Bitcoin vs. Dollar Hegemony

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Bit by Bit: How Bitcoin and Cryptography Provide a Counter-Hegemonic Alternative to Dollar Hegemony and its Federal Reserve Mechanism: a Neo-Gramscian Analysis

Introduction

"The old is dying yet the new is yet to be born."

– Antonio Gramsci (2010)

The dollar is seeing its hegemony exhausted and its world reserve status threatened. The yuan and the euro, like vultures circling over their weary prey, are still undeserving of the hegemonic role on the initial front of simply not being in enough supply. Though it is the very overextension of the dollar that has seen the US deficit sky rocket to an unsustainable $17 trillion (US Debt Clock, 2013), which has left it vulnerable. Parallel to this, the method of fractional reserve banking, a regime that affords the dollar its hegemonic status, is the systemic genesis for the financial crisis that has seen many a central bank struggle to stay afloat, and even collapse. This is what makes the concept of virtual currencies so appealing, particularly the dollar's most widely used and talked about offspring, Bitcoin.

Created anonymously by the pseudonym Shinto Nakamoto in 2008, Bitcoin is a peer-2-peer (p2p) virtual currency that uses cryptography to ensure that it is completely decentralized and bestows upon its users anonymity in their transactions. Many economists do not quite know what to make of it yet, and many a dedicated neoliberal, Paul Krugman included, have denounced it, whilst many others have a vested interest in seeing that it fails. However, the consequences that this phenomenon could have on the financial system are grand. A Bitcoin (BTC) can be bought with normal currency, then used to buy a myriad of different things (from drugs on the online black market Silk Road to a burger in a South Korean restaurant) with an instant and impenetrable transaction that doesn't require a trusted third party intermediary such as a bank. One's 'trust' is in, and replaced by, the cryptographic technology that makes the transaction between two individuals incorruptible. It is currently the largest monetary entity ('alternative' or otherwise) that exists outside the fractional reserve banking paradigm. What makes Bitcoin's appeal greater still are the effects that the way in which Bitcoins are 'mined', and its scarce limit of BTC 21million, has on its function. Inflation is monitored and controlled and debt is inherently absent, as you do not owe the issuer of your Bitcoin after its purchase. This provides traditional banking with a rival system of monetary exchange that has removed the necessity of a central bank and left a vacuum of power where the banker once sat.

Long since the invention of virtual currencies, the practice of fractional reserve banking has provided immense power to an elite on our monetized planet. Indeed, the system allows them to manufacture this power. It is exactly this structure that Bitcoin serves to supersede. The Bitcoin community may still be in its early days, though as more businesses legitimize it as a means of payment through BitPay, the increase in usage will garner Bitcoin more value, as it syphons wealth from the fractional reserve banking system. Its recent spike in April 2013, saw it rise from $50 a BTC to highs of $266, as a result of mostly Russian capital leaving Cyprus and being pumped into Bitcoin, as the Cyprus central bank collapsed. Bitcoin can only drain the dollar-dominated monetary system of wealth, in order to provide its own value, thus making the two's success diametrically opposed. And this is where the threat to dollar hegemony comes from; Bitcoin has the ability to radically transform the fractional reserve cash nexus within which the dollar operates and of which it is the hegemon. The question then becomes: how confident is one that the neoliberal order, applying solutions from the same mindset that drove the global economy into crisis in the first place, will bring about the further collapse of central banks? Unable to solve its own contradictions, its eventual collapse is assured, and it is through this understanding of the trajectory of the economic system that I argue for Bitcoin's counter-hegemonic potential.

Gramsci informs this paper's applied notion of hegemony (Cox, 1996). In addition, political ecologists inform us of the forgotten resource inputs that finance tends to disregard. Through a neo-Gramscian analysis, I will first look at the counter-hegemonic potential of Bitcoin and cryptography by analyzing: 1) how it decentralizes power and the value attributed to it, 2) its mining process that makes it inherently inflation and debt free, and 3) historicizing its short, yet turbulent history. I will then assess the health of dollar and fractional reserve hegemony by focusing on: 1) fiat money creation, 2) the Dollar-Wall Street Regime, and 3) the lengths the US will go to defend its petrodollar hegemony.

I do not claim that Bitcoin is the finished article of the virtual currency concept. Its anonymity has been used by criminals as a secure platform for their transactions, and it is currently not taxable. However, criminal activity is the same with any method of transaction and as the fledgling servers develop their technology, and it is harnessed by states other than Japan, methods of taxation and law enforcement will also be enhanced. Bitcoins advocates are very excited about the prospects of the digital currency. Max Keiser believes that:

"It is inevitable that Bitcoin will become a multi-trillion dollar enterprise because every other currency in the world is tied to dying central banks that are encumbered with impossible to pay debts and bankrupt counter-party risks" (Keiser, 2013).

