

# Cryptocurrency as Symbol of the Neoliberal Era:

## A Note

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January 2023

Since the advent of Bitcoin brought the concept into the mainstream not as a science fiction-al prospect or fringe activity but a significant reality of the financial sector the emergent new world of cryptocurrency has been a scene of mania, panic—and scandal.<sup>1</sup> The latter in particular would seem to have attained a new height and severity in the collapse of the second-largest cryptocurrency exchange, FTX; the arrest of FTX's founder Sam Bankman-Fried on numerous criminal charges; and the installment of John Ray III, who headed Enron for the purposes of administering its bankruptcy, as the company's new head to similar purpose (after which he promptly declared the situation at FTX even worse than the one he saw at that other firm two decades earlier).<sup>2</sup>

The appointment of Ray to his post (and his remarks regarding his observations of the firm thus far), like the scandal at Enron, seems to portend far larger implications than criminality at a single firm. The collapse of Enron and the criminal prosecution of its chief, both of which had been so lionized by an ever-credulous business media eternally singing "innovation" of this "post-industrial" variety, was a historic example of the heights to which delusions about such "innovation" rise in a bout of speculative mania, and the criminality and general chaos that go with it—and was followed by such a strong backlash against the associated excesses that even a resolutely right-wing presidential administration (that of George W. Bush) was compelled to attempt redress to a degree that outraged its Wall Street supporters (who have never ceased to inveigh against the 2002 Sarbanes-Oxley Act).<sup>3</sup>

It is not difficult to imagine a parallel here, perhaps with even more extreme implications given the even greater heights to which such activity has ascended, which can seem embodied in the character of cryptocurrency itself.<sup>4</sup> Even more than Enron's ballyhooed "energy trading" cryptocurrency epitomizes the ascent of finance over "real" economic activity that has been the

hallmark of its era, precisely because of the kind of product that cryptocurrency happens to be. An (at least ostensibly) radically decentralized, computer-generated, computer network-located form of currency (or at least, would-be currency) it is the most perfect symbol yet of the neoliberal vision of rolling back the state and its associated institutions (like central banks) from the dimensions to which they had grown in economic life.<sup>5</sup> Indeed, with cryptocurrency the promise was not only that individuals would keep their monetary assets, or even monetary policy, but *money itself* out of its clutches via the transformation of money into something that, in line with the supposed placelessness of economic life in the digital-neoliberal era, was an entirely intangible thing simultaneously existing everywhere and nowhere.

At the same time, as generally proved to be the case with neoliberalism's "financial innovation," whatever its supposed merits from the standpoint of rendering investment more "efficient," cryptocurrency ended up primarily serving as a spur to speculative endeavor, the traffic in it driven far, far less by any practical virtues (e.g. a medium of exchange, unit of account and store of value that would prove more stable than anything issued by "irresponsible" governments) than the hope of benefiting from its *instability*—the wild changes in price as measured in the conventional fiat currencies to which cryptocurrency is supposed to be superior. Indeed, one can see here the fullest expression yet not only of the desire to liberate economic life from state control, but also to "liberate" it from the constraints of material reality (money befitting the "information economy" so long hyped in its consisting of "information" itself), and even the obligation to generate goods and services useful in some way (as speculators strove to make money directly out of this intangible, everywhere and nowhere money in a manner that even the most orthodox and "Establishment" economists have acknowledged as "self-referential").<sup>6</sup>

