

Is Bitcoin A Blessing or A Curse?

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Abstract: In this article, several perspectives of bitcoin are briefly stated. First, there is an introduction for bitcoin, such as the concepts and the process of its launch, in order to have a general idea. Then, I borrow a few main ideas from Adam Smith, which help to support that bitcoin is a blessing. Based on six behavioral motivations from Adam Smith, I tried to define the property of bitcoin and find out the development of bitcoin in the future. In the other hand, bitcoin is limited, which can not satisfy all the consumers and do not have a supervision department.

Keywords: Bitcoin, Blessing, Adam Smith, Liberalism, Marxist.

1. Introduction

Bitcoin as an electronic currency was first introduced in 2008 when the world financial crisis broke out. Since then, this virtual form of currency has become a central topic across the world. Some people are optimistic and love to see the wide range of bitcoin used in different aspects of life, while others doubt its future prospect. Meanwhile, economists worldwide take a close look at the evolution of bitcoin but find its future remains unpredictable.

Like it or not, bitcoin emerges in the age of quantification, financialization and digitalization. Traditionally, official currencies, backed by central governments and banks, are used as people believe they are a reliable store of value. Bitcoin is different in that it builds its trust on algorithms and encryption. Unlike the paper money backed up by gold depositories and credit of states, bitcoin is a decentralized payment system which is not governed by any central governments or banks. This system is based on the application of the blockchain technology in which “peers can connect and make financial exchanges within a network without the need for mediation with a central node, being it a bank, financial institution, or government)” (Baldwin 2). The system is a distributed peer-to-peer network, and all nodes therein are equal peers. Moreover, bitcoin depends on unique arithmetic. Solving algorithms to create new blocks—this can be seen as the mining for coins” (baidu baike).

Despite its advantage as an alternative payment method, the total number of Bitcoin is limited. The currency system has only no more than 10.5 million in four years, and the total number thereafter will be permanently limited to 21million” (baidu baike). This may lead to fierce scramble for the blockchain. Nevertheless, ever since bitcoin was conceived, cyber-libertarians who hold the doctrine of free will in the internet firmly has been arguing that bitcoin would challenge the existing payment systems and even monetary systems. The emergence of bitcoin indeed shows the fact that a network society is coming into our horizon and perhaps the old economic system will come to the end.

At this point we are faced with two completely different judgements about Bitcoin. The currency is either regarded as a revolutionary progress that will dramatically change our economic form or a privilege, or “a game of the few” that is only accessible for social upper class or simply a group of financial elites. Is Bitcoin a blessing or a curse is then a

question that deserves our investigation and debates.

2. Organization

2.1. A Liberalist View of Bitcoin

The emergence of bitcoin ignites economic, social and ethical debate. Adam Smith (3), the founding father of the liberalist school, advocates the end of feudalism and mercantilist regulation by state monopolies and, instead, the establishment of ‘laissez-faire’ government”. He proposes six behavioral motivations, such as sympathy and desire of freedom. People are motivated because they are free to make choices according to their private interests in the market. In the Wealth of Nations, he claims that it would be better if people get out of the government control and follow the rules of nature in their economic activities. Clearly, bitcoin represents the core concept of economic liberalism, which is that “desires are to be accommodated not proscribed” (Berry 15). It meets the need of self-interests. Adam Smith demonstrates an ideal society where economic decisions are made between buyers and sellers out of appetite and desire. The same game can be applied to individual's choice of money. People are blessed to choose bitcoin because it promises to bring future economy with benefit and convenience.