Indeed, Rick Falkvinge, founder of the Swedish Pirate Party, estimates that Bitcoin could capture between 1 and 10 percent of the foreign exchange market, implying that your single BTC would be worth between $100,000 and $1,000,000 (Keiser, 2013). This wealth needs to come from the fractional reserve system, and its dollar hegemony, a reality that will not be looked upon too favorably by the powers that be. Victor Hugo claimed, "Nothing is more powerful than an idea whose time has come". In an age where the fractional reserve banking system no longer serves adequately its social purpose, and the dollar hegemony is running out of room for maneuver, is it time that we acknowledge Bitcoin as the new digital monetary platform for the 21st century?

Literature Review

The first point that needs to be qualified is the contest that Bitcoin brings to the structure of monetary power. Shatoshi Nakamoto (Bitcoin's anonymous creator) argues that cryptography, Bitcoin's utilizing technology, provides an alternative to the established banking method.

"What is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted 3rd party" (Nakamoto, 2008, 1).

This is the basis through which all virtual currencies work and from which they gain their appeal. It is important to bear this in mind when looking into Paul Krugman's arguments against Bitcoin in his article 'The Anti-Social Network' (2013). This is an economist who immaculately captures the misconception of the Bitcoin phenomena amongst mainstream economic commentary.[1] He begins his article by stating that the recent crash in the price of Bitcoin, that saw it drop from $266 BTC to around $50 in a single day, is a lesson to the people who 'misunderstand money' when they 'divorce the value of money from the society it serves.' Buterin, writing for *Bitcoin Magazine,* provides a counter argument for the virtual currency and states that Krugman utterly fails to cite Bitcoin's many advantages, including that it serves society in a different manner from the specific framework for success of Krugman's narrow economic definitions (Buterin, 2013).

Krugman presents every doubter's initial argument against Bitcoin: that its anonymity provides a safe and untraceable means of transaction for drugs on Silk Road. But doubters must be reminded that criminal activity is criminal activity no matter what the currency transaction is, and that the currency in which the vast majority of this ‘criminal activity’ is conducted is, of course, the USD. It is an unfair and unbalanced argument waged solely against Bitcoin (*Economist*, 2013).

Krugman then proceeds to argue that the purpose that Bitcoin serves as an online currency already exists through established mediums like PayPal.[2] However, this completely misses the point according to Buterin. Whereas PayPal is a move for hard currency to be useable online through banks, Bitcoin is a decentralized digital currency to begin with, and exists only online (Buterin, 2013). In addition, the transaction costs are much cheaper, and can be transferred internationally just as easily as to your neighbor. This instantaneous nature is why many believe the next great Bitcoin bull markets will originate in China and Africa (Buterin, 2013).

It is Krugman’s confused application of the power and value of money that undermine his argument most. He argues that Bitcoin is the ultimate fiat currency, with a value conjured out of thin air, and adds that gold backs paper value and, through the power of the state, gives them their value as legal tender (Krugman, 2013). The gold argument will be tackled later, though it is the manner that he completely dismisses the mining process of BTC that ultimately means Krugman has missed the potential of Bitcoin as more than just a currency. The fiat currency analogue of Bitcoin miners–that is, the systems that Bitcoin mining has a chance to replace—is not just the mint and the Federal Reserve. Rather, it is the mint, the Federal Reserve, Visa, Mastercard, Paypal, Western Union and half of the banking system itself (Buterin, 2013). Further, he argues that money is a ‘social contrivance’, and that ‘Even when people relied on gold and silver coins… it was the expectation that other people would accept them as payment’ that made them useful (Krugman, 2013). Why can’t this social contrivance be extended to Bitcoin? Krugman’s argument is held by many neoliberal economists who are trapped in their ‘End of History’ belief that they have solved the lingering questions to our economic system, and any answers existing outside their mentality are not answers at all, only problems. I stress the importance of Nakamoto’s statement regarding cryptography, in relation to dollar and central banking hegemony. For it is the trust in the cryptographic method that replaces the trust, and thus the power, of central banks as issuers of credit.

Former Libertarian Republican presidential candidate Ron Paul, running on the slogan ‘End the Fed’, gave a speech to the Senate in 2006 regarding The End of Dollar Hegemony (2006). He gives the solution to the strains felt by dollar hegemony as a return to the gold standard. ‘He who holds the gold, makes the rules. Honest trade requires real value,’ he argues. Not strictly true according to Benjamin Cohen, who claims that any hegemon gains its monetary power through the autonomy of their central bank. This is because, ‘power does not mean influencing others; rather, it means not allowing others to influence you’ (Cohen, in Andrews, 2006, 32). Autonomy is trust, and trust is power. Power provides value and does not need to manifest as a centralized entity to issue it.

Paul states that Washington solves the problems created by dollar hegemony by window dressing a deeply flawed economic system (Paul, 2006). This is true, and as Cohen sees it, this is a result and also a symptom of what he calls the ‘Power to Delay’. The more liquidity there is at a country’s disposal, relative to other states, the longer it can postpone adjustment of its balance of payments (Cohen, in Andrews, 2006, 42), though it must be known that the US Power to Delay is by no means limitless (Cohen, in Andrews, 2006, 46). Monetary hegemony itself is the fight for liquidity; to have one’s currency be the most widely held by central banks as the world reserve currency in order to gain unrivaled seignorage. And it is this seignorage, Paul argues, that the U.S. invaded Iraq to defend, and that the dollar-oil relationship must maintain to give the dollar value, and any threat to this supremacy will be forcefully challenged (Paul, 2006).

