

# Interview about Bitcoins and Blockchains

## by the Russian Site, *Serious Science*

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August 2017

How and when did the first ideas about the necessity of market/economics/financial system (de)centralization appear?

In the caves. Homo sapiens have always traded, and always had economies in which a means of payment was used. That the means is not modern forms of currency is irrelevant. Coinage is not the first form of money, and bitcoins are merely another form of money. The earliest evidence of trade are necklaces of shells from hundreds of kilometers away from the Blombos cave site in South Africa, 70,000 BCE. Specialization has always existed, in hunter-gatherers as in modern Moscow. It entails something for the exchange. We call it "money."

What was the reason for this? Did technological development of the society influence a form of its economic organization on the earlier stages of social development?

There are no "stages of social development," if by that we are to understand the absence of money or trade or the pursuit of profit in some ancient "stage." Stage theories are myths of origin, invented in the eighteenth century, used mainly to label other people "primitive." They have been massively contradicted by archaeology and economic history, especially after the development of a scientific social science. But of course a society with agriculture and therefore cities will find it worthwhile to invent cheaper forms of payment than cowry shells or cattle.

What would you define as the most significant cases of economic decentralization in historical perspective? Does the blockchain fall into this category?

Any market is "decentralized," because an agreement among two people to trade  $N$  spear-points for  $M$  necklaces is not usually decided by central

plan, and is often not influenced by any government whatever. Central registers are as ancient as censuses of population for taxation. Decentralized registers are as old as writing, which began in, for example, Mesopotamia and Crete, as economic accounting. Humans carried in their heads a balance sheet of duties and debts and reputations. The assembling of information from private sources to yield public prices was done by bargaining in markets. Personal reputation is another blockchain at all stages of civilization. Double-entry bookkeeping, invented in Venice in the Middle Ages, is another example, literally a register in the style of blockchains. Confidentiality was assured by literally "keeping" the books.

What distinguishes blockchain decentralization from the earlier cases of economic decentralization?

Nothing. That does not mean that blockchains will be unimportant. Maybe they will be important. No one knows. But they are merely one of dozens of ways in human history of storing reputation and implementing exchanges. We have seen, I point out as an economic historian, similar advances before. On the one hand, that a steam engine is "like" an ox or the wind or falling water in moving a grain mill does not make it an unimportant advance. On the other hand, contemporary technologists are liable to decide, because they do *not* know the history, that their favored invention is a Great Revolution, that it *changes everything*. My point as an economic historian is to question such fevered speculation. The decentralized currency of bitcoin, for example, was paralleled in the so-called "free banking era" of the 1830s through 1850s in the United States, during which the monopoly of government-issued currency was challenged.

There is a widespread point of view that blockchain and cryptocurrency are something unique, something that doesn't have any historical analogies. Would you agree with this statement? Is blockchain technology really something unique? Or is it just a technologically mediated logical consequence of the previous attempts to decentralize economics?

No, as I say. Blockchains may or may not transform the economy, but they are the same as many other such transformations, and we must not let a fevered science-fiction imagination take over our minds!

Transformation of economy according to the blockchain technique presupposes the use of cryptocurrency. Are there any historical analogies for it?

As said, dozens.

In your opinion, do we have any reason to talk about real perspectives of transformation of national and international economies according to the blockchain principle?

It remains to be seen, but probably no. Registers, reputation, secrecy, non-governmental currencies are routine in history.

If the blockchain technology was commonly used, how would the role of government, state and banks change?

They would of course become less important, in the manner, as I said, of Free Banking in the United States before the Civil War.

How can national economies benefit from the use of the blockchain technology?

By letting people use them, and not standing in the way of private improvements in the means of payment. Governments do not usually know what improvements are good. But they do know what improvements threaten the monopolies they support, such as Russian oligarchs or American recipients of corporate welfare.

What difficulties/obstacles could appear if blockchain was used universally?

How would I, or anyone else, know unless it is allowed to be tried out?

Radical supporters of the blockchain idea state that it can become a real technological solution of the problem of social inequality. They claim that the blockchain technology can lead to economic freedom from the rules that corporations and governments impose. Would you say that blockchain could be a solution of the problem of social inequality? Could the blockchain become a foundation for the welfare society of all people as opposed to capitalistic idea of welfare of minority at the costs of majority? Could some ethical contradictions appear while implementation and usage of this technology?

“Capitalism” (a silly word, by the way) is emphatically not about “the welfare of the minority at the cost of the majority.” It is about innovation, improvement, trade-tested betterment. That is what has made the poor among us 30 times better off than our ancestors in 1800. Yes, letting people “have a go” (as British English puts it) is a good idea, and will undermine

various government-protected monopolies in finance. It will not much affect the distribution of income. Income is unequal for two reasons: (1.) by inheritance or by governmental monopoly and (2.) by discovering improvements before other people do. Neither will be changed much by a mere change in the means of payment, such as bitcoins. The (1.) is bad inequality, the (2.) is good inequality. The one is about favored castes. The other is about encouraging improvements in sports, science, music as much as in the making of ordinary goods and services, which benefit us all. But neither has anything to do with bitcoins.