With this liberalist understanding of Bitcoin comes the notion of decentralization. As an alternative to official currencies, Bitcoin is then believed to be able to challenge existing financial authorities and give people back the rights to bargaining, financing, and setting prices. Some even claim that Bitcoin is “a socialist solution to a capitalist problem” (Baldwin 3). While it does seem too naive to entrust Bitcoin with the task of changing the entire capitalist system, its decentralizing potential is not unrealistic. To imagine this, we simply have to look at how electronic payment has in recent years dramatically changed our lives. In China, for example, whose memories of poverty and famine are still not very far away, it is nowadays extremely difficult to see people carrying purses or wallets while shopping, regardless of their age, social class, or income level. This makes us wonder, if the development of information technology can revolutionize our payment, why it is not possible for it to bring changes to our currencies, especially when Bitcoin and other virtual currencies are already invented? We can even compare the future of Bitcoin to smart phone. Nowadays, everyone has to have a smart phone, because we need to use it to pay and go

out as a traffic permit. When everyone cannot live a normal life without it, then Bitcoin is no doubt a blessing.

However, in the past few years, people have turned their attention to another subject of debate: is the bitcoin system sustainable? The concern derives from the fact that the bitcoin doesn't have an entity, it doesn't have any exact value as a product. If buyers do not have this consensus, bitcoin is physically nothing. The question is what makes people to choose to use bitcoin.

2.2. Marxist View of Bitcoin

Fetishism can be defined as a belief in the magical power or a worship of religion. Because the bitcoin doesn't have any physical form, it doesn't have any exact value as a product. We can consider that its existent value was given by the people who brought it or invest it. If buyers do not have consensus, bitcoin is physically nothing. The background of generation had a far-reaching influence in people's subjective judgment. It is easy to form a situation, called follow the suit. This looks like people believe in religion. Because more and more people believed in the same religion, the religion became true. Most people who brought the bitcoin didn't have a deep understand and blindly followed others. This is the same reason why there are so much people buying bitcoin.

However, in the daily life, people will find the differences between the reality and their imagine. People will have a sense of unevenness. Finally, the trend of the situation may lose control. Also, bitcoin has an obvious exclusiveness which means the bitcoin does not lift a restriction to everyone in the world. If not all of the people participate in buying bitcoin, the currency may be glorified by the people who join in. In this case, the people who have no knowledge bitcoin may be ignore from the beginning. Besides, bitcoin may create an assumption. Although decentralization is a main character of bitcoin which seems governments lost their control of bitcoin, it's still possible that the bitcoin was controlled by a powerful consortium. For example, Sanxing which is a famous smartphone producer intervened the trend of bitcoin. If this assumption is tenable, bitcoin may become an advertisement to propaganda of the consortium. If the consortium enhanced the thresholds of entry the bitcoin and negotiated each other, the bitcoin will be a course. Because it became a tool to help capitalism to gain money.

All of these points to an opinion that all our fantasies revolving around Bitcoin may one day suddenly collapse in

the same way as the bubble of the housing industry did. With Bitcoin in hands, one might one day become extremely rich, but it is likely that he will fall into destitute on the next morning. The lesson we learn from fetishism in the past three hundred years of capitalist expansion is that the glory of goods is never truly tangible. When a commodity is out there in the market, we feel anxious because we cannot resist its temptation. But when we finally buy it home, making it our own property, its glory soon vanishes, which makes us even more anxious, so that something else has to be bought as a compensation. Buying thus goes on forever, constantly infusing energy to capitalism, whereas the buyer eventually gets nothing. It is in this case, Bitcoin is a commodity that creates for the people nothing but desires for endless consumption.

3. Conclusion

When we talking about whether the bitcoin is a blessing or not, we need to redefine the type of the bitcoin. If we define the bitcoin as a kind of investment, it will become a tool which the consortium gains the wealth. If we define it as a kind of new currency, it is likely that it will improve our lives. Bitcoin may replace the function of the existing currency so that more and more people will use it. This can avoid the problem of fetishism that always excludes the majority from its games. Above all, the final standard of our judgement can be grounded on the "Greatest Happiness Principle" proposed by Jeremy Bentham, which is the idea that a policy is good when it can create "the greatest happiness of the greatest number". In the same way, we can say that Bitcoin will be a blessing when it can bring the greatest change for the greatest number of us.

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