

VIRTUAL CURRENCIES AND THE STATE

F. Brunton, Virtual Money at the Edge-of-State

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To the themes already taking shape in this roundtable on the relationship between states and virtual currencies, I would like to add the role of a zone that I'll call "edge-of-state." This is inspired by the use of edge-of-grid as a term in electrical infrastructure to describe those spaces which are neither outside existing infrastructure — self-sufficient, off the grid — nor inside and completely and reliably embedded on-grid. "Edge-of-state" is my way of talking about two conditions at the fringes of the money apparatus of states and central banks, which together have shaped the facts and fantasies at play in the creation of virtual currencies. These edge-of-state conditions, *interstitial* and *interregnal*, involve plenty of non-virtual monetary practices, while also providing considerable latitude for dreams — space in which to imagine scenarios. They are productive of the speculations (in both senses) that characterize utopian virtual currency.

Many of the founding notions of virtual currencies — particularly Bitcoin — involved the idea of money that could function in the seams of the operational spheres of central banks. Of course, many existing assets and forms of money occupy exactly this zone, whether offshore, freeport, or haven. Virtual currencies draw less on this set of actual practices (anyone with that kind of wealth has no need for rickety software projects with earnest YouTube evangelists and dank-meme in-jokes) than on the idea of a *disruption* of central banking, technological and political, which creates new kinds of interstitial space. The *interstitial* is the idea that the "agora" can be everywhere, as Ross Ulbricht envisioned when creating the Silk Road Bitcoin-denominated darkmarket: "every single transaction that takes place outside the nexus of state control," he wrote, "is a victory for those individuals taking part in the transaction. ... [E]ach one makes a difference, strengthens the agora, and weakens the state" — not any state in particular, but the very idea of the state itself. For this model, the bitcoins you hold act as tokens of your divided loyalty. They don't place you outside one state monetary regime and inside another, like holding a foreign currency or paying fees to send a remittance payment. Instead they situate you in an interstitial zone where part of your ready money is only "ready" for other outsiders who operate part-time in the same vacant spaces of the as-yet-unregulated, the unnoticed, untaxed, or illegal — and the money itself, unlike bags of laundered but legitimate dollars or euros, *belongs* to that space. Interstitial currency is the spatial experience of edge-of-state: the areas on the margins of monetary regimes and state structures, where it's easier to envision wildcat techno-financial inventions in the negative space of existing institutions.

This expansive fantasy of true liquidity is one that can flow into every interstitial space: from refugees between countries, to *sans papiers* without bank accounts, to the business of selling citizenship-of-convenience "passports for Bitcoin" to panicky suckers. This notional liquidity imagines the architecture of issue, transaction, and settlement working everywhere and nowhere, smeared out into the edges of the world's systems and infrastructures wherever they pull apart and create gaps, or squeeze too tight together and create jurisdictional overlaps, interference, and opportunities for arbitrage. (In practice, of

course, this technological architecture is emphatically, physically somewhere, and very much on-grid, but let that pass.)

Attempts to produce actual territory for utopian virtual currency — a truly offshore zone, a permanent interstice — have about them the cranky charm of all micronational movements, obsessed with issuing declarations and franking stamps as proof of existence: Liberland, for instance, which aims to occupy a disputed island in the Danube, and initially plans to launch its micro-state based on a blockchain governance platform with a seafaring habitat called *Bitcoin Freedom*. (Liberland's history includes a relationship with Roger Ver, the Bitcoin booster who tried to sell citizenship and passports issued by St. Kitts and Nevis — the smallest sovereign nation in the western hemisphere — linked above.) However extreme their goals, the starry-eyed unreality of the new-nation approach — somewhere between performance art, satirical hoax, and the earnest bullet points one associates with Esperanto, decimal time, and orthographic reform — points up how much utopian virtual currencies need the edges of existing systems as their terrain. Without the interstitial, obliged to function as something other than the rebellious alternative to a dysfunctional or restrictive establishment, they rapidly hit the limits of their particular functionality.

In this roundtable Lev Menand has described a class of virtual currency as “utopian coins” (as distinct from backed-and-tethered stablecoins, or the corporate initiatives built on points and rewards — and hybrid projects like the top-heavy broken mecha suit of Facebook's Libra, blowing gaskets and sinking deeper into the mire with every colossal step). The utopian imagination of virtual currencies is distinct from classic utopian social models, which tend to be fixed, eternal, and spatially planned: Campanella's City of the Sun, neat as a Swiss watch within its seven circular walls. Instead, fired up by the idea of transacting within the ragged interstitial chaos between areas of authority, the utopian space of the utopian coin has its foundation in the particular libertarian spatial necessity of an edge, a frontier, or an underground within the system as it *currently* exists, where the new currency and its philosophy can take root: the Colorado town concealed from the world in *Atlas Shrugged*, the parallel network of wildcat banks and contraband emporia woven through the failing state in the founding novel of agorist libertarianism *Alongside Night*, the encrypted partition on a laptop's hard drive.

