but caveated, view of the potential future.

Birch is Director of Innovation at Consult Hyperion and a visiting professor at the University of Surrey Business School. As his frequent references to his consulting company make clear, Birch has been a long-term participant in, rather than just a spectator to, the development of payment technologies and platforms. Birch's perspective is therefore that of a self-described 'technologist' who has worked on the practical rollout of payment technologies.

As the title suggests, the book covers far broader material than just the rise of cryptocurrencies such as Bitcoin. (Birch suggests that Bitcoin is 'a peculiar kind of digital commodity' rather than money, an observation consistent with claims that the primary purpose of owning Bitcoin is speculation.) Its chief concern is to explore how technological innovations have changed money in the past and are transforming money today, along the way outlining some of the new trade-offs that will concern industry, consumers and policymakers. Birch's contention is that the 'transition to the mobile phone as the basic platform for financial services', used for both making and receiving payments, is a truly disruptive development that will facilitate both the cashless economy and the unbundling of banking and payments, developments which the author welcomes.





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The book is structured chronologically, beginning with a section surveying 'The Past: Money That We Understand'. This recounts the often colourful story of how historic innovations in the 'technology' of money resulted in the development of money as it is commonly understood, functioning as a unit of account, medium of exchange, store of value and means of deferred payment. The second part of the book, 'The Present: Money That We Think We Understand', charts the rise of 'electronic money', beginning with the invention of the telegraph and continuing through the introduction of credit cards and automated clearing houses to the mobile phone, which Birch claims will revolutionise money by enabling more secure and 'frictionless' payments. This is followed by several chapters arguing for the economic and social benefits of moving to a cashless economy.

The third part of the book turns to 'The Future: Money That Understands Us'. To summarise, Birch sees the technologies of mobile phones, social networks, biometrics and big data combining to enable the production of an unlimited number of 'digital fiat' currencies by corporations and communities, in addition to central and commercial banks. Shared ledger technology (of which Bitcoin's [blockchain](#) is an example) enables the decentralised settlement of transactions in these currencies, potentially displacing the need for a central clearing authority. The book closes with an informative appendix summarising experiences of 'cashlessness' in a diverse group of countries. China is a particularly interesting case, with non-cash payments already accounting for two-thirds of all retail transactions.

The book's historical perspective is particularly valuable for distinguishing the truly novel from cases where technologies are replicating old models. There is often a tendency to depict both cryptocurrencies and FinTech generally as complete ruptures with all that has gone before: all that is solid melts into bits. But whereas JPMorgan chief executive Jamie Dimon has [warned](#) that 'you can't have a business where people are going to invent a currency out of thin air', Birch contends that 'all currency is now virtual', and has been since the US ended the dollar's convertibility with gold in 1971. At issue, according to Birch, is not the nature of fiat currencies backed by reputations rather than commodities, but rather which organisations and communities are able to issue such reputation-based currencies. In short, Birch predicts 'the decoupling of currency from the nation state'.

*Before Babylon, Beyond Bitcoin* is a timely and illuminating contribution which should be widely read by graduate students of finance, financial law and related topics, as well as policymakers involved in financial regulation. One does not need to agree with all of the author's opinions and predictions to learn much about the history of money and the stakes of the current technological developments, which range far beyond Bitcoin. There are a host of regulatory issues to be tackled if even a fraction of the future that Birch envisages comes to pass. These include the effects of growing transactions in privately issued currencies on the tax base and on monetary policy, the impact of a transition to cashlessness on the poor and the marginalised as well as the challenge of legally resolving disputes concerning transactions using distributed ledgers which are beyond the reach of any one jurisdiction. Exercises like the European Union's recent [public consultation on FinTech](#) can assist in taking stock of both the opportunities and the risks.

A more fundamental challenge lies in Birch's striking observation that 'we no longer have money that the normal, typical member of society can understand'. It is perhaps not too uncharitable to suggest that many policymakers are in the same boat. If FinTech is to be harnessed in a manner that is both democratic and socially just, building a common base of understanding will be vital.

*This review originally appeared at the [LSE Review of Books](#).*

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*Note: This article gives the views of the authors, and not the position of USAPP– American Politics and Policy, nor of the London School of Economics.*

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