Cryptocurrency: Kneeling Before Speculation

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> Speculation is […] like gambling in that it creates no wealth but rearranges—often to the great profit of rearrangers—wealth that already exists.
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> George P. Brockway ('On Speculation: A Footnote to Keynes' 515-16)

> The entire financial system depends on trust.
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> Michael Lewis (Interview on *Desert Island Discs* 28:33-28:35)

THE NOVELTY OF CRYPTOCURRENCY RESIDES IN HOW ITS BLOCKCHAIN TECHNOLOGY provides an immutable public record of financial transactions that does not require regulation by a central authority. Lurking behind this advance is the idea that algorithms, or machine code, eliminate conventional processes that are not only less expedient but mired in institutional and personal biases (Allon; Dodd; Schneier). While these claims to progress are disputable, the purpose of this article is to question to what extent cryptocurrency is novel when compared to its conventional predecessor—i.e., money or currency. (I will use the terms 'money' and 'currency' interchangeably.) My main focus will be the way in which money tends towards speculation on its own worth. I will conclude that despite the

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technological and procedural advances putatively made by cryptocurrency, it is nothing new with regard to the problem of financial speculation.

To try and make sense of this claim, it is first necessary to see how the *phenomenon* of money involves a transformation that begins with a relation of trust between transactors and moves to speculation on money as a commodity. My argument in outline:

> economic inter-action presupposes *trust* between transactors, which takes the form of *credit*;
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> on a larger scale, money's abstracting nature allows it to be an object of speculation; and
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> cryptocurrency may change the way we think of the operations of value in exchange; yet, it is no different in nature from money and is driven by its speculative form.

a) The Role of Trust

The way trust informs relations of exchange has been well argued by the likes of such political economists as Henry George (*Science* 507) and, more recently, by the anthropologist David Graeber (Graeber 21-41). Both George and Graeber convincingly dispel the idea that barter was the most basic and original form of exchange between societies. George argues barter is really a form of trust that is extended over time within a society. That is, barter is really a form of credit.

Let us consider a modified example taken from Graeber (34-6):

> John the Cobbler needs bread. He goes to Nancy the Baker and asks for bread for a month. Nancy does not need shoes. The two agree that she has credit with John for one month's worth of bread.
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> Nancy needs a new chair. She goes to Lilith the Carpenter. Lilith does not need bread but wouldn't mind new shoes. Nancy mentions she has credit with John and, assuming one chair is roughly worth a month of bread, writes a slip to that effect so John will know that Lilith has been transferred Nancy's credit.

What can we take from this example? It involves a conventional agreement where the use of credit presupposes a trust between the various transactors. As long as this trust stays intact, past, present, and future exchanges are possible. The credit slip may act as a record, but the actual driver is that each transactor trusts that the transactors involved will accept the credit as a form of transferrable value (i.e., value given and value owed).

Money is essentially this kind of credit slip. Yet, instead of placing trust in transactors specific to a small network of relations (per the example above), it places trust on a store of value that is recognised by the authority of central banks and governments.[1] Money is thus open to any transactors, not just ones who know each other. However, it is important to point out that this more universal application of money is not due simply to the fact that it acts as a common measure and store of value. Both functions of money presuppose a basic form of value production, without which the trust in currency would dissolve.

To illustrate this dependency, consider how well a society would function if a vast gold deposit was found and equally distributed amongst its citizens so that they could each retire from producing goods and services. Where would production then come from? In other words, how would the gold stores be exchanged for actual commodities for daily living when production itself has ceased? This is the so-called curse of the Midas touch noted by Keynes (Allon 231; cf. Brockway 517).

If currency represents economic value, this is only to say it *represents* actual value produced by the interaction between labour, capital, and land.[2] As in the credit slip example, the credit slip (currency) represents actual production to be exchanged. But, as we know, currency is used to represent economic value in general, which means it can be used to quantify other forms of value that do not figure directly in our use of things, or even the exchange of things we intend to use. In other words, we can use money to quantify or value how human desire and need might change in the future with respect to some item or commodity. This use of money is speculation (or forecasting how value can be 'created'), not by producing anything at all but by speculating on the desire and need for things to be used in production and consumption. In other words, economic value in general includes and tends to focus on the speculation of existing value in order to make a profit. Why? Primarily because it requires little to no effort (in contrast to labouring or producing something). In this sense, speculation on value is always parasitic upon or derivative of the original value generated by production.

In the example of basic credit exchange (John, Nancy, and Lilith), speculation on the value of items tends to be discouraged unless one wants to hoard a certain item (land is one noticeable exception). As I remarked above, currency is more universal than a basic credit exchange process because it places trust in the currency as a store and measure of value as opposed to transactors. As Marx

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[1] Triggs. See Graeber's more nuanced account of how the introduction of currency tends to coincide with governments trying to fund their armies (311-21).
[2] Money represents but is not actual value. See Triggs.

famously notes, currency allows for and encourages speculation on value since it provides a putative universal measure by which all things can be acquired and exchanged. Currency dislocates the sense of relation to and between transactors as subjects. The place of exchange is not any particular locale but the world market of 'freely' floating commodities. Currency allows for economic transaction to be divorced from the material shape of production (Marx 259) and normative social relations (Polanyi).

b) Speculation On Money

The abstracting nature of money allows us to think of value as something not just between immediate transactors but as something to accumulate for its own sake. This power need not be assumed to be mystical (i.e., involving the metaphysical mysteries of value transformation and commensurability) if one takes currency to be a pragmatic technology facilitating exchange. Commensurability, as illustrated in our example of credit exchange, is one of convention (cf. George, *Science* 251-2, 512). If currency can make unlike commodities appear equal in an exchange in any singular given event, its power of commensurability enables us to see as all things being equivalent in some way—that is, as exchangeable. Furthermore, if currency enables speculation on the desire and need for things to be used, it not only makes commodities commensurable, but any form of human endeavour or desire. To put this another way, the commensurability enabled by currency acts as a universal schema for the economic imagination.