This idea of petrodollar warfare is mirrored by Clarke (2006), who believes that the invasion of Iraq was the result of Saddam Hussein wanting to sell Iraqi oil in Euros. It was seen as a direct threat to dollar supremacy that needed rectifying.[3] Paul also adds that the ability to exercise these expensive military adventures ($2 trillion is Paul’s quoted figure) comes from the Federal Reserve’s ability to print money out of thin air through price inflation, paid for by the American tax payer (Paul, 2006). It is this inflationary tendency that the mining process in Bitcoin guards against. Bitcoin issues a set number of BTC every 10 minutes to the already known scarce limit that ensures that the currency is inherently inflation-free (Nakamoto, 2008, 3).

Paul finishes with a warning, claiming that the biggest threat to the dollar comes from those who offer strong military and economic competition (Paul, 2006). Sure, there is the threat of a Chinese counter-hegemonic push, now being recognized with the direct challenge to petrodollar hegemony through the rise of the petroyuan (Schortgen, 2012), and the creation of the BRICS development bank to rival the IMF. But the biggest threat to dollar hegemony does not come from within the fractional reserve banking system at all. It comes from a medium of transaction that makes the structural basis of central banking power obsolete.

Theoretical Framework

Our Current Historic Bloc

The establishment of a hegemon begins with the internal rise of a social class that dominates through the use of the state and its institutions, and maintains its position by aligning the interests of subordinate classes with their own wellbeing. On an international scale, the dominant hegemon sets about conceiving a global civil society that maintains itself through International Organizations (IOs) The hegemonic role of IOs for the hegemon according to Cox (1996, 138) are:

1. Embodying the rules which facilitate the expansion of hegemonic world orders.

2. Themselves the product of hegemonic world orders.

3. Ideologically legitimizing the norms of the world order.

4. Co-opting elites from peripheral countries.

5. Absorbing counter-hegemonic ideas.

It is important to remember that these IOs (IMF, World Bank, WTO, NATO, UN etc.) are, first and foremost, defenders and maintainers of hegemony through a trusted perception of civil society. And it is this international agreement on global civil society that is the cement that holds the structure of hegemony together. Gramsci attests to the strength of civil society as to why revolution occurred in Russia, rather than the more developed capitalist countries in 1917:

“In Russia, the state was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled a sturdy structure of civil society was at once revealed (Gramsci, 2010, 238).”

With a functional civil society, the hegemonic class also needs to achieve three levels of consciousness: the economic cooperative (awareness of specific class interests), solidarity (extending to social class on a purely economic level), and the hegemonic (harmonizing and incorporating subordinate classes with hegemonic ideology and interests) (Cox, 1996, 132). An example of the execution of the global hegemon can be found in the IMF’s response to the Asian Financial Crisis in 1997, where states like Indonesia suffered immense structural adjustments and predatory loans that were aimed almost solely to reimburse the foreign investors who lost out, at the Indonesian public’s expense (Stiglitz, 2001). Though I.O.’s are important structural facilitators, it is the structural power of capital that is the pulse of hegemony.

Structural Power of Capital

Any change of state or class hegemony is merely a superficial substitution within the true dictatorial force that our system is based upon: the hegemony of capital. Monetarism’s hegemony has been expertly recognized through neoliberalism, a successful class project for capital accumulation and social domination that institutionalizes the preeminence of financial market imperatives, enabling global macroeconomic policy management (Ayers, 2009, 121-123). Using the Indonesian example, the political weaknesses of corruption and nepotism helped to ensure that Suharto’s regime ended with the $18 billion IMF bailout going to its elite, and debts to foreign investors, paid for by the people (Strange, 1998). It would appear that it is actually nepotism that is the highest form of capitalism. This crisis was caused by the decisions of foreign exchange dealers, though interestingly, it has resulted in Indonesia implementing capital controls that seem to make the nation somewhat impervious to the current ills of the global economy.[4] Money alone was not inimical to recovery, and the resulting protectionism should be considered a symptom of economic pain, not a cause (Strange, 1998, 86-87).

Capital's structural power in favour of a hegemonic class can be noted with the fact that income distribution is obviously in favour of a 1% minority holding 40% of the world's wealth. The neoliberal order doesn't favour subordinate classes, as the mobility of finance capital (mostly enabled by the hegemonic class) trumps the immobility of labour activity (Gill and Law, 1993, 109). This leaves Galbraith to argue that far more important than the rate of interest and the supply of credit to the global economy, is the 'mood' of capital (Galbraith, in Strange, 1998, 89). It is the 'mood' of capital and its most powerful enablers that instigates capitalism's direction, heavily in favour of their vested interests. This leaves, as the political ecologists see, capitalism as a force that destroys its social and ecological environment in pursuit of its accumulative ends (O'Connor, 1994). Inherently decoupled from the planet it exploits, a counter-hegemonic contest requires the recognition of humanity's resource inputs.