If the *interstitial* imaginary locates currency within in-between spaces of states, the closely related *interregnal* is the occupation of failures of or transitions between monetary authority, likewise productive of both fantasy and actual practice. Think of Curzio Malaparte's account of a Ukrainian collective farm immediately after the Germans arrived in summer 1941 (he was covering the war for an Italian newspaper): a soldier comes in to buy a goose, kicking off a debate about what currency to use. The farmers finally sell it for fifty Romanian *lei* (five *lire*, Malaparte translates for his readers, comically cheap); “what can you expect us to know about prices?” asks a younger farmer carrying around a German requisition warrant for two horses, which she doesn't know how or where to cash. “The Bolsheviks used to tell us: ‘This costs so much, that costs so much.’ You ought to do the same yourselves. You ought to begin by telling us how much the lei is worth in relation to the rouble.” “Naturally there will be some uncertainty at first,” Malaparte replies, uselessly. The interregnal, like the interstitial, is not outside the state but alongside, in places where the state becomes vague, uncertain, and unreliable, like edge-of-grid power: subject to fluctuations, handoffs, and the occasional complete blackout.

“Who taught us how to cheat if not the state,” demands the terrifying discharged soldier in Stefan Zweig's *The Post-Office Girl*, an account of the First World War's aftermath in Austria. “[H]ow else would we know that money saved up by three generations could become worthless in a mere two weeks, that families could be swindled out of pastures, houses, and fields that had been theirs for a hundred years?” That “mere two weeks” and “a hundred years” is one of the temporal feelings of

the interregal, reflecting a sudden question as to the capability and authority of the state to declare what passes as money and maintain its value, as part of the practice of sovereignty. I would like to set aside the practical responses to such a situation — the *Flucht in die Sachwerte*, the “escape into real assets,” as people scramble to acquire paintings, wine, real estate, precious metals and stones, and the rest of the contents of the oligarchic safe deposit box — and instead explore interregal moneyness, alongside the interstitial, as a state of mind that is very productive of utopian coinage amidst the crises of confidence.

Elias Canetti underwent a strange nervous breakdown in 1925, compulsively writing “MONEY, MONEY, AND MONEY AGAIN” in capital letters on page after page of paper, scattering them on the floor around him — “I couldn’t stop writing.” Newspapers reported largely apocryphal (but culturally telling) cases of “zero stroke” as clerks and bookkeepers found themselves handling hyperinflationary transactions of endless billions and trillions (“Many of these persons,” as John Kenneth Galbraith quoted the *New York Times*, “are apparently normal, except for their desire to write endless rows of ciphers”). And pamphlets, tracts, and schemes poured out to transform money and its state relationship. These ranged across replacing the inflationary authority of central banks with currency pegged to land, food, a “market basket,” or a depreciation schedule so cash went out of date like a newspaper, rotting if unspent; they went so far as to argue for the elimination of currency entirely, as in broadsides like Berthold Otto’s 1924 *The Abolition of Money*, in which society operates through an austere statewide accountancy system for life’s essentials, and we settle into the sitting room after generating our “demand units” to read the day’s statistics of town-by-town production and consumption.

The interregal puts money into a place where new currencies can be imagined against and alongside the existing issue, building on the value systems they advantage and proposing new ones. As an edge-of-state experience, the interregal is sometimes a fact, sometimes a state of mind, and often both. We can see it in artifacts, like that issue of the *Times* with its bank bailout announcement encoded into Bitcoin’s genesis block, as Bill Maurer has described in this roundtable; we can see it in the very specific approach to monetary history at work in the ideologies of early virtual currency, with a focus not on the quotidian, institutional business of banking and debt but on inflationary crises, asset seizures, currency debasement, and dire prediction, where interregal space opens up.

This essay has been an attempt to situate the territory of virtual currencies in relation to the territory of the state and state monies as neither within nor without, but in a marginal mode I’ve been calling edge-of-state. These edge-of-state experiences, spatial and temporal, are characterized by looseness, flux, the presence of authorities with an absence of regulation or oversight, chronic uncertainty, a lack of confidence and a lack of clarity combined with existing systems to imagine oneself against, and lots of boundary work and explanatory neologisms. I would like to suggest that this edge-of-state mindset can explain some of the historical heritage of virtual currencies, and that it may have a little predictive power: we can look to zones of interstitial space and interregal time in the world’s currencies and transactions to spot further evolutions of these utopian currency fantasies and experiments — the hothouses for more of these outrageous, sometimes successful, and occasionally poisonous blooms.