

Chapter 3

Blockchanging Money: Reengineering the Free World Incentive System

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ABSTRACT

Blockchain technology is changing the world incentive system, making programmable money. This kind of money is only fruitful and democratically livable in a transparent political environment. Otherwise, instead of unleashing innovation and collective action with the market's visible hand of qualified money, the new internet of value will deliver a digital money with the same algorithmic fate that social media met on the previous internet. The latter allows digitizing users' data and has been used to manipulate consumers and public opinion (possibly in the last two U.S. Presidential elections). Similarly, the former will let states and corporatocracy cross-reference social media and digital money's data, hurting privacy even more. As blockchains disseminate, having the crucial economic advantage of reducing transaction costs, only free-market competition between private and public blockchains guarantee transparency and democracy. Blockchain technology is the real McCoy, and decentralizing digital money is the free world's best shot, especially in the new normal triggered by COVID-19.

INTRODUCTION

“Technology comes in packages, big and small.” (Kranzberg, 1986) Kranzberg's Third Law

This chapter's main objective is to show both auspicious and worrisome implications of *Blockchain Technology* (BT), which has recently empowered money as the newest type of economic media (Beller, 2020) aired on the *Internet of Value* (Twesige, 2015). Several central banks are making efforts to develop their digital currencies (Náñez Alonso et al., 2021), and it will be discussed how to deal with the *blockchain* kind of money. It is thought that digital money's implications will be crucial to society in a

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post-pandemic new normal (Berwick, 2020) that requires a watchful consideration of “how institutions are designed and formed, and how the balance between institutions’ control and the public’s freedom is negotiated in society” (Tam, 2021, p.9).

As stated by Ebadi et al. (2020), “The idea of a secure digital currency that is not managed by a central authority has been an interesting field of research for decades. Bitcoin showed this ideal is reachable” (p. 54).

Whatever consumers may say, in the end, they want quality before anything else. [...] To keep in pace with this growing trend, initiatives flourish to help increase transparency and traceability. [...] More than just a buzzword, a blockchain is an opened ledger of every transaction between the stakeholders. The records are permanent and verifiable, and are not managed by a central authority. (Tonin et al., 2018, p. 3)

Following a rationale shared by economists like Keynes and Friedman but going against the conventional belief about *money* and not following the orthodox theory of most economic books, one can draw a line between one-dimensional centralized, traditional money and multi-dimensional programmable tokens. Not complying with rulers’ perspective (see *Seigniorage* in Key Terms and Definitions), BT allows decentralizing money globally in a structured and secure way for the first time in history (Nakamoto, 2008). To understand such a paradigm shift is convenient to begin investigating what *money* is.

Although we usually assume a sharp line of distinction between what is money and what is not, and the law generally tries to make such a distinction so far as the causal effects of monetary events are concerned, there is no such clear difference. What we find is instead a continuum in which objects of various degrees of liquidity, or with values which can fluctuate independently of each other, shade into each other in the degree to which they function as money” (Hayek 1990, p. 56)

BT’s predictable diffusion makes it possible to envision a “political transformation [that] requires the possibility of a redesign of the protocols of money” (Beller, 2020, p. 217), diversifying humans incentive systems and assuring freedom of choice on the *Internet of Money* (Peters & Panayi, 2016; Antonopoulos, 2017; Pocher, 2019; Srivastava et al., 2021).

It should be mentioned the author’s liberal perspective. The investigation method was based on qualitative research, and the methodology chosen was the literature review, which is adequate to overview several thematic areas on a given topic. Among the literature review methods available, the most used for business studies are systematic review, semi-systematic review, and integrative review (Snyder, 2019). Considering the need to carry out a synthesis conducive to envision the economic and *crypto-economic* implications of BT, the author chose the integrative literature review, which is indicated to frame a study from new perspectives, especially when it comes to research themes and topics little explored (Torraco, 2005). As far as it was possible to observe, the author concludes there are few studies regarding specifically the economic impact of cryptocurrencies and other *crypto assets*.

This chapter is organized as follows. It begins demystifying money’s nature and checking if cryptocurrency has the necessary properties to redesign money’s protocols. It will be shown that these protocols are changing, and it is still pretty much unsure that it will be for the best. After providing a background regarding BT and observing some critical elements of the blockchain ecosystem, digital money’s competitive advantages will be presented. It will be argued that *blockchain money* should not remain solely

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