

Bitcoin from Austrian perspective

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Who am I

- Mag. (WU Wien)
- 15 years of IT background (payment systems, network security)
- 3 years of cryptocurrency research
- publications and lectures
- <http://www.economicsofbitcoin.com>
- @PeterSurda
- Questions not in the middle of the sentence

How many have used Bitcoin?

- Almost any form
 - physical objects like coins and cards
 - digitally on a electronic device
- Commonly on a mobile phone
- Buy or sell just like with normal money: on exchanges, OTC (over 6000 cities), ATMs
- Payment at almost 100.000 merchants

What is money?

- “currency” is a legal term
- “money” is inaccurate
- medium of exchange (indirect exchange)
 - utility derived from liquidity
 - Menger: “...presenting only a difference of degree...”
- unit of account (economic calculation)
 - also derived from liquidity, but at a much higher level and is very sticky

Hayek vs. Rothbard on improving money

“The fundamental prescriptive difference between the two then, is that Hayek believed money to be a *technical* problem, best solved by the market, while Rothbard believed it to be an *institutional* problem, best solved by an economist.”

Cameron Harwick, <http://thri.ca>

Bitcoin as a monetary institution

- mechanism for enforcing property rights
 - decentralised trusted third party
 - rules for creation of new units
 - rules for transfer of existing units
 - based on math rather than linguistics
- emergent behaviour as a medium of exchange
 - gains liquidity through markets
 - recognising liquidity results in the MoE function

Hayek's proposal

- legislative reform
- new money issued by private quasi-banks as financial instruments
- people would choose money based on price stability

Rothbard's proposal

- legislative reform
- ban of FRB, get rid of central bank, redenominate USD in weight of gold (commodity)
- people do not choose money (anymore), they do what the government tells them

Bitcoin's solution

- non-statist enforcement of property rights
 - does not need legal reform and can work in hostile legal environments
 - “anti-fiat money”
- low transaction costs important
 - transaction costs are omnipresent and heterogenous
- people tend to stick to old units of account

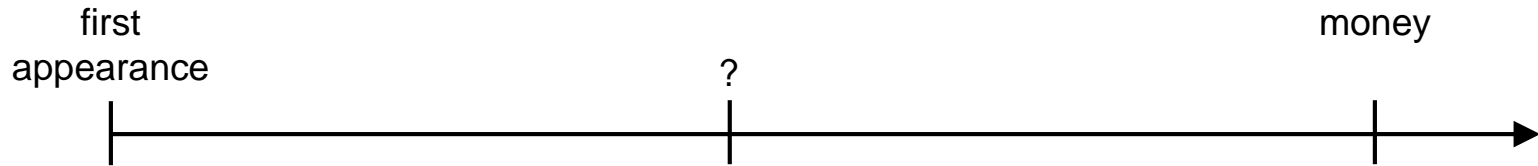
Price not as important as Hayek predicted

- last month the price fluctuated by 50%



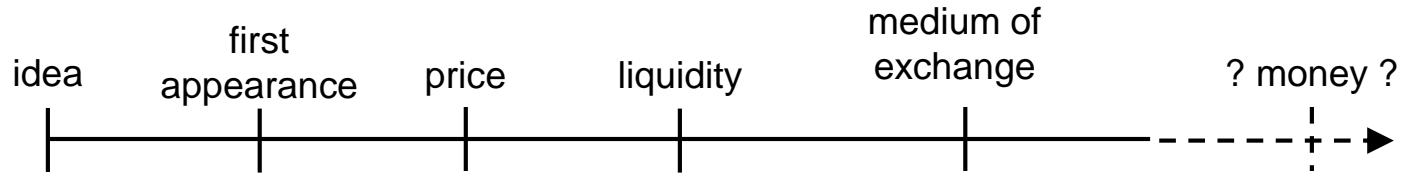
Incomplete history of money

- This is how some Austrians portray the history of money:

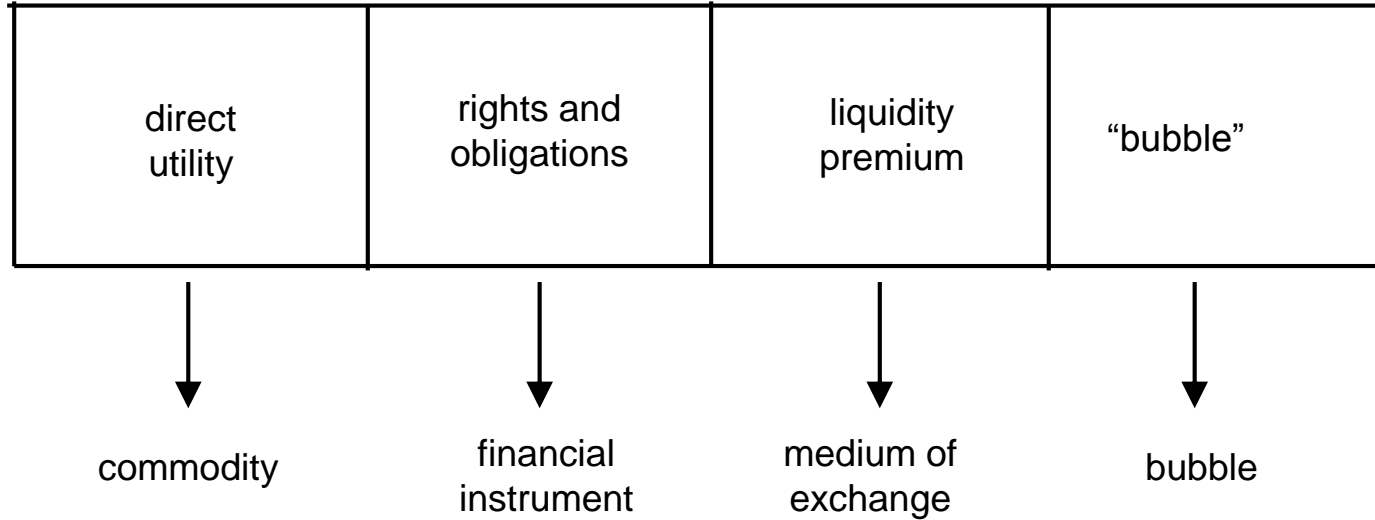


Economic history of Bitcoin

- This is how Menger and Mises explain it
- It is also what really happened with Bitcoin



Price composition



Classification of Bitcoin

- holder is granted no rights or obligations
 - so it can't be a financial instrument
 - so it must be a good (commodity)
- insufficient liquidity to be money
 - secondary medium of exchange

Why is it important

- Everything that has to do with enforcement of property rights can be improved
- Payments
- Auditing
- Registries
- Dispute resolution
- Public goods
- Decentralised autonomous organisations

Legal situation

- highly varied and often confusing
- affects legal areas beyond direct regulation
 - e.g. tax, securities
- no special regulation (Austria)
- light regulation (Germany)
- heavy regulation (USA)
 - just this week FinCEN and SEC were very active
- prohibition (Russia)

Legal situation in Austria

- not supervised by FMA
 - if it affects some other areas may require a license
- Ministry of Finance responded to parliamentary enquiry about taxation
 - treated like normal goods

Thank you

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