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English 101

26 October 2015

Economies of the Digital Era: Politicizing conflicts between Bitcoin and Federal Banking

Ever since the Great Depression, the U.S. has established a strict set of laws regulating the collaboration of depository and investment banking. By separating these two forms of banking from interaction, the U.S. remained more financially stable by being more free market oriented.(SayItVisually) These laws only remained credible until the Financial Services Modernization Act was established in 1999 to better fit the U.S. modern financial system.(Investopedia paragraph 1) In 2008 when the Federal Banks issued out more loans to people with less than legitimate credit this resulted in one of the worst ever economic recessions since the Great Depression.(SayItVisually) As a result many people could not repay their mortgages which only resulted in more debt from these federal banks. This produced a cultural stagnation affecting the way Americans did business, which negatively affected the value of the U.S. Dollar and economy. While most people were suffering, a new form currency emerged allowing a select few of individuals to profit from this new form of payment. The currency was known as Bitcoin and belonged to the internet users and informants of the Digital Era, instead of being obligated to a certain private sector. (Coindesk paragraph 1) Later incidences and claims were made about the currency dealing with how it became notorious as a Black Market Currency.(Manchin) Through the inception of Bitcoin, feelings of this currency were mixed between an in debt banking community and an optimistic and visionary tech community.

Despite these claims, one Bitcoin (฿) reached an all time high of \$1000 showing the world that this new form of cryptocurrency exceeded the expectations of the finance and tech community.(Bitcoin Converter) This questioning analysis offers a corrective to these viewpoints, Federal banking anxiety vs tech community optimism. My argument is that both views are not necessarily mutually exclusive and that we as individuals can live in a society where both can exist in our economic model.

To many people, the purpose and economic effects of Bitcoin are unknown which has resulted in many conflicting and confused viewpoints of the currency. A statistic through a Forbes survey shows that only twenty four percent of all americans actually know what Bitcoin is.(Boring paragraph 2) By definition Bitcoin is a digital form of currency mined by computers solving complex algorithms.(Coindesk paragraph 2) It is cryptographic digital cash and over 100,000 companies accept Bitcoin as a currency. (Cuthbertson paragraph 1) Bitcoin is decentralized which means that it is not controlled by a country or organization. Federal Banks regulate their currency by controlling how much of it is either produced or exported to protect its market value from inflation. (Federal Reserve Bank paragraph 4) Since Bitcoin has no regulation Federal Banks argue that it will be more associated with Black market activity through users who have no or less of a digital identity.(Manchin) A digital identity is having computer systems digitally represent a person or a group of people. The con to this is that a regulating a currency restricts it from a free market and follows more of a command economy.(Investopedia paragraph 2) Bitcoin's freedom from regulation allows it to be entirely based off of a market economy. While Bitcoin is more capitalistic there is no private sector to protect Bitcoin when it becomes less valuable. (Investopedia paragraph 1)

Despite Bitcoin's digital anonymity in the world today, Bitcoin remains controversial because of its unnecessary need in its reliance with federal banking. Annie Rose Strasser the Senior Editor of ThinkProgress has been notoriously known to defend the Bitcoin controversy and fighting towards a social identity. In the writer's argument digital anonymity is not the threat to economic instability. In response to the Federal Bank's claims of criminal activity through Bitcoin, Annie-Rose Strasser contributes her thoughts towards the cryptocurrency:

The Bitcoin world is not all rainbows and roses, and yes you do have to be concerned with criminal elements. The criminals active in Bitcoin are dangerous, but concern over the 0.5% of transactions associated with black market activity is laughable compared to the destruction wreaked by even just one facet of the empire—war; the swiftest way to increase poverty worldwide. For countries torn apart by war, Bitcoin is an excellent way for people outside the conflict to give direct aid and remittances for families who aren't able to return to their countries (or conversely, escape). This function is really what makes Bitcoin disruptive—it threatens the forces that keep people enslaved by warfare. (Strasser)