Symbolic, too, has been the "opacity" of cryptocurrency and its implications. Any Internet search for a critical "take" on cryptocurrency commonly leads to little more than involved discussion of the underlying "blockchain" technology that quickly crosses over the line from technology to epistemology (!); or criticism of the "carbon footprint" of cryptocurrency "mining"; rather than the more fundamental matter of *why cryptocurrency as such might simply not be of value as currency*.<sup>7</sup> The possibility that "the Emperor has no clothes" on this score would seem to just about never have been stated plainly in a high-profile forum in a way that those not proficient in either the relevant computer science *or* economics could appreciate, which in itself may be testimony to critics' being intimidated by the concept's difficulty—and enthusiasts of "crypto" have not been unknown to insult anyone not sharing their enthusiasm as simply "too stupid" to comprehend the self-evidently sound, important, revolutionary concept out of which they proudly say they are doing very well indeed.<sup>8</sup> (In fact, it has been telling that what would seem to be the outstanding rare exception of an economist of high mainstream standing questioning cryptocurrency's value *as* currency in straightforward fashion, Nouriel Roubini, is one who has withstood long mockery as a "pessimist" meriting juvenile mockery with sobriquets such as "Dr. Doom"—even after reality has borne out his "calls," as after the 2007-2008 financial crisis!<sup>9</sup>) Such has it consistently been even with less radical and difficult-to-understand objects of speculative activity, discussing which journalists and historians telling the story of past financial crises have often been able to do little better than bury their reader in undigested or half-digested minutiae rather than get to the heart of the matter—a fact that has been a powerful protection against criticism of such activity throughout the period, to the point of powerfully undermining regulatory efforts.<sup>10</sup>

For all that, the awe in which cryptocurrency and its traffickers have been held may have passed its peak—just as was to be the case with Enron's energy trading. Of course, it would be a far different thing to suggest that the FTX collapse will actually mark the end of that mania. However, one may plausibly consider the matter of whether or not this event, coming amid a crash of asset values next to which the Enron-era crash of asset values pales (indeed, a crash even more evocative of 2007 than 2000) as a bellwether for the direction of policy in an era in which the neoliberal economic model, if dominant in practical life and virtually unquestioned by the political-media elite, is so troubled that governments find themselves desperately adapting to sustain it, and coping with popular backlash against it.<sup>11</sup>

## Notes

<sup>1</sup> Nicholas Weaver, "Why This Computer Scientist Says All Cryptocurrency Should 'Die in a Fire,'" Interview with Nathan J. Robinson, *Current Affairs*, May 2022. Regarding the predominance of finance in the neoliberal-era economy (both in a description of neoliberalism as "growth model," and on the basis of empirical examination of data on investment, asset accumulation, value added and shares of Gross Domestic Product and international trade), see Nader Elhefnawy, "Keynesian Fordism and Neoliberal Financialization: A Comparison of Economic Models," *Social Science Research Network (SSRN)*, 19 Aug. 2020; Nader Elhefnawy, "Keynesian Fordism, Neoliberal Financialization and the Restructuring of the Economy: A Survey of the Data," *SSRN*, 2 Jun. 2022.

<sup>2</sup> Glenn Gamboa, Will Daniel and the Associated Press, "'Literally, There's No Record-Keeping Whatsoever': FTX's New CEO is Flabbergasted, and D.C. is Laughing at SBF Using Quickbooks," *Fortune*, 13 Dec. 2022. "[T]he FTX Group's collapse appears to stem from the absolute concentration of control in the hands of a very small group of grossly inexperienced and unsophisticated individuals who failed to implement virtually any of the systems or controls that are necessary for a company that is entrusted with other people's money or assets." John Ray III, "Testimony of Mr. John J. Ray III, CEO, FTX Debtors, House Financial Services Committee," U.S. House Committee on Financial Services, 13 Dec. 2022.

<sup>3</sup> Notorious propagandist for neoliberalism *New York Times* columnist Thomas Friedman devoted considerable space to talking up the supposed brilliance of Enron's leadership and the supposedly revolutionary economic significance of its energy trading in *The Lexus and the Olive Tree* (New York: Farrar, Strauss & Giroux, 2000). For an examination of the relevant remarks, Nader Elhefnawy, "Time Capsule: Thomas Friedman and Enron," *Nader Elhefnawy*, 28 May 2019. As a reminder of the representative character of this attitude toward Enron, see Gretchen Morgenson, "Remember When Ken Lay Was a Genius?" *New York Times*, 16 Jan. 2005. For an assessment of the George W. Bush administration's conduct in the wake of the financial scandals

of the period, see the chapter on his administration in Nader Elhefnawy, *The Neoliberal Age in America* (Nader Elhefnawy, 2020).

