

## **A Progressive Case for Bitcoin**

*Bradley Rettler*

*Assistant Professor of Philosophy, University of Wyoming*

Draft of December 2020

### Introduction

Recently [Roya Mahboob](#) had a [problem](#) -- her female employees' wages were being confiscated by their male relatives. One of her employees couldn't save enough to divorce her abusive husband, because he alone managed their money. Such situations are unfortunately unsurprising; women in Afghanistan are oppressed along many dimensions. Thankfully, Roya and her team found an unlikely solution: [Bitcoin](#). Roya could pay wages in the digital cryptocurrency without the permission or knowledge of anyone else. And even if someone discovered the scheme, it would be almost impossible for that person -- whether a male relative, a member of the Taliban or the Afghani government, or someone else -- to confiscate the Bitcoin. Roya's employee eventually saved enough Bitcoin for a divorce.

In my view, Bitcoin plays a role (and can play a bigger role) in solving problems that progressives care about -- problems of economic injustice, racial injustice, and wealth inequality. Now, I'm not suggesting that Bitcoin alone solves or can solve these problems, or that Bitcoin decisively solves them, or that Bitcoin is overall a good thing because it solves them. I'm merely suggesting that progressives ought to consider whether and how Bitcoin might fit into the progressive agenda. Progressives believe that there are systemic injustices -- injustices that are deeply rooted and normalized in contemporary society -- and that we need "big structural change" to solve them. Many of these injustices are financial. Progressives care about the most vulnerable, the historically disadvantaged, the oppressed, and Bitcoin can aid them.

Those familiar with Bitcoin tend to think of it as a libertarian fantasy. It is, after all, decentralized privatized money that operates outside the confines of governments and central banks. And so the prominent Bitcoin enthusiasts tend to be libertarians: Roger Ver, Erik Voorhees, Peter Thiel, Olivier Janssens, Ross Ulbricht... Certainly there is something to the idea that libertarians should love a currency not controlled by any state. But I contend that thinking of Bitcoin *merely* as a libertarian fantasy misses much of what Bitcoin can do for the world.

### Global Injustice

Roya Mahboob's case is one example. But there are many others. Take Venezuela, where the bolivar is undergoing hyperinflation. Nobody wants to hold bolivars, because they are worth less each day. (They are also often confiscated by police or the military.) And even for those who do have bolivars in their bank account, banks have strict withdrawal limits. Families use upwards of ten debit cards from different accounts and different banks just to buy groceries. And given the government's stranglehold on finances, an underprivileged person cannot easily acquire other assets.

It's not just Venezuela. Many countries' government-sponsored currencies are rapidly devaluing via inflation, including Turkey, Argentina, and Sudan. Notably, the privileged wealthy in those countries have no problem weathering the storm. They've abandoned the ship of local currency for the lifeboats of foreign equities. The poor, by contrast, have no such luxury. They are paid in local currency, pay others in local currency, and save what they can in local currency. They lack the opportunities of the wealthy. Their ships are sinking, but they have no lifeboats. As their currencies devalue, their share of the country's wealth decreases, because they don't have access to safer investments. Making matters worse, many countries have no banking system. For example, 76% of Kenyans don't have a bank account. They make do, instead, with the M-Pesa payments network; this works well for small transfers, but should the Kenyan Shilling inflate, options are limited.

This increasing wealth gap isn't merely happening in countries whose currencies are undergoing *rapid* devaluation. It's the case in all countries with a positive inflation rate, which was all but 16 countries [in 2019](#). The consequences are slower and less noticeable. But when one group can only hold an inflationary asset that becomes less valuable over time -- like keeping their life savings in their local government-backed currency -- and another group can hold a non-inflationary asset that holds its value or increases in value -- like real estate or mutual funds -- the former group's share of wealth will inevitably decrease relative to the latter's. The wealthy store very little of their wealth in cash or the equivalent (like checking or savings accounts). The rest of us aren't so lucky. When we want to save, we save in dollars. And that, as it turns out, is a losing play. It is very hard to stash away just a couple hundred or a couple thousand dollars in real estate -- most of us don't have a way to buy fractions of houses. Robinhood is helping people who are only able to invest miniscule amounts in the stock market and doesn't require a bank account, which is a sorely needed service; but there are worries about a conflict of interest given that they work on commission and so might steer investors toward stocks that pay them more.

The wealthy also easily take on low-interest *debt* in an inflationary currency -- which gets easier to pay back over time -- to buy *assets* immune to inflation. The poor cannot; they have less access to low-interest debt and so pay off debts less easily. Almost every country's currency inflates by design, and inflation is a debt-forgiveness program for the global rich -- rich individuals, as well as rich countries.

How does Bitcoin help? Bitcoin is non-inflationary due to its strict issuance schedule. Whereas governments can issue their currencies at will (for example, the US government printed \$9 trillion in 2020 -- 22% of all the USD ever minted), this is not possible with Bitcoin. The rules embedded in Bitcoin's software dictate that its supply schedule will unfold predictably until there are 21 million BTC by 2140. And so there will be no inflation as a result of unexpected increased supply.

Above all, Bitcoin is inclusive. To buy some, you only need access to a phone or computer with an Internet connection running an open-source program. (A grocery store with a CoinStar machine will also do.) It is significantly harder to invest in stocks or get a bank account, especially for those who aren't already socio-economically privileged. The global poor can safely hold whatever wealth they have in Bitcoin without worrying about that wealth being inflated

away. Or stolen. (Reports of Bitcoin “hacks” or “scams” are invariably user error, whether by exchanges or individuals; the Bitcoin network itself has never been hacked.)