This writing shows the threat to Bitcoin through poverty and warfare. In this argument the writer relies on fallacies to strengthen her argument on the justification of Bitcoin. She's attacking the accuser through responding with another problem. In response to criminal activity she transitions the conversation to the problems that exist through war and poverty showing where she believes the problems exist. This is showing how she defends the argument by turning the criticism back

towards the accuser. Through the writing of Strasser she responds to the federal banking accusations of criminal activity through Bitcoin. What the writer leaves out in her argument the criminal activity is justified through it being as low as 0.5%. (Strasser) Improvements in the writer's argument could include a solution to illicit activity through Bitcoin instead of a completely cryptographic currency.

In the last few years Federal Banking has made their stand against Bitcoin and how digital currency will adversely affect its ability to govern the more traditional money supply and payment systems. Federal Banking is against Bitcoin because there is no third party involvement. In recent years, the U.S. and Federal Banks have started cracking down on Bitcoin and enforcing their own rules and regulations. Jon Manchin a US Senator demonstrates his opposing viewpoint of Bitcoin in his article below:

I write today to express my concerns about Bitcoin. This virtual currency is currently unregulated and has allowed users to participate in illicit activity, while also being highly unstable and disruptive to our economy. For the reasons outlined below, I urge regulators to take appropriate action to limit the abilities of this highly unstable currency. By way of background, Bitcoin is a cryptocurrency that has gained notoriety in recent months due to its rising exchange value and relation to illegal transactions. Each Bitcoin is defined by a public address and a private key, thus Bitcoin is not only a token of value but also a method for transferring that value. It also means that Bitcoin provides a unique digital fingerprint, which allows for anonymous and irreversible transactions. (Manchin)

The writing above shows the perspective of Joe Manchin a US Senator who works closely with the federal banks. Through his argument he makes points on how he believes Bitcoin is ultimately a threat to the U.S. economy. He draws conclusions based off of bias which is known as the Biased Sample Logical Fallacy. In response to the quote in the first paragraph this writer responds with claiming that black market activity through Bitcoin only amounts to “0.5% of [all] transactions.”(Strasser) In his argument, he claims that Bitcoin is too anonymous and is mostly used for illegal activity however when in reality is only 0.5%. Manchin makes bold claims and fallacies that can be seen throughout his opinion. Manchin draws a conclusion about a population based on a sample that is biased or chosen, in order to make it appear that the population on average is very different than the real world statistics. This is showing how a misuse of statistics skews reality into the accuser's own post economic recession anxiety. It may be that an unknown digital identity through Bitcoin will be harder to regulate through the modern day banking system but black market activity is only a justification towards his own economic paranoia.

The federal government and Bitcoin users both show their misinterpretation of Bitcoin through their logical fallacies. While one could argue on who is justified and who isn't we can both agree that there are grey areas to this form of online currency and to how it should be used in the future. Both styles of writing infer their own perspective on the currency itself. Both writers strongly voice their opinions in the situation itself. The conflict is dealing with the change of embracing a new currency that is so unknown and ahead of its time. Rick Falkvinge a swedish political activist once mentioned that "Bitcoin will do to banks what email did to the postal industry.” (Clark chapter 2) From my observation, both financial organizations show viewpoints in the denunciation of the other. Through the events of the 2008 housing bubble americans have

shown an emotional prejudice through the irresponsible financial management of the federal banks. Yet let us not forget the credibility of the U.S. federal banking system in the United States of America. Although the events in 2008 prove otherwise, the government regulation of modern day banking has been in the intent and benefit of the American people. However the public needs to learn more about Bitcoin if it is to make arguments against it. Bitcoin proved how a decentralized currency acting in the free market opposed and succeeded federal banks in 2008.(Boring) Through its successes in one of the worst economic times this has led to an ongoing conflict between an indebt financial sector and a hopeful growing tech community. As a result the public has much to learn about Bitcoin and economic patterns through the views in which this essay analyzes.

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