<sup>4</sup> Regarding that life, see Nader Elhefnawy, "'What is Neoliberalism? And What Has it Meant?': A Primer," *SSRN*, 10 Mar. 2021.

<sup>5</sup> As one observer remarked, the libertarian aspect of crypto has played its part in the extremity of the enthusiasm of many of its users. Allison Morrow, "Still Not Sure What Crypto Is? Join the Club," *CNN*, 15 Nov. 2015.

<sup>6</sup> Hyun Song Shin, "The Great Crypto Crisis is Upon Us," *Financial Times*, 16 Dec. 2022.

<sup>7</sup> Scott Rosenberg, "Bitcoin Makes Even Smart People Feel Dumb," *Wired*, 9 Aug. 2017.

<sup>8</sup> It is far from unusual for epistemology to be a resort for defenders of the financial community, witness Nassim Nicholas Taleb's "black" swan argument—which has received the adulation it has precisely because of its exoneration of the financial industry from responsibility, and his general loyalty to the interests of wealth and business (and the media's extreme unfriendliness to any contrary view). "Taleb has become a conservative folk hero following the success of his book, which examines the phenomena of 'Black Swans'"; Conservative Party Leader David Cameron "praised Taleb and said his book had confirmed his own prejudices." Nicholas Watt, "David Cameron Guru Nicholas Nassim Taleb Says Rich Should Not Pay More Tax to Help the Poor," *Guardian*, 19 Aug. 2009. Regarding the media stance toward public intellectuals generally, see Nader Elhefnawy, "Toward a Fuller Understanding of Media Bias: The Role of Centrist Ideology," *SSRN*, 24 Apr. 2022. For examples of the sorts of discussion presented here, see Adrienne Jeffries, "'Blockchain' is Meaningless," *The Verge*, 7 Mar. 2018; Bruce Schneier, "There's No Good Reason to Trust Blockchain Technology," *Wired*, 6 Feb. 2019; Jesse Frederik, "Blockchain, the Amazing Solution for Almost Nothing," *Trans. Hannah Kousbroek, The Correspondent*, 21 Aug. 2020; Shawn Tully, "Offsetting Bitcoin's Carbon Footprint Would Require Planting 300 Million New Trees," *Fortune*, 6 Nov. 2021. Regarding the view that crypto enthusiasts take of crypto skeptics as simply "stupid," see Sam Higgins, "People Are Just Too Stupid to Use Crypto Right Now (Op-Ed)," *Cointelegraph*, 5 Aug. 2015.

<sup>9</sup> Regarding Roubini's "image," see Stephen Mihm, "Dr. Doom," *New York Times Magazine*, 15 Aug. 2008. For Roubini's analysis, see Nouriel Roubini, "Crypto is the Mother of All Scams and (Now Busted) Bubbles While Blockchain is The Most Over-Hyped Technology Ever, No Better than a Spreadsheet/Database," Testimony for the Hearing of the U.S. Senate Committee on Banking, Housing and Community Affairs on "Exploring the Cryptocurrency and Blockchain Ecosystem," U.S. Senate Committee on Banking, Housing and Urban Affairs, Oct. 2018.

<sup>10</sup> "[T]he bubble economy is hard as hell to understand," with the elements about which anyone who wanted a "chance at grasping how it works" having to endure a "truly toxic boredom factor"—and Taibbi conceding that this incomprehensibility to the public means "the Grifter class is going to skate on almost anything it does." Matt Taibbi, *Griftopia: Bubble Machines, Vampire Squids and the Long Con That is Breaking America* (New York: Spiegel & Grau, 2010).

<sup>11</sup> Tommy Stubbington, Adam Samson and Kate Duguid, "Stock and Bond Markets Shed More Than \$30 Tn in 'Brutal' 2022," *Financial Times*, 30 Dec. 2022; Jan-Patrick Barnert and Bloomberg, "This Year's Global Stock Market Rout Cost Investors \$18 Trillion—Here's What Worries Experts for 2023," *Fortune*, 30 Dec. 2022.