



The Politics of Bitcoin: Software as Right-wing Extremism, by David Golumbia

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BOOK REVIEWS

The Politics of Bitcoin: Software as Right-wing Extremism, by David Golumbia, Minneapolis, University of Minnesota Press, 2016, 90 pp., US\$7.95 (paperback), ISBN 978-1-5179-0180-6

In recent years we have seen a significant shift in the use and development of Bitcoin and its offshoots, so-called ‘alt coins’ and blockchain technologies. Despite the new uses, the death of Bitcoin has been frequently forecast – with each highly publicized hack or case of fraud or financial mismanagement by a service provider or currency exchange (compounded by the routine lack of sensible developer governance). Yet it persists, and with vigor. This is not to say that the Bitcoin of today is the same one from its meteoric rise into popular consciousness four years ago, or even the Bitcoin of just one year ago.

Bitcoin is now a kind of commodity, but with increasingly less real utility. Early attempts at Bitcoin ATMs or Bitcoin payment systems have all but disappeared, and nearly all Bitcoins are now exchanged by high-risk, high-reward ‘investors’. Moreover, most of the computationally expensive (and energy-intensive) Bitcoin ‘mining’ is now done by industrial-sized operations in China (a dramatic shift from its original, predominantly West Coast US stronghold), fueled by cheap coal-produced electricity. Bitcoin has also largely fallen out of the mainstream media spotlight, replaced by interest in ‘blockchain technologies’ for commercial and industrial uses. (Blockchain technology, sometimes called ‘decentralized ledger technology’ in corporate settings, was born out of Bitcoin’s basic technical design and adds programmatic features such as ‘smart contracts’.) In reading Golumbia’s description of Bitcoin’s roots in ‘right-wing extremism’, this interest and real investment in blockchain technology by the likes of IBM, Microsoft, Maersk, and Deloitte is more than a little surprising, and ironic.

Golumbia’s *The Politics of Bitcoin* is a carefully researched yet exciting polemic that deftly pursues the politics underlying Bitcoin. Golumbia details the libertarian political climate into which Bitcoin was born and exposes the ways that, perhaps unbeknownst to its libertarian supporters, the political economics of Bitcoin are in fact deeply right-wing. Golumbia accomplishes this through a reading of a vein of right-wing economists – running from the John Birch Society to Milton Friedman – and then, inspired by the work of Philip Mirowski, he further traces this vein through to cyberlibertarianism and supporters in the Bitcoin community. Although his most cogent arguments are made when explicating economic theory, Golumbia also ties members of the Bitcoin community to right-wing economics through their discourse, here largely gathered from online materials. Moreover, building on his past work (*The Cultural Logic of Computation*, 2009), Golumbia also makes a case that these political commitments are integrated into the design of the technical system, for example, through seemingly innocuous choices to limit algorithmically the supply of Bitcoins (ostensibly) to curb inflation, or by requiring computational ‘proof of work’ to create new coins (as a metaphor for gold mining). Golumbia admits that these right-wing views and technical decisions do not capture the beliefs of every member of the diverse (but not so diverse) Bitcoin community, but the collective result is nonetheless a compelling and coherent assessment.

Tracing the political commitments of Bitcoin’s community and their design decisions is only one prong of Golumbia’s barb. Golumbia’s ultimate goal is political praxis – ‘to document those [right-wing] politics and to show what any non-rightist politics of Bitcoin needs to overcome’ (p. 13). That is, in short, Golumbia writes about Bitcoin from the political and economic Left. This investigation leads Golumbia into some predictable terrain, such as when he discusses the extremist and racially tinged ‘central bank conspiracy theories’ held by some members of the Bitcoin community (p. 44). According to these individuals, the US Fed manipulates the otherwise market-driven economy by

carte blanche printing money for the interests of a ('Jewish') Rothschild or a ('commie') Krugman (p. 44). For those holding this view of the central bank, Bitcoin is a key tool in the political fight to regain control of the economic levers of society. Therefore, Bitcoin is believed to pose an 'existential threat to the nation state', because it creates an alternative currency free from the control of the Fed and consequently diminishes the power of the state (p. 44). One of the many ways that small-state libertarianism is integrated into this vision, and one of the key threats Bitcoin poses (and a persistent stalking horse for these right-wing advocates), is that this alternative currency will reduce the inflationary tactics of the central bank.