Nature's Dictatorship and Counter-Hegemony

The unsustainability of US hegemony, most immediately recognized by the reality of Peak Oil on petrodollar hegemony (Iseri, 2009), demands a counter-hegemonic response to the resource limits that no man made (capital) hegemony can afford to ignore. Our planet is materially finite, a situation that creates biophysical limits to the accumulation process (O'Connor, 1994, 55). Political ecologist Andre Gorz acknowledged that the solution lies not in recovering growth, but instead in a move away from our militarized civil society and an inversion of the logic of capital itself, which has affected our own cultural value system defined by commodity relations (Gorz, 1980). Ecology embodies the revolt of civil society and moves for its reconstruction, with an association of individuals formed through an organized historic bloc (Gorz, 1980, 38-40). Could this historic bloc already exist in the form of the internet?

An effective counter-hegemonic challenge requires access to large financial resources and knowledge and information that mobilizes comprehensive links between unions, political parties and other advocacy groups (Gill and Law, 1993, 122). The internet provides the medium for transnational links from 'below' to be formed, harnessing a burgeoning yet disorganized civil society waiting to be unleashed. Furthermore, Bitcoin serves to provide this historic bloc with an economic structure. It has an even greater mobility than finance capital, in which to facilitate an emergent civil society that no longer recognizes conventional boundaries of political/economic, state/society, domestic/international differentials (Rupert, in Gill and Law, 1993, 88). Free from US hegemonic constraints, Bitcoin can have a liberating effect that, thanks to the internet, can look toward civilizing our global society and correcting the ills that our current system constantly proves unable to solve, and that arise through its very existence. In accordance, it is important to understand the role of Gramsci's organic intellectual. Understood to be classless, the organic intellectual is an agent that forges links domestically and internationally, understanding his/her role as a knowledgable node within the hegemon. Thus intellectuals need to synthesize a strategic vision with the technical and political ability to be realized in practice (Gill and Law, 1993, 110). They can provide a de facto leadership that can foster the leaderless revolution that the internet has the ability to facilitate. As Gorz recognizes, faced with the reality of a collapsing social system, 'the realist becomes visionary' (Gorz, 1980, 11). Bitcoin, with its decentralized, debt-free, international structure, has the ability to be harnessed by a counter-hegemonic push carved out of its own image. Indeed, Bitcoin's success demands it.

Bitcoin as Counterhegemonic Alternative

Decentralizing Power and Value

Bitcoin functions through a Peer-2-Peer (P-2-P) system of transaction, that has built upon the earlier internet file sharing capabilities of phenomena such as Bittorrent and Napster (Jansen, 2012, 8). This means it is completely decentralized, as the reliance now is not with a trusted 3rd party intermediary, such as a bank, to ensure the security of a monetary transaction, but on cryptographic proof (Nakamoto, 2008, 1). This does not, however, remove entirely the concept of trust that Nakamoto claims. For trust exists in one's confidence in the cryptographic technology to complete the transaction. And it is this absence of doubt that gives cryptography its autonomous power to provide assurance to its buyers of BTC its value. I shall tackle later the difference of the dollar hegemony's trust through dominance, though for now Cohen is helpful in distinguishing between autonomy and influence: 'It is possible to think of autonomy without influence; it is impossible to think of influence without at least some degree of autonomy.' (Andrews, in Cohen, 2006, 32). Many fear that Bitcoin has no intrinsic value, and therefore is a risky investment to make. Though the concept of providing Bitcoin its value is not dissimilar to the manner in which gold achieves its value. Nick Szabo, programmer of the software project Bit gold, considered to be the cryptographic prelude to Bitcoin stated, 'I was trying to mimic as closely as possible in cyberspace the security and trust characteristics of gold, and chief among those is that it doesn't depend on a trusted central authority,' (Peck, 2012). When Krugman alludes to money being a 'social construct' and that it gains value by being tied to gold (which of course, no fiat currency in the world is) that has an inherent value, that is not quite the case. It is the 'agreement' within society that gold, an otherwise useless commodity other than being beautiful and scarce, has value. It can be argued that Bitcoin has an even greater intrinsic value, as it value comes from monetary value that has voluntarily left the fractional reserve banking system, in order for 'value' to operate within a trusted, infallible medium of exchange.

P-2-P cryptography has afforded Bitcoin and its users the ability to have complete control over their money, void of Big Brother intrusion and censorship (Jansen, 2012, 10). Indeed, Bitcoin is put forward as the 'liberator' of the people suppressed by the powers of fractional reserve banking, providing relief from having to trust bankers and politicians who arguably wreck the economy and rob the public of their wealth (Wallace, 2011). It is through the P-2-P mechanism that Bitcoin leaves a power vacuum where, in our current system, banks assume entitled power as the intermediary of peoples every day monetary transactions. The problem with our current monetary system is that the fate of the entire monetary system is largely dependent on the whims of the company running the mint (Nakamoto, 2008, 2). It is this problem of money creation ineptitude to which Bitcoin claims to have an answer in its 'mining' process.

