

— LETTERS
on LIBERTY



UNFUCKWITHABLE MONEY

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Welcome to *Letters on Liberty* from the Academy of Ideas. *Letters on Liberty* is a modest attempt to reinvigorate the public sphere and argue for a freer society.

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Since its foundation in 2000, the Academy of Ideas has hosted thousands of public debates, festivals, forums and salons where people from all walks of life come together to debate often-controversial topics and to challenge contemporary knee-jerk orthodoxies.

We always hold on to one defining principle:
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What are Letters on Liberty?

It's not always easy to defend freedom. Public life may have been locked down recently, but it has been in bad health for some time.

Open debate has been suffocated by today's censorious climate and there is little cultural support for freedom as a foundational value. What we need is rowdy, good-natured disagreement and people prepared to experiment with what freedom might mean today.

We stand on the shoulders of giants, but we shouldn't be complacent. We can't simply rely on the thinkers of the past to work out what liberty means today, and how to argue for it.

Drawing on the tradition of radical pamphlets from the seventeenth century onwards - designed to be argued over in the pub as much as parliament - *Letters on Liberty* promises to make you think twice. Each *Letter* stakes a claim for how to forge a freer society in the here and now.

We hope that, armed with these *Letters*, you take on the challenge of fighting for liberty.

Academy of Ideas team

UNFUCKWITHABLE MONEY

'The fundamental scam of modernity is the idea that government needs to manage the money supply.'

- Saifedean Ammous, *The Bitcoin Standard*^f

'Bitcoin is a classic paradigm shift... Up until the shift starts people can give you a million reasons why it wouldn't work. For thousands of years people were trying to fly. In 1903 it sorta works. By 1960 we're on the moon.'

- Michael Saylor (interviewed by Dan Held)ⁱⁱ

The best money in 200,000 years

I want you to think of Bitcoin simply as ideal money. Not everyone agrees with that characterisation, but it's the stance I'm taking here.

It's customary to begin an essay on Bitcoin by explaining what it is, usually with the aid of a metaphor. For instance, I might say to you: Bitcoin is like gold, only better, because it's a thousand times easier to store and transfer. Also, its supply is absolutely fixed, and perfectly scarce - nobody can ever find more of it in an asteroid.

All true, but the inconvenient fact remains: Bitcoin is multifaceted and genuinely difficult to grasp, as you'd expect of an extraordinary amalgamation of economics, cryptography, computer science, and game theory. Nothing like Bitcoin has ever existed before, so attempts at comparison are fruitless. You've got to work your way around to understanding it on its own terms. Luckily, this pamphlet is about what Bitcoin *can do*, not *how it works*.

Another reason there's no elevator pitch for Bitcoin is that it is a nascent technology, hatched a dozen years ago, whose long-run implications we do not and cannot know concretely. Imagine it's the 1990s and you want to give a pithy explanation of the internet and everything it would become technologically and socially over the next 30 years. You can't, because you have no idea.

As the American journalist HL Mencken quipped, 'for every complex problem there is an answer that is clear, simple, and wrong'. The same applies to explaining the mechanics of Bitcoin; there is no way to put it in layman's terms. The best I can do (and if it helps you, it helps you; if it doesn't, don't worry) is to say that Bitcoin is like the TCP/IP protocol, which is the base layer of the internet, providing the algorithmic rules that determine how information moves around.

The thesis here is: Bitcoin is poised to become the new base layer of the monetary world just as TCP/IP underpins the digital world. Why? Because, for a number of functional reasons (which you can research elsewhere), Bitcoin may be the best monetary technology yet implemented in 200,000 years of human history. And because money is so fundamental to human flourishing, now that we finally have an ideal money, we are free to build a society on top of that - a fairer and freer and more honest one than we've ever had before.

Like the metre, but for money

What Bitcoin does, above all, is provide a standardised monetary unit that can't be messed with. Thus, at long last, Bitcoin delivers to the economic realm something of fundamental worth which the physical realm has had for some time.

In Paris, there was a single platinum rod measuring exactly one metre long. In 1889, this was expanded to 30 platinum-iridium bars stored around the world. Later, the metre was defined as a multiple of a certain wavelength of light. By now there are enough copies of actual metres that 'how long a metre is' is not something people can fool you about. As a result of

this standardisation, one cubic centimetre is also reliably one cubic centimetre, and, by extension, one gram is one gram, and so on. One rock-bottom standard allows other standards to derive from it and makes engineering reliable.