This imaginative remit comes to include currency itself. We can speculate on currency. Why simply use currency as a means of measuring the value of things to be used? Why not see currency itself as something on which one can speculate—that is, speculation on the desire and need for the use of currency? What features of any given currency might allow it to be worth more than it is? Marx notes this irony when commenting that 'money [...] is worth more money, value [...] is greater than itself' (Marx 257). Despite a few disputable claims,[3] what Marx gets right is how the abstracting nature of currency (in representing the value of all goods) logically leads to speculation on the measure of value itself, since it too can be treated like a commodity.

In one sense, speculation is the apotheosis or abomination of the principle of classical economics (*homo economicus*) insofar as it either expresses the epitome of the drive to get what one wants through the least amount of effort (i.e.,

[3] Marx's account of abstraction relies on his labour theory of value, which it is not necessary to presuppose within the framing of my analysis. One need only simply accept that currency's natural form (cf. Marx 240-41) lends itself towards the increase in speculation on value to eventually include itself. Suffice it to say that I disagree with the role Marx gives to a labour theory of value (Mei 48-64).

purchasing instead of producing) or it goes against the moral sense of responsibility presupposed by a virtuous community and which classical economists like Smith, Ricardo, and Mill took seriously (hence why political economy is a moral science).[4] The point here is that the abstracting power of money runs contrary to being mindful of the immediate, social and moral bonds we have with our fellow humans since value no longer seems to fall in our immediate relations with them but in the abstract realms of exchange and speculation. The irony is that if speculation becomes more predominant than production, then the very objects of speculation (which are produced) tend not to be produced because effort and attention is instead devoted to speculation. The shorthand for this: time, effort, and attention are invested in speculation instead of production. This often results in an economic crash.

Does cryptocurrency avoid the grasp of the speculative imagination?

c) 'Same as the Old Boss'

It seems not. If money, generally speaking, is a kind of technology (as I mentioned above), then cryptocurrency is a distinctive advance on this technology whose new capabilities encourage speculation according to these capabilities. It does this in two ways. First, the technological and virtual interface makes it seem as if any kind of substantive, normative relation between individuals is unnecessary and therefore is more expedient. Second, the absence of relations to individuals is marked by a relationless world of free-floating values—that is, a world of machine code. Schneier (2019) provides an interesting, if not compelling, account of the former.[5] By way of conclusion, I want to offer some thoughts on the latter.

Recall that cryptocurrency's blockchain technology purports to revolutionise financial transactions by providing easier fluidity and exchangeability as well as a lack of regulation. Yet, its form becomes valuable not simply because it may offer a more expedient and universal measure of value, but also because it is speculatively valuable with respect to its technological innovation. That is, it does something over and above what conventional currency cannot. Its technological and practical novelty actually drive its speculative worth. By owning this

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[4] Smith, despite his association with neo-liberalism, expresses moral concerns for societal well-being in *The Wealth of Nations*; Ricardo speculated on the idea of ground rent as a source of tax; and Mill, despite his coining of the principle of *homo economicus*, was using an empirical method of deduction to analyse economic action in a similar way as he does with the principle of utility in his moral philosophy. As well, he supported a version of a ground rent tax. For more on the three, see Mei.

[5] Schneier notes how proponents of blockchain technology are wrong to think trust is eliminated because the technology depends on trusting miners and mining protocol; proponents tend to associate a rather narrow definition of trust with it; and proponents ignore how the technology relies on wider relations of distributive trust within institutions.

advantage, one gains not by making use of the specific advantage but by selling it on to others at a higher price. These customers are either those who will make use of the advantage through exchange, or they will become speculators by trying to get in on the rise of its value before it is too late. The latter is what often marks a pyramid scheme.

It seems strange that a medium of exchange is somehow worth more because of an expediency or advantage it might provide. This is almost like saying one kind of currency is worth more than another because it is more easily procurable and exchangeable. But it is not so strange if one remembers that this speculative relation to currency is not use-based. That is, it is not in keeping with its credit-based origins. To abstract away from the role of currency as a form of credit is no longer to be using currency in the primary sense of exchanging wealth within the cycle of production. It is, rather, to buy 'for eventual resale at a price in excess of the purchase price' (Brockway 517) without adding value by producing. The upshot is that the novelty of cryptocurrency's technology does not announce a new innovation with respect to use and exchange as much as it conceals these features through the speculative veil.

However, I hasten to add this may not be its fate. If there is any silver lining to cryptocurrency,[6] we must remember that it faces the same normative problems as any form of capital. One of the key virtues of capital is how it can save laboring time (George, *Progress* 173-203; cf. George, *Science* 298-9). Cryptocurrency may provide advantages with respect to time-saving in terms of how credit is given and exchanged, but this is a purely quantitative-temporal relation (i.e., more free time). For cryptocurrency to be revolutionary, it would have to make qualitative-temporal changes to our practices and understandings such that the monetary institutions and processes might aid in unlocking those human powers and talents that had so far been hindered by the status-quo. It would seem odd to count as a part of this novelty a new means of speculation on value.[7]

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[6] While there are merits to blockchain technology, such merits tend to exist irrespective of its employment in cryptocurrency (Dodd 51).

[7] My thanks to Mark Godley and Tom Mei for discussion about cryptocurrency and to Graeme A. Forbes, Joseph Jones, and Iain MacKenzie for discussing the relation of time to capital.

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