A Bit of Mining[5]

The mining process of BTC is mathematically coded to ensure that it is inherently deflationary and free of debt. All it takes to mine BTC is a computer that will contribute to the fluid transactions within the community, and the skill to break the cryptographic code. There is around BTC 11 million in circulation at this moment in time, with the number of BTC that can be mined reduced by 50% every four years (Jansen, 2012). As a result, the last BTC of the known 21 million scarce limit will be mined around 2140 (Economist, 2013, 71). In this way, Bitcoin uses the same concept of scarcity as hard currency, though where central banks privately decide fluctuations in monetary creation, Bitcoin is open to public scrutiny as the progression of Bitcoins over time is an outcome of its code (Grinberg, 2011, 168). It is because mining has removed the requirement of the mint that all transactions are transparent, so that they can be traced, thus ensuring no coins go missing. Nakamoto claims,

"we need a system for participants to agree on a single history of the order in which they were received. The payee needs proof that at the time of each transaction, the majority of nodes agreed it was the first received" (Nakamoto, 2008, 2).

This is accomplished through a 'proof-of-work' method that solves the problem of determining representation in majority decision making. This is essentially one-CPU-one-vote.

The incentive to be honest nodes in the network comes from the first transaction in a new chain which creates a new coin, owned by the creator of the block. This has two key implications for the currency: 1) the longest chain is considered to be the correct one as it represents majority rule, and 2) it allows the creation of BTC to be distributed without a central authority. With no central issuer, Bitcoins are not created as debt relations between legal entities. Instead, Bitcoins are created debt-free, meaning that once Bitcoins have been created (verified) there is no requirement of Bitcoins to be paid back to the issuer as is the case with contemporary money (Jansen, 2012, 40). Graeber believes that if history holds true, an age of virtual currency will mean a move away from war, empire building, slavery and debt peonage (Greaber, 2012, 368). Although Bitcoin has yet to gain traction within the economy, perhaps its highest achievement to date is that it, as an available alternative, provides insight into the structural biases of the contemporary money system (Rushkoff, 2012, 197). Bitcoin's mining process offers the central banking powers a huge threat to their now naturalized position of power within our plutocratic society. The internet, perhaps the only truly self-regulating platform, has offered the people the opportunity of democratic money.

Historicizing Bitcoin

The most intense period in Bitcoin's short history occurred during March-April 2013, where the price of Bitcoin skyrocketed from below $50 to $266, then, in the space of 24 hours, back down to $70 (Egan, 2013). Mt.Gox, the largest Bitcoin exchange, claimed that they were a victim of their own success (Mt.Gox, 2013), though in reality, it was a combination of their infrastructural inability to keep up with demand and defend against DDoS attacks. The crash calls for a wider diversification in the exchange space to reduce dependence on a single entity for weighing the value of the currency (Taylor, 2013). In the current Bitcoin climate, Mt.Gox are the de facto hegemonic exchange, as there is no other entity large enough to process the growing demand for the cryptocurrency. If Bitcoin is to keep up with demand, and still maintain its decentralized advertisement, then more independent Bitcoin exchanges need to emerge, so that DDoS attacks can be kept to a fraction of the Bitcoin community, and the communal vibe of the digital currency can be truly espoused. Unfortunately, crashes are to be expected, as the cryptocurrency tries to find its equilibrium in reference to the dollar hegemon. I will now turn to what drove the price up so high in the first place.

When the Cypriot central bank collapsed, (mostly) Russian capital[6] flooded into Bitcoin, as the people of Cyprus were denied access to their bank accounts. Tragically, many Cypriots could not even access their bank accounts, but there are movements within the country to get Bitcoin used universally as a response to their financial situation (Berwick, 2013). For Keiser,

"Cyprus was Bitcoin's 'come to Jesus' moment… For millions of people around the world who have been victimized by banksters and their corrupt politician friends, the light bulb went off and they suddenly realized they could save their wealth by parking it in Bitcoin and no government or bankster could stop them" (Keiser, 2013).

With this realization, and a likely domino effect that could see Slovenia next in line for financial capitulation (Melendez, 2013), bailouts from the German hegemon and Troika are desperately trying to maintain the Euro's fractured structure. This is because participation in a currency bloc encourages governments and societal groups within subordinate states to have a perceived interest in maintaining the stability of the dominant entity's currency (Krischner, in Andrews, 2006). The dominance of Troika and Germany, reinforced by the structural power of the Euro on mainland Europe is crippling an ever increasing number of people, who are losing power to global market forces and non-state authorities completely beyond their control (Helliner, in Andrews, 2006, 85). Bitcoin serves to be the financial liberator of the people in a time of top-down austerity. There is, in fact, a Bitcoin counter-culture arising within the German hegemon itself, in the Berlin district of Kreuzberg.