Before we had this universal system of weights and measures, every society had its own approach - just as every society still has its own approach to money. The problem is, as recent Bitcoin convert Michael Saylor put it, ‘money is a measuring stick and governments keep distorting the measuring stick’,ⁱⁱⁱ which in turn distorts everything else.

If and when the world moves to a Bitcoin monetary standard, it would bring newfound stability and rationality to many areas of human endeavour. This is of immense significance, because to an appallingly large degree, the history of the world so far is the history of governments fucking with money.

Sometimes governments fuck with money in ways that would be comical if they weren’t tragic (like Zimbabwe, where inflation was estimated at one point in late 2008 to be running at 89.7 sextillion percent). Sometimes governments fuck with money more discreetly (like in ancient Rome, as they gradually reduced the metal content of the denarius). But governments, whether democratic or authoritarian,

always, by design or neglect or arrogance, fuck with money. That's simply what happens when managing money is a political function. Before Bitcoin, there were good reasons for the government being in charge of money. However, with the advent of Bitcoin and other cryptocurrencies, we now have monetary options we've never had before - a notable freedom in itself.

Bitcoin is the leading contender to become the underlying unit to which everything else in the monetary universe is mapped and reconciled.

It is at least arguably true that Western democracies have messed with the money less than other nations, maybe even in ways that were occasionally helpful. By any number of metrics, the major world fiat currencies, even since coming off the gold standard in 1971, haven't been terrible. That is, except in one key area: store of value, in which fiat has performed abominably. To wit, I quote from *The Little Bitcoin Book* (a volume I commend to the reader as an introduction):

The oldest national currency is the United Kingdom's pound sterling, which has lost 99.5 per cent of its purchasing power over the last 300 years. The US dollar has lost 90 per cent of

*its purchasing power in just the last century. A steak that cost \$0.36 in 1925 was \$3 in the 1990s and costs \$12 today.*²⁰

You might regard money minted in a democracy as being ‘the people’s money’, and wonder if Bitcoin is less democratic than fiat. Saifedean Ammous explains the hazards of this view in his 2018 book *The Bitcoin Standard: the decentralized alternative to central banking*:

*‘Unsound money... [where] government simply increases the money supply... is a particularly dangerous tool in the hands of modern democratic governments facing constant re-election pressure. Modern voters... are far more likely to go with the scoundrels who promise a free lunch... [until eventually] the bill for the free lunch arrives via [price] inflation and economic recessions.’*²¹

Prior to Bitcoin, we’ve never had ‘hard’ money (meaning: good for storing value across time), which is also easily transmissible across space and isn’t subject to debasement by government, erosion from natural causes (like salt, shells, or tea bricks) or cheating by unscrupulous actors at the retail level (counterfeiting or coin clipping). And while there is probably a role for other cryptocurrency ‘alt coins’ (Ethereum, for example) to perform various financial tasks, including holding small amounts of value, Bitcoin is the leading contender to become the underlying unit to which everything else in the monetary universe is mapped

and reconciled. In other words, Bitcoin is like the metre, but for money.

Everything may be priced in Bitcoin

It can take a surprisingly long time for one form of money to die, and a better one to replace it. As the great Milton Friedman explained in his 1992 book *Money Mischief*:

'[O]ur whole monetary system owes its existence to the mutual acceptance of what, from one point of view, is no more than a fiction. That fiction is no fragile thing... It takes very high rates of inflation - rates well up in double digits that persist for years - before people will stop using the money that is so obviously inflating. And when they do lose faith in the fiction, they do not revert to straight barter. No, they adopt substitute currencies.'^{vi}

Post-covid, the world's governments are spending money like it's going out of style. They have already 'printed' some \$25 trillion in new money. What it means to 'print' money is beyond the scope of this article, but basically refers to central banks creating money out of thin air by extending credit to other banks in the financial system. Eventually, if you're

lucky, some of the new money gets to you, but usually not before prices have gone up faster than your wages.

