

## [Bitcoin is a win-win for liberty](#) [1]

Written by [Preston Byrne](#) [2] | Monday 6 January 2014



Depending on who you ask, cryptocurrency is either: (1) the future or (2) stupidity.

Some early adopters claim that [1 BTC could reach \\$40,000](#) [3]; others [ask whether BTC will become ?Gold 2.0?](#) [4].

[The ASI's own Tim Worstall \(among others\) disagrees](#) [5], pointing to the fact that a cryptocurrency [can effectively be created out of thin air](#) [6]??with no scarcity comes no value??and likens BTC, [whose rivals \(wow\) multiply](#) [7], as akin to that of [?the Golgafrinchan B Ark using leaves as money. They...have to burn down the forest to stop inflation.?](#) [8]

This view is wrong. Cryptocurrency is not presently scarce: [there are perhaps hundreds of cryptocurrencies with active userbases](#) [9], [many of which are actively traded](#) [10]. Yet despite being functionally identical to BTC some are near-worthless (1 DOGE = \$0.00035) while others are prized (1 LTC = \$24.00). Why, then, is 1 BTC worth \$760?

The answer, of course, is that cryptocurrencies aren't money, but rather [?more of a payment system like Visa than a currency like the dollar.?](#) [11] and ones with some unique characteristics at that: low transaction costs, increased anonymity, and a distributed network architecture. [This alone has value.](#) [12]

BTC also benefits from its [?first-mover status \(which\) grants it some advantage over its competitors in the form of network effects.?](#) [13] with its value deriving, ?at least in part, on the number of other users willing to transact.? (Luther, 2013).

In this respect [its lead is commanding](#) [14]. As for its closest analogue, credit cards, network effects in respect of these have resulted in there being ?only three major credit card companies in the world? (and as such) cryptocurrency network externalities are likely to be high.? Though cryptocoins are obscenely easy to mint, the dominance of a few large players will mean [joke currencies](#) [15] become increasingly

difficult to trade.

As yet, cryptocommerce has only been adopted by small, distinct groups of individuals (libertarians, internet denizens, and black marketeers (Luther, op. cit.)). For each of the above, crypto serves a distinct purpose and success or failure has a distinct meaning. For those who see crypto as a creature of politics (as I do), at this early stage, it should not matter what a particular cryptocurrency is worth from time-to-time. It matters only that a few are (1) capable of holding value and (2) are actually used.

The value of the eventual frontrunners will undoubtedly bear a relationship to black market demand ? as put by one commentator, [?if Bitcoin succeeds, it will be because of the War on Drugs and other policies that increase demand for a quasi-anonymous, internet-transportable currency,?](#) <sup>[16]</sup> exactly the kind of disruptive function the crypto-anarchist manifesto predicted in 1988.

Crypto therefore presents states with a dilemma: repress it, or compete against it. Choose the former, and cryptocurrency will serve as a check on state power. Choose the latter, and it will have been a powerful catalyst for reform.

Either way, liberty wins.

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