Bitcoin’s resistance to seizure also benefits those who flee oppressive regimes with their life savings. Cash is bulky, and gold is heavy. Authorities and thieves detect and confiscate both. And the cost when you lose everything is...*everything*. A bank account in your old country won’t help, and you can’t start one in your new country until you’re physically there. But how do you get your life savings to your new country? The solution for many has been to keep Bitcoin in a wallet with a memorized [seed phrase](#). To do this, one memorizes a string of 12 random words which can be used to unlock their Bitcoin savings when they arrive safely at their destination. And would-be thieves have no idea which random person traveling through an airport has one.

### Injustice in the US

It’s not just global problems that Bitcoin can help solve. There are systemic injustices in the US that Bitcoin can have a hand in rectifying. (Readers in other countries can think through how their own countries’ economic inequalities might be helped by Bitcoin.) I’ll talk about three: credit, banking, and investing.

First, credit. Credit is a tool to build wealth. People who can borrow to buy homes, start companies, and so on and then pay back the debt slowly over time are able to accumulate much more wealth than those who have to save up for something (like a house) before buying it, or who can’t do what they want (like start a business) due to lack of capital. Credit creates wealth.

But those who need it most get it the least. History has shown that in the US credit is not extended equitably. The clearest example is redlining, where the government color-coded neighborhoods in terms of willingness to loan at various interest rates, and for those color-coded red, the Federal Housing Administration refused to insure mortgage loans to people living in those neighborhoods -- primarily lower-income black people living in urban areas. This locked lower-income black families out of home-ownership, the primary vehicle for rising to the middle class. Redlining was banned in 1968, but its effects are still seen today, where black families own 1% of the wealth in America today; they owned 0.5% in 1863 when the Emancipation Proclamation was signed. White families today have nearly 10 times the net worth of black families and more than eight times that of Hispanic families.

Being shut out of the credit market is economically devastating, and so people seek credit elsewhere. Each year 12 million Americans take out a payday/title loan, making it a multibillion dollar industry. The average loan is \$375, and the average loanee pays \$520 in interest.

In addition to a lack of credit, Americans suffer from a lack of banking---the second problem. Over 7 million US households [were unbanked](#) as of 2019. People who are unbanked people must pay to cash their paychecks, to get money orders to pay rent and utilities, to get prepaid debit cards, and so on. The average unbanked family [pays](#) \$2400 a year on financial transactions like these alone, a whopping 10% of their annual income. The unbanked pay approximately \$89 billion per year in total transaction fees.

So there are two problems: borrowing and banking. Bitcoin helps to solve both. First, the banking problem. The unbanked still have income, which often comes in the form of checks, which cost money to cash. If it were to come in the form of Bitcoin -- which costs nothing to receive and only requires the internet -- and the bills that needed to be paid could be paid in Bitcoin, the cost of financial transactions would be miniscule. At present, the average transaction fee for Bitcoin is \$10, but with protocols like Lightning that run on top of the Bitcoin network, the cost per transaction would be pennies. Widespread adoption of Bitcoin would massively help the unbanked.

Bitcoin would also massively help those who need small amounts of credit. The average person who takes out a payday loan is \$26 short per month in paying their bills. Such a loanee is often unbanked, and, remember, the unbanked pay about \$2400 per year in transaction fees. Cutting those transaction fees to <\$1 per year would mean that they'd keep an additional ~\$200 per month (worth of cryptocurrency). Since the average payday loan borrower is ~\$26 short per month, a significant majority of those who take out payday loans would no longer need to do so. They could avoid this predatory industry altogether.

So much for banking and credit. Finally, consider investments. There are systemic factors that make it difficult for people who aren't already wealthy to invest. Regulators tend to think that, for people's own good, they shouldn't be allowed to make risky investments. (Except the lottery, apparently.) So the rich get richer because of their access to investments like hedge funds, venture capital investments, and so on, and the poor do not. Holding Bitcoin at least keeps their money safe in a non-inflationary currency. You might think that holding cash (in a savings or checking account) is not risky and that holding Bitcoin is risky. First, not everyone can open a savings account; Bitcoin is more inclusive. Second, savings accounts aren't risky in one sense -- they guarantee that your money will be there when you need it. But they are risky in another sense -- they guarantee that your savings will be less valuable when you take it out. \$100 in 1950 deposited in a savings account is worth \$100 today (at today's interest rates), but adjusted for inflation \$100 in 1950 is worth \$1080 today. So saving in a savings account is a guarantee that your savings will lose value. Bitcoin, by contrast, has gained value every year of its existence save one, and it has gotten less volatile every year. And of course, one needn't have *all* their savings in Bitcoin.

## Conclusion

Bitcoin may appeal to libertarians. But Bitcoin may appeal to you, too, even if you don't think that taxation is theft, or that inflation is always bad, or that the government should always be smaller, or that there's no such thing as a good state-issued currency. Bitcoin's operation outside the system has two implications. One is that we cannot change Bitcoin's features through public policy. (Libertarians rejoice.) But current public policies perpetuate systemic injustice and resist easy change in a system of government with checks and balances. The other implication is that Bitcoin can help mitigate these very systemic injustices, even as we fight for a fairer and more just system for all. At the very least, I'm hoping the ideas raised in this article give you a new lens through which to think about Bitcoin.