Some think generous government spending is beneficial. But my point is a mathematical one: flooding the economy with vast sums of new currency debases the purchasing power of all the currency in that system. It's currently happening at a scale so historically eye-watering (15-25 per cent annually in many countries, where closer to five per cent had been the norm) that people are starting to realise that fiat currencies, even major ones like the dollar and the pound, are melting ice cubes in terms of their capacity to hold value.

Picture the Titanic sinking - the ship gets lower and lower in the water, and then at some point, whoosh... it goes down fast.

Fiat has always possessed the inherent drawback of being fuckwithable, so nobody is surprised by today's governments' blasé attitude toward printing money, even if some of us are taken aback by the sheer audacity of the current rate of monetary growth. But here's the good news: this time, things are different. Why? Because in Bitcoin, we now have a viable alternative monetary standard that governments can't

meddle with. You can call this the Bitcoin-as-lifeboat theory.

For the time being, Bitcoin's price volatility (along with other factors, like the capacity limits on the number of transactions the Bitcoin network can handle every day) makes it unsuitable to use as cash, which is why you don't see prices demarcated in Bitcoin. Right now, nobody sells a house for 27 Bitcoin (£700k) or tips the Deliveroo driver 5,300 satoshis (£2) to drop off a pizza. (That's another factor inhibiting Bitcoin's adoption: at current price levels, the numbers are wrong for most people who are habituated to pricing in fiat.)

But let's not miss the forest for the trees. Eventually, people can and will give up the money they've become accustomed to and switch to Bitcoin - first as a store of value (even if volatile), and later as a medium of exchange (especially if Bitcoin's price stabilises, or fiat's value veers toward zero).

If we reach the sad but logically imaginable moment in which the dollar and the pound are 'not worth a Continental', it is perfectly plausible to expect that everything will then be priced in Bitcoin. Were this to transpire, some speculate it could happen quickly, in a phenomenon called hyperbitcoinisation. Picture the Titanic sinking - the ship gets lower and lower in the

water, and then at some point, whoosh... it goes down fast. At least, that's the hypothesis proffered by many knowledgeable pro-Bitcoin theorists. But will it play out that way?

Governments may fight it... and lose

Geoffrey Miller is a psychology professor of some repute. While he is open to the freedom-enhancing potential of cryptocurrency, he is also sceptical that Bitcoin's adoption as the new global monetary standard will be unfettered. On Twitter, Miller laid out his argument for how governments might try to tamper with Bitcoin:

I accept that Bitcoin is technically brilliant, politically visionary, globally empowering, maybe the future of money, etc... However, insofar as [it] threatens US dollar hegemony as a global reserve currency, the higher BTC's market capitalisation gets, and the more of a legit threat it becomes, the more incentive... governments have to crush it.^{xvii}

He notes that governments have many weapons they could use to crush Bitcoin: 'regulating it, taxing it, [or] imposing capital controls. If that doesn't work, they could escalate by banning banks, pensions, corporations, and individuals from trading or holding

it.' Miller rightly points out that we have ample evidence as to *why* governments - especially the US government - would want to do so: control over money-printing is a huge element of their power.

Miller's suppositions are valid, and the anti-Bitcoin campaigning is well underway. As Andrew Torba, the founder of the radically pro-free speech social-media platform Gab, says: 'Bitcoin has been smeared by the mainstream media, governments, and the traditional banking industry for over a decade now. The reason for this is simple: the central banks and oligarchs in power are all threatened by Bitcoin, as they should be. Bitcoin promotes individual sovereignty and annihilates dependency on existing power structures.'^{viii}

Bitcoin will be there for humanity as ready money, stepping in to serve in a way no currency before has ever been able to.

Establishment types rarely miss a chance to deride Bitcoin. Christine Lagarde, president of the European Central Bank, remarked in January 2021 that Bitcoin is 'a highly speculative asset, which has conducted some funny business'. Bitcoiners cited this as a typical, predictable, and commonplace message of FUD (fear, uncertainty, and doubt). Incidentally, Lagarde is no

stranger to funny business: in 2016, she faced accusations of misusing public funds and was found guilty by a French court;^{ix} the IMF kept her on as its then chief, thus taking a stand that was either admirable or despicable. I'm not sure which.

Despite the widespread misunderstanding that Bitcoin is completely anonymous (it really isn't), privacy is not a core Bitcoin feature. You might be surprised to learn that law enforcement agencies quite like it when criminals use Bitcoin, which is why many dark-web markets don't accept Bitcoin any longer, favouring cryptocurrencies like Monero whose transactions are impossible to trace.