Transformations in monetary relations can result in a re-articulation of 'below state' actors interests and a reconstruction of their identities (Helliener, in Andrews, 2006, 84). In the case of Kreuzberg, traditionally politically aware and looking for alternatives to existing systems, Bitcoin has taken root in this consciousness and is taking off as a widely used currency (Grandjean and Connolly, 2013). The debt free, inflation free, decentralized cryptocurrency has become a popular medium of exchange precisely because it circumvents the bankers' monopoly on monetary transactions[7]. Many in Kreuzberg don't trust the banks, particularly after Cyprus, and are interested in moving toward a local currency with global reach: a Bitcoin neighborhood (Grandjean and Connolly, 2013). A common identity is fostered using a common currency, as people experience monetary phenomena together. What is so interesting about Bitcoin's intrusion into the district of Berlin, is people feel like they are fighting the system together, by establishing a new monetary culture within society. Money is a deep and basic structure in everyday life. Mike Gogulski, a Bitcoin developer, believes:

"Bitcoin represents the opportunity to transform the way we deal with the flaws of wealth and human energy. I would look at these spikes as birth pains of an entirely new system" (Grandjean and Connolly, 2013).

States like Cyprus, Slovenia and, indeed, the vast majority of subordinate states that are shackled by the structural power of the dollar, or their immediate monetary hegemon (the Euro), are crying out for a political response to dollar dominance. If states can throw off their monetary dependence, they can free themselves from this rabid structural power, while exit strategies will obviously increase when there is more than one viable world currency (Helleiner, 2012, 89). An internet based cryptocurrency that can be used anywhere in the world, is one such 'viable world currency'. Young and entrepreneurial, Bitcoin's potential is anchored by an archaic financial and political system that will refuse to allow it's prosperity while the hegemon is still perceived to be legitimate, and thus powerful. However, an opportune fork in the road in human history may be presenting itself, as our hegemonic lord appears lethargic and timeworn. Abdication may be on the horizon.

Dollar and Fractional Reserve Hegemony

Out of Thin Air

Before looking at the seignorage of the dollar and the consequences of its existence, we must first understand the mechanisms that afford its raison d'etre: the fractional reserve banking system. It is the basis of our entire monetary system, and is the function of money creation. The process of money creation works as such: the Fed loans money to the US government by purchasing US Treasury bonds, then monetizes US debt by lending the money, thusly owned and backed by the government, to other banks (Greaber, 2012, 365). So it is the quasi-private-public hybrid[8] of the Fed that whisks money into existence, and has the power to print money. It is also this in the box neoliberal thinking that makes 'cutting the deficit' the great non-sequitir of our time, as all money is created out of debt. To do away with debt, is, in fractional reserve monetary affairs, to do away with all money. It is also the manufacturing of the fiat dollar that has replaced gold as the world's reserve currency. It is through this function that the Fed has become the primary state agency for the structural political expansion of US hegemony through neoliberalism.

The Fed has positioned itself as the world's central bank, in order to sustain the centrality of the US political economy on a global scale. It aims at containing crises so that capital can place its faith in the market place. The Fed has achieved this by institutionalizing it's power to break the back of labour, normalize the fight against inflation, aligning public good with corporate welfare, isolate financial crises, be the global lender of last resort, while acting as the lynch-pin in global financial markets addicted to debt-based consumption in the US (Newstadt, in Panitch and Konings, 2008, 115). It is the central banks job to provide high quality money, that guarantees the credit worthiness of its fiat produce (Newstadt, in Panitch and Konings, 2008, 115). Because the money supply is liberated from any physical production constraints and the flexibility of supply is achieved, it requires the political and legal backing of the state to ensure its legitimacy as a medium of exchange. However, Graeber argues that this is a dangerous tactic for a fiat currency to exist for pure speculation, and that it, as with Bitcoin, should be controlling the money supply as if it were a scarce commodity (Graeber, 2012, 375-6). As the Fed insists on being wedded to the risk management of the global economy and continuing the policies that helped spawn the crisis (Newstadt, 2008, 93), the full unraveling of dollar hegemony may not only be a possibility, but imminent.

Dollar-Wall Street Regime (DWSR)

Nixon's administration established a new regime that would give the US Treasury monocratic power over international monetary affairs, through the DWSR. This was achieved through ending the gold standard in 1973, and recycling petrodollars after the 1973 oil crisis (Gowan, 1999, 19). Cutting the link between gold and the dollar left many states around the world with worthless dollar holdings, with paper of no intrinsic value, and nothing to spend it on. Hence, the US made a deal with OPEC that stated all oil was to be bought in dollars, leading to Oil states acquiring dollars that needed to be recycled through the western banking system to non-oil states (Gowan, 1999, 21). Thus the petrodollar system is the foundation of US supremacy (Clarke,2005). Since oil can only be bought with dollars, demand will be constant as oil is the single most important commodity to every industrialized nation. The jettison from the gold standard has led to the dollar being backed by black gold. The advent of the DWSR required foreign states to restructure their domestic economies to enable them to repay their loans[9] thus adapting to the US centered financial system (Gowan, 1999, 40). However these 'IOU's, first originating from the US deficit are precisely meant to be rolled over indefinitely, serving as a tax on the globe for the service that the US provides as hegemonic leader. Though, the function of this financial service is set to be undermined by Peak Oil and will lead to further tensions across the world as the US hegemon strives to maintain its power based on the dwindling resource (Imre, 2009). In fact, the US have already proven the lengths to which it will go in order to preserve its petrodollar hegemony in defense of the DWSR.

