The More Things Change...

The revolutionary aspect of Bitcoin

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"No State shall enter into any Treaty, Alliance, or confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts;"
— United States Constitution, Article I, section 10, clause 1

"DOLLARS OR UNITS--each to be of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four sixteenth parts of a grain of pure, or four hundred and sixteen grains of standard silver."
— Coinage Act of 1792

As this writing (November 17th, 2013) the price of one Bitcoin has touched upon $1000, the largest amount of trade of this "crypto-currency" is occurring in China, the Chicago Fed is remarking on how it does not quite conform to the Austrian Economists definition of money, *"Nor does it truly embody what Hayek and others in the 'Austrian School of Economics' proposed"* (Velde, 4) and the US Congress is considering congressional hearings to debate the merits of more direct Bitcoin regulations.

What is important is the revolution created by Bitcoin, a revolution in the true sense of the word. It represents a revolt against the current monetary order.

There is nothing particularly new about digital currencies. The simple fact of the matter is that the majority of currency transactions in today's modern world involve digital currency units. They may be in dollars, Euros, pounds, pesos, dinar, yen or, increasingly, renminbi, but in the end no paper is being exchanged, no physical media must change hands - only ones and zeros transferred by means of electrical impulses though copper, radio wave, glass fibre and satellite are traded.

In that way, Bitcoin is no different. A digital transaction is occurring, ones and zeros are traveling

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through what in the end is a physical network, and a certain and unique set of information is being sent from one wallet (account) to another.

So what is it about Bitcoin that vexes policy makers?

The concept of crypto-currencies and digital cash has gone back at least until the early 1980s, with the first contribution in the literature appearing in David Chaum's 1983 article, "Blind signatures for untraceable payments." Crypto-currencies such as Bitcoin have been created to solve three problems that have resulted from the state acting in its own interest and destroying the trust that had been created between it and its citizens.

The first such problem can be traced back to 1933 when Franklin Delano Roosevelt issued executive order 6102 "forbidding the Hoarding of gold coin, gold bullion, and gold certificates within the continental United States." This Act resulted in the seizure of all gold from private American citizens under penalty of fine or imprisonment. It also represented a reneging by the U.S. government on its promise to redeem all U.S. dollars at a fixed price of gold, $20.67 per troy ounce. After this event, only other sovereigns could demand gold, at the newly devalued price of $35.

The second key event occurred in 1971 when Richard Nixon closed the gold window and reneged on the solemn pledge to redeem US currency to foreign governments for gold. This action was the completion of the devaluation that Roosevelt started in 1933.

The third event ushering in the emergence of alternative digital currencies was the bank bailouts of 2008. These bailouts are the latest government intervention into the markets following the various bubbles and crashes of ever increasing frequency and severity that have followed in the wake of the closing of the gold window and the subsequent virtually unlimited money expansion and the resulting instability in the economy.

Bitcoin is attempting to solve the issue of trust of currency in our modern digital world. Across the West we are seeing the erosion of trust in governments with the slow death of the social democratic welfare state that in its modern form was born within the Prussian state of the late 19th century (Ebeling 2008). The Communist countries of the 20th century were the first to go, with the Chinese beginning the abandonment of central planning of the economy in the late 1970s and the fall of the Union of Soviet Socialist Republics in 1991. In the West, the soft socialism of the welfare state did not undermine capital formation to the extent that it did behind the Iron Curtain, and they are consequently lagging in their state sector failures.

Individuals who are waking up to this reality are looking for ways to protect themselves. Within Canada, the faltering government monopoly healthcare system is leading to the rise in healthcare tourism. Since it is not yet illegal to travel for healthcare, private organizations offering "timely alternatives" provide the services necessary for one to take responsibility for his own care. They seek out those that they can trust so they can care for themselves.

For those who are waking up to the reality of the pure fiat, dirty floating currency world that we currently live in, and the very real suffering that it creates and they must endure, they are also searching for solutions, and there are various private individuals and corporations who are attempting to provide a solution.

The reality of our current government paradigm and the ability of the modern state to interfere in the physical world means that such people as Bernard von Nothaus, creator of the liberty Dollar, who Jeffrey Tucker (2013) rightly calls a hero and was labelled a domestic terrorist by the state that actively steals from the forced holders of its monopoly currency:

> Attempts to undermine the legitimate currency of this country are simply a unique form of domestic terrorism. While these forms of anti-government activities do not involve violence, they are every bit as insidious and represent a clear and present danger to the economic stability of this country. We are determined to meet these threats through infiltration, disruption, and dismantling of organizations which seek to challenge the legitimacy of our democratic form of government. (US Attorney's Office 2011)

How did we get here?

Bitcoin is not a revolution in the world of currencies in the sense that almost all have a large digital-only component to them. The Canadian dollar, for example, exists almost exclusively as a series of digital debit and credit entries in the private banking system's balance sheets, and offset by that of the Bank of Canada. What is unique about Bitcoin is its decentralized nature and private creation.

The shift into alternatives to state provided goods and services is already apparent in many facets of the economy – healthcare and defence among others.
Bitcoin represents a recognition amongst a growing minority of the global economy that the current system is more broadly broken.

Indeed, money is the most systemically important asset. It is the common denominator that links all transactions together. Manipulations to it have broad-reaching and severe consequences. Many of these consequences are apparent in the global crisis, which has been sparked by a lack of faith in money, government debt and the financial system at large. Bitcoin is an attempt to rectify this.

Instead of deriding Bitcoin, governments of the world would do well to learn from it. Bitcoin is a clear symbol that something has gone terribly wrong in the realm of money. It is an attempt at solving a trust problem, how we can trust the soundness of the digital currency. We cannot trust the soundness of state monopoly digital currency, just as the Roman Empire slowly crumbled owing to a lack of trust of the soundness of its own currency (Bartlett 1994). Bitcoin is a revolt against the current monetary order - a stand against inflation of the money supply, a stand against the state monopoly on the production of money and money substitutes physical and digital, a stand against the states desire to destroy networks of trust outside of their control.

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