

Wednesday, October 30, 2024

THE BUSINESS TIMES

INSIGHTS FROM CFA SOCIETY SINGAPORE

# Making a philosophical case for Bitcoin

By Martin Fridson

"BITCOIN is for criminals. It's a tool for terrorists, drug dealers, and hackers, and a plaything for degenerate speculators."

"Compared to physical cash, Bitcoin enables some wrongdoing more easily over longer distances."

"Perhaps in the long run, Bitcoin could destroy the international order by making sanctions less effective."

"Even if Bitcoin intrinsically has no serious problems, it is surrounded by a culture rife with scams."

These excerpts from the book *Resistance Money* may strike readers as puzzling in view of the book's subtitle: *A Philosophical Case for Bitcoin*.

In reality, authors Andrew M Bailey, Bradley Rettler and Craig Warmke forthrightly state the case against Bitcoin in the course of arguing that on balance, one should prefer to live in a world with Bitcoin rather than one without it.

The book's even-handed approach is a welcome contrast to the extreme comments regularly heard from both Bitcoin's zealous proponents and its frequently ill-

informed opponents.

Bailey is an associate professor of humanities at Yale-NUS College, Singapore. Rettler is an associate professor of philosophy at the University of Wyoming, and Warmke is an associate professor of philosophy at Northern Illinois University.

In the authors' view, high among the positives that outweigh Bitcoin's negatives is users' ability to defend themselves against financial censorship.

They point out that people with dissident political views who depend on conventional finance are vulnerable to their bank accounts being shut down, their transactions blocked, and even their funds seized.

Bailey, Rettler and Warmke note that such tactics are not employed solely by dictatorial governments.

From 2013 to 2017, "Operation Checkpoint" by the US Department of Justice and the Federal Deposit Insurance Corporation pressured banks to deplatform individuals and companies involved in fully legal businesses, including ATM operators, coin dealers, dating services, pawnshops and payday lenders.

In 2022, 22 rights groups including the American Civil Liberties Union and the Freedom of the Press Foundation asked PayPal to stop shutting down accounts under a new user agreement that gave the company sole discretion to confiscate up to US\$2,500 from customers it deemed to be publicly spreading misinformation.

Bitcoin is not censorship-proof, say the authors, but it is censorship-resistant.

*Resistance Money* also pleads on behalf of the world's billions of unbanked individuals. Bitcoin requires no minimum balance, charges no fees for opening an account, and does not exclude people with problematic credit histories. It is accessible to immigrants who lack documents to verify their identities and financial histories, and the poor who lack the resources to obtain them.

Bitcoin users need not worry about being surprised by a hidden charge, being discriminated against on the basis of their ethnicity, or living too far from a bank branch to obtain access to banking services. All they need to enter the Bitcoin network is a mobile phone or a laptop. Eighty-five per cent of



The authors of *Resistance Money: A Philosophical Case for Bitcoin* argue that the cryptocurrency's positives outweigh the negatives.

IMAGE: PIXABAY

Americans currently own smartphones, up from 39 per cent 10 years ago.

Masters of argumentation by virtue of their training as philosophers, the authors also tackle in a reasoned manner standard objections to Bitcoin, such as its high price volatility and the sizeable quantity of energy consumed in mining it. Happily, the scenario presented by a 2017 Newsweek headline, *Bitcoin Mining on Track to Consume All of the World's Energy by 2020*, did not come to pass.

Bailey, Rettler, and Warmke even address several criticisms of

Bitcoin that many well-informed financial practitioners have probably never previously heard.

These include complaints that Bitcoin is divisible into unduly small sub-units (one Bitcoin equals 100 million satoshis, each of which was worth about US\$0.00025 when the book was written); the objection that Bitcoin is very unequally distributed (about 7.9 billion people on Earth own none); and the allegation (disputed by the authors) that although the cryptocurrency is purposely designed to operate without makers, mediators or managers, Bitcoin miners

are, in fact, mediators.

The last point touches on a problem that many readers are likely to encounter in reading *Resistance Money*. Following some of its arguments requires a deep immersion in the technical details of Bitcoin's design and operation. Non-specialists may, for example, find the lengthy description of Bitcoin's failed predecessors a slog and somewhat beside the point.

*Resistance Money* is not completely free of error. The text refers at one point to the "Great Recession of 2007-2009". In reality, the US National Bureau of Economic Research dates the beginning of that economic contraction to January 2008.

None of these difficulties or imperfections should deter practitioners from reading this authoritative examination of a controversial asset with a current aggregate value of US\$1.3 trillion. The book comes much closer to a style ideal of rational, evidence-based analysis than most commentaries on Bitcoin's merits, or lack thereof.

With clients asking their advisers either to add Bitcoin to their portfolios or to provide a good reason for not doing so, *Resistance Money* will immensely help advisers reach a firmly grounded decision on which way to go.

The writer, CFA, is an author and book review editor for the *Financial Analysts Journal*