Debt As Fuel

Iraq's move to sell oil in Euros was tantamount to a declaration of war against the dollar, the US's most important export (Clark, 2005, 32). In terms of hegemony, this is why France and Germany (the Euro's strongest advocates) were against the invasion, while Britain, a successful subordinate hegemonic partner, was supportive. The petrodollar had to be defended, as it is the anchor of US hegemony. If France, Germany, and Russia or oil exporting countries shifted to the petroeuro, the US would face a strategic crisis unlike anything in the post-war order (Englhard, 2004, 30). However, an even greater move is on the horizon with the rise of the petroyuan. On September 12th, the most significant move in recent political history was made (obviously grossly under-reported by the mainstream news/propaganda outlets), as Russia agreed to sell its oil to Russia in yuan (Schortgen, 2012). This has never occurred since the advent of the petrodollar system, and should be seen as the hole pierced in the barrel of US oil domination. It is the most important event in international politics since 9/11, as it is proof that the system by which the US maintains global control is no longer theirs to dictate unto the rest. US control of oil is oozing out of the hegemon's grasp. The US was able to suppress a highly undeveloped state to maintain temporary assurance of its hegemony, though a contest from its rival superpower may not be possible. Perhaps avoiding confrontation, an alien concept to the US establishment, might be desirable, as US debt has always been a war debt (Greaber, 2012, 365).

The US military, with 800 bases around the world, has the ability to drop bombs in all corners of the globe at a moment's notice (Greaber, 2012, 366). This unrivaled ability is arguably what holds the monetary system together and keeps the debt slaves suppressed. In this light, it could be understood that we are witnessing the final effects of American militarized capitalism (Greaber, 2012, 382). Chossudovsky warns that,

"two rival financial systems are competing for the control over money creation and credit… What we are dealing with is an imperial scramble for control over national economies and currency systems" (Chossudovsky, 2002, 109-12).

We should add the yuan to this statement. Indeed, it may even replace the euro as it begins its own counter-hegemonic thrust. The Chinese, the emerging super-power set to surpass the US economy by 2015, has been the most successful spawn of the neoliberal system, thus US advocates should not fear a challenge, at least in the traditional sense, from the East. Rather, all sentient beings should understand that there is not enough room for even one superpower on this finite planet that consumes at the rate of the Americans (25% of global resources), let alone two. Since Bitcoin is neither debt laden, oppressive nor imperial, it deserves a seat at the table of conversation that needs to occur about the bleak prospects presented by the dominant manifestations of power.

Conclusion: Show Me The Bitcoin

Cryptographic technology is a decentralized form of power, that provides value to its currency, proportional to the trust that is placed in it. This phenomenon is gaining traction at an opportune time in the history of hegemonic rule, as the greatest hegemon there has ever been is coming to an end. This inevitability needs to be taken seriously within international relations, as the consequences are not restricted to a succession or retention of hegemonic world order, but the future habitability of our planet. A debate needs to occur around the contest that Bitcoin serves to provide to established and normalized manifestations of power. The realist can infer that (monetary) might may no longer be right and must become visionary; the Marxist, drained from decades of set-backs, can utilize this technology to reignite the agency of 'below the state' actors; and the Liberal can see the realization of the 'invisible hand of the market' function freely and fairly, on the one true platform of self-regulation that is the internet. I state this as a choice, because, in the foreseeable future, an important change needs to transpire, not least to our set of values, if we are to survive human progress. I argue that there are more important matters for us to tend to, related to nature's dictatorship over our actions, rather than a divide and rule arrangement manufactured to keep our modern day Kings and Queens in the lofty echelons of hegemonic power. How long do we need to go down the rabbit hole before we see where it leads?

There is an important qualifier that is essential for the success of Bitcoin—the technology for trading in virtual securities with a virtual currency is patented intellectual property owned by Wall Street (Keiser, 2013). If cryptography does prove to be the counter-hegemonic contest I suggest in this thesis, it is more than likely the Wall Street elite will defend their decrepit Dollar Regime by enabling heavily unbalanced intellectual property laws. Bitcoin's global distributed network, however, may still prevail over the ailing center of hegemonic power. We can't afford it not to. Graeber states that, at a time where our debt based monetary system is meeting its own unsustainable contradictions,

"Nothing could be more important than to wipe the slate clean for everyone, and mark a break with our accustomed morality, and start again" (Graeber, 2012, 391).