In any case, support for Bitcoin, measured any number of ways, is growing exponentially. Marty Bent, a Bitcoin-mining entrepreneur and newsletter writer, believes that Bitcoin already has reached escape velocity: 'The protocol has amassed too strong of a network effect in terms of the amount of computing power dedicated to the network, how many nodes are running all around the planet, and [its] social acceptance on a broader scale... Any attempt to squash the network at this point would be met with too much pushback from the masses.'^x

Even Hester Peirce, commissioner at the Securities and Exchange Commission (SEC) in the US,

confessed in April 2021 that Bitcoin is no longer a stoppable force: ‘I think we were past that point of banning Bitcoin very early on... because you’d have to shut down the internet.’^{xi}

Personally, I think it’s too soon to say whether Bitcoin has crossed the county line leaving the fuming sheriff and his patrol car in a cloud of dust at the border. Most probably, governments will attempt to force their own e-money on us in the form of CBDCs (central bank digital currencies), which they’ll make legal tender, possibly while trying to simultaneously throttle Bitcoin. Meanwhile, as long as ‘money printer go brrrrrrrrr’ (to borrow a meme from Twitter) Bitcoin will continue to ascend as a store of value. This, in turn, will make it difficult to fend off Bitcoin indefinitely as a unit of exchange.

A Bitcoin-powered renaissance?

Bitcoin may well become a pillar of a future free society. To begin with, if the current financial system collapses, Bitcoin will be there for humanity as ready money, stepping in to serve in a way no currency before has ever been able to. It is the store of value and medium of exchange and unit of account that would allow our economic activity to carry on

relatively smoothly, staving off a good deal of the chaos and misery that have occasioned past currency collapses. Some of this depends on how rapidly Bitcoin payment technologies, like the Lightning Network, can scale in consumer-friendly ways. Bitcoin may be unfuckwithable, but, for most of us, it's also a pain in the arse to use. Banks suck, but at least there's a phone number you can call.

In the late 1990s, we could not yet envision iPhone apps, Netflix streaming, Uber or the ability to 'google it'.

To me, a Bitcoin-based monetary system appears in many ways inevitable, albeit not necessarily close at hand. It's also difficult to picture what it might look like. 'For those of us alive today, raised on the propaganda of the omnipresent governments of the twentieth century, it is often hard to imagine a world in which individual freedom and responsibility supersede government authority', writes Ammous. 'Yet such was the state of the world during the periods of greatest human progress and freedom.'^{xii}

According to Ammous, the most remarkable social changes we can expect in a Bitcoin-denominated future surround the ways people and governments will become more discerning in their spending once the

coin of the realm is solid and holds its value indefinitely:

‘[In] such a world... [people’s] monetary decisions will orient their actions toward the future... people will not only save and invest more, but also [grow] morally, artistically, and culturally oriented toward the long-term future... Every new proposal for government action will have to be paid for [contemporaneously] in taxes or by the sale of long-term government bonds, giving the population an accurate measure of the true costs... which they could easily compare to the benefits.’^{xiii}

What’s speculative about Bitcoin (other than its price) is not so much its validity as a monetary technology - that’s been proved over the last 12 years. Instead, it is its ultimate social impact. To quote early Bitcoin backer Beautyon, Bitcoin ‘is an unprecedented paradigm shift, the implications of which are not yet fully understood, and for which the tools do not yet exist to fully take advantage of this new idea’.^{xiv}

There are more pieces of the Bitcoin puzzle yet to fall into place, and many more iterations of the Bitcoin ecosystem yet to come. We are still a way off from seeing a volatile asset become the world’s monetary standard, just as in the late 1990s we could not yet envision iPhone apps, Netflix streaming, Uber or the ability to ‘google it’.

Yet Bitcoin - unfuckwithable money - appears to be an idea whose time has come, one deserving of serious support from all lovers of liberty. We don't know how this monetary saga will unfold, but we'd better pay rapt attention to its unfolding. And as Satoshi Nakamoto, Bitcoin's creator(s), wrote on 16 January 2009 in an email to a private cryptography mailing list: 'It might make sense just to get some in case it catches on.'

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