

Bitcoin: new order or libertarian utopia?

An answer from the past : Scotland 1727-1845

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This research debunks the myth of Bitcoin as a new financial order by using a historical example.

The 2008 financial crisis sparked many doubts over the independent role of central banks, renewing libertarians' argument for a private and free-market system of money supply. In the same year Bitcoin, the first cryptocurrency, was born and aimed at creating an alternative financial order independent from central banks. Today Bitcoin leads a market of 2000+ other cryptocurrencies worth \$120+bn. Libertarian enthusiasts hail the new financial revolution, seeing a resurgence of the glorious 19th century era of Free-banking: a free-market monetary system where banks competed and freely issued their own banknotes without constraints of central banks.

By reviewing the most famous cases of Free-banking, Scotland between 1727-1845, this research creates a parallel with the

modern cryptocurrency market, concluding that both systems have hidden monopolistic entities capable to control the allegedly "free-market". In the Scottish case two banks, the Bank of Scotland and the Royal Bank of Scotland, teamed up in 1752 to control and limit access to the financial system to other banks. In the cryptocurrency market, about 1500 users now own 40% of all Bitcoin supply: by communicating with each other, they are capable to create scarcity and manipulate the price of Bitcoin at their will. As Bitcoin has 50%+ of the whole market capitalization, these users can easily control the rest of the cryptocurrency market.

The two examples show that without an independent authority, allegedly free-markets financial systems run free-wheel into monopolies.