In the original Bitcoin whitepaper, written by its shadowy pseudonymous author Satoshi Nakamoto, the Bitcoin mining algorithm is supposed to 'transition entirely to transaction fees [to incentivize transaction processing]' once 'a predetermined number of coins have entered circulation' (Nakamoto 2008, p. 4). In this way, the system will be 'completely inflationary free' (p. 4). It is this seemingly innocuous bit of economics arcana that drives Golumbia's argument that Bitcoin is inherently a tool for 'right-wing extremism'. Far from being an innocent decision or a commonplace view of mainstream economists, Golumbia demonstrates that the decision to limit the supply of Bitcoins comes right out of the John Birch Society and its founder Robert Welch's belief that inflation is itself an insidious tax. According to Welch and his followers, inflation is 'an increase in the amount of currency in circulation', and therefore, by printing more money, the money already in circulation is devalued (p. 15). With this immense power to control the production of money (supposedly issued solely to the Fed), he who prints money is not merely the source but the beneficiary of inflation. Despite these far-Right origins, this view of inflation has, with its twisted logic, subsequently seeped into otherwise 'mainstream' views of Bitcoin economics, and beyond. If you want to understand why inflation is suddenly a hot topic at dinner parties, you need look no further than the ways that Bitcoin economics have been broadly adopted. It is precisely the increasing ubiquity of this view and its uncritical adoption that makes Golumbia's book critical reading – to understand the roots of this view and to lever an alternative into existence.

The other major economic decision made in the original Bitcoin whitepaper was to emulate the process of gold mining when creating new 'coins' (Nakamoto 2008, p. 4), rather than following the more conventional route of printing paper fiat money (with the interests of the Fed and its inflationary ways, according to the ideology). This 'goldbug' sentiment has been previously discussed in the literature (see Maurer, Nelms, and Swartz 2013, Dodd 2014), but here Golumbia teases out the political economy implied in this decision. Bitcoin economics models the logic of the gold standard, implying a foundation for currency in the material possession of a scarce material, like gold, or cryptographic computation. The Bitcoin system 'mines' new coins using a statistical model borrowed from public-key cryptography technologies that produces value at a specific rate, based on the ostensible assurance of cryptography. The stability of the underlying asset (gold, cryptography) will ensure the stability of the currency. However, as Golumbia points out, this view is disproven on Bitcoin's own success: as the exchanged-traded value of Bitcoin marched towards (and past) US\$1000 per Bitcoin, it went through rapid shocks and crashes (with, no doubt, many more to come). As a 'store of value', Bitcoin is too unpredictable to be useful.

Golumbia's book joins the small but growing literature investigating the social and human dimensions of financial technology and digital money. To this list I might include Dodd's *The Social Life of Money* (2014), Vigna and Casey's *The Age of Cryptocurrency* (2015), Popper's *Digital Gold* (2015), Coeckelbergh's *Money Machines* (2015), and Maurer's *How Would You Like to Pay?* (2015). Some of these works use the emergence of Bitcoin as a way to interrogate existing or new features of money and the political contexts it is embedded within (Dodd, Coeckelbergh, and Maurer). Others tell the story of Bitcoin's origins and offer some guesses about the future (Popper, Vigna, and Casey). In this list, Golumbia's book is unique in that it focuses squarely on Bitcoin from an academic (read: critical) perspective. Despite its focus on Bitcoin, however, Golumbia's book is no primer to the topic. In fact, when I read an early draft of Golumbia's book I cautioned him that its message was pointed and

opinionated (and borderline one-sided), and likely to cause a stir. Happily, he ignored my advice to water down the message and instead wrote an exciting polemic while reinforcing his arguments.

The one-sidedness of this short book is not its major flaw (when you appreciate its goals, and the goals of the University of Minnesota Press' *Forerunners* series, such a rhetorical position is perhaps not a flaw at all). The weakest point of *The Politics of Bitcoin* comes at the end, when Golumbia discusses 'the future of Bitcoin' (p. 64 ff.). Here, Golumbia briefly discusses the (then-emerging) shift from Bitcoin and cryptocurrencies to blockchain technologies. That Golumbia barely touches on the major topics of these emerging technologies is excusable in such a short book focused on Bitcoin (and recall that when the book was published in 2016 many of these technologies were only just coming over the horizon). However, in failing to describe this shift, from Bitcoin to blockchain, and from right-wing extremism to corporate commodity, we are left with a significant gap in our understanding of the terrain. Moreover, given this ironic shift, one wonders if there is some key part of the political and ideological structure of Bitcoin that Golumbia has missed. Perhaps the 'conspiracy theory' story is given too much weight in Golumbia's description? Or perhaps its attempted use as a 'store of value' is more fugitive than Golumbia believes? Alternatively, perhaps Golumbia has already pointed us in the right direction, if not yet given us the roadmap, by showing the power of 'dominant capital' (Bichler and Nitzan, 2004) to wrest a fringe technology away from its origins and put it in service as the plumbing for capital flows. This fuller story remains to be written, but at least we have the first half with Golumbia's essential and lively book.

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Noise: Living and Trading in Electronic Finance, by Alex Preda, Chicago and London, University of Chicago Press, 2017, 265 pp., \$35 (paperback), ISBN 9780226427485/\$35 (e-book), ISBN 9780226427515

Noise is a fascinating account of an under-researched sub-group of the investing population: retail traders. 'Traders' is important nomenclature here, rather than 'investors', because the focus is on