So powerful has this debt-based hegemon been, we ourselves struggle to fathom what a monetary system void of everlasting debt obligation to a central issuer would feel to be a part of. We are prisoners within our own collective imagination. Ergo, when the important decisions regarding our future exist outside the prison walls that are our frame of debate, the only reasonable conclusion is to stage a jail break. The calls of the end of dollar hegemony have been coming from all quarters for many a year. The increasing loss of faith in the dollar will eventually find itself under unconquerable pressure to reverse its current deficit, thus unraveling the entire operation. Though that does not mean that there is not an absence of faith, just that the currency that enabled it (that many an American will feel an emotional, even nationalist, attachment to) is no longer a realistic project. Unfortunately, it is the American population that will feel the greatest shock when the neoliberal class project topples like a house of cards. Faith needs to be placed elsewhere. Bitcoin has the ability to avoid the dire consequences that an unreasoned, unmeasured and, indeed, immature response to the self-evident truth of a collapsing hegemon will have on the lives of people and the planet we inhabit. The people can now find monetary empowerment to positively affect change.

Buying Bitcoin is tantamount to a real 'vote with your dollar' scenario, not merely a neoliberal proverb that was never meant to seriously intrude on its preacher's power. A single dollar used to purchase BTC is one less dollar in the fractional reserve banking hegemony. Bitcoin syphons value out of the monetary system, and into its virtual coffers. Moving one's money into the emerging monetary paradigm is a 'vote of no confidence' in our archaic medium of exchange, and the hegemonic class that profit. It is also the acceptance of the end of American hegemony, at least through the seignorage of the dollar. In addition, the money transferred to Bitcoin is also a show of trust in the cryptographic method—namely that it can keep your money safer and your transactions easier and more secure than the powers that have normalized their position as the trusted third party in our society. A monetary vote of trust is the only language the hegemonic class understands. In recognition of this, we can begin to move toward a universal social construction that does not irresponsibly trust people with power, for power's sake.

Furthermore, I argue that Gramsci's theories of hegemony, and the neo-Gramscians who have extrapolated his theories to the international level, provide the best understanding of the implications that a removal of the trusted third party means for power relations. There will always be a hegemonic power in one form or another, and a counter hegemonic bloc to provide it a dialectic challenge. I see Bitcoin (more specifically, cryptography) purely as the rival economic structure to the fractional reserve hegemony. I believe that the complimentary social and political structure will emerge through the same platform that affords Bitcoin its position: the internet. I hereby argue for the internet to be considered an historic bloc, an entity that has the ability to engage everyone on the planet, and invites them to participate in the very serious question of 'how do we survive this century?'. The problems facing our planet, brilliantly recognized by the political ecologists, and the catastrophic consequences of our unequal society, need to be debated with a wider frame of reference than within the current mindset that is producing the problems. Indeed, the importance of this discussion necessitates that the scale of inclusion is broader than anything we have ever seen in history. Of course, no hegemon ever peacefully makes its way to the graveyard. But if dollar and fractional reserve hegemony dogmatically insist on maintaining their course, their end will be all the more painful for everyone. But those in power must remember that fighting the inevitable is a losing battle. Cryptography has provided us with a workable financial solution that requires the outdated financial system to respond to it, not the other way around. Indeed, Bitcoin demands that the banking system either radically transform or die.

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[1] Krugman's opinions about the economic potential of the virtual realm should be understood to be unfavorable. In 1998, he stated that the internet would serve no more importance to the economy than the fax machine (Krugman, 1998).

[2] Interestingly, PayPal removed the ability to donate to Wikileaks in the highly politicized move to delegitimize the whistleblower website, despite maintaining payment capabilities to far-right websites. Wikileaks now accept Bitcoin as a form of payment instead (Greenberg, 2011).

[3] "This is the century in which we must learn to live without fossil fuels" (Goodstein, 2004). It is important to note that with the advent of Peak Oil (achieved between 2006-2037), the ability to maintain petrodollar hegemony will become increasingly difficult.

[4] Due to the internalization of domestic capital, Indonesia is now seen as the 16th most prosperous nation within the US hegemony (New Internationalist, 2013 2). However, this is proof that the claims of neoliberalism bringing prosperity are tenuous, as the result has been the rise of a very specific section of the middle class, based purely on material acquisition. Ones clothing is, more than likely, 'Made in Indonesia' by the dainty hands of a child through debt-slave labour.

[5] The mathematical mechanisms of Bitcoin mining are too long and complicated for the full mathematical comprehension in this essay. I direct the reader to Nakmoto's article (2008) for a full understanding of the workings of

cryptography.

[6] Up to 3.5 million rubles a day were being put into Bitcoin, at the height of capital flight (Lee, 2013). Russia is also the largest investor in Bitcoin (Rowley, Daily Telegraph, 2013).

[7] One interviewee states “Bitcoin scares people in suits. Being able to go anywhere in the world and pay with one currency would be a nice thing for this world – lots of bankers would go bankrupt” (Grandjean and Connolly, 2013).

[8] Ron Paul’s fellow libertarian, Dennis Kucinich has remarked: “The federal reserve is no more ‘federal’ than Federal Express” (Kucinich, 2006)

[9] They are called “loans” not “tributes” to deny the reality of the US empire (Greaber, 2012, 6)

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