

Finn Brunton

On Digital Cash

Affectus

Let's talk about money and about what Spinoza called "affectus".

Affects - the rational activities that we can govern and the irrational passions which govern us. First of all, cryptocurrency begins as a project to deliberately engineer society in the direction of some specific esoteric political goals, and that a lot of the weirder details about cryptocurrency make more sense when we understand that. Second, crypto now has broken up into some new interesting social formations that reflect our current predicament and also have connections with things like the meme stock movement among other things.

"Affectus": two rational plans which created cryptocurrency, and the two irrational passions, which now dominate it.

The first rational plan – cryptoanarchy

The first of the two rational plans is something called cryptoanarchy. It was named and promoted by its impresario who was a retired engineer from the corporation Intel named, Timothy May, also a hardcore libertarian. He was part of a loose network of computer scientists, hackers, mathematicians, and activists who shared an interest in digital cryptography. In 1976, one of the most important paper in computer science in this century, in terms of its social and public impact, outlined a breakthrough in how data could be encrypted, which would enable people to communicate securely and anonymously with each other, provably secret, not only from all conventional adversaries, but from the world's most powerful surveillance and signals intelligence systems that is government organizations. Furthermore, with this new cryptographic toolkit, you could do things like sign a message in such a way that the message irrefutably came from you and was not altered in transit without ever disclosing your real identity. Many years before the Internet itself, these were the tools to secure it. Many of you are using them today, right now, without ever realizing it, that we can use all of these extraordinary tools from 1976 is largely due to the community around Tim May. Tim May saw a different trajectory for their

potential, not just to protect the privacy of people from digital surveillance by the state, but to destroy the state altogether.

Encryption and digital money would produce anonymous networks for transactions and information exchange between participants who could trust each other as they built up irrefutable anonymous digital reputation scores, building up trust without ever knowing each other's real identities. Out of these networks would bloom black markets and information markets of untraceable, untaxable, unpoliced, and borderless exchange, which would simultaneously deprive states of their revenue and of their capacity to control the currency and then would provoke them into crackdowns, which would further alienate their population into open revolt leading to collapse of governments, and then a new global order, which Tim May called cryptoanarchy. The cryptoanarchist movement already had encryption, what else they needed was digital money, and digital money had two problems: a technical one - no one yet knew how it might be secured and authenticated while keeping its users anonymous; and a social one which was much more difficult. Why would people start using this digital money? What would make it valuable? Obviously, the crypto anarchists could not do what the states do, which is to make money valuable by mandating it for the payment of taxes and the settlement of debts.

Tim May's solution was strange but elegant. He proposed a new cryptocurrency long before we use the word, which he called crypto credits, and he argued that it would be valuable because it gave you access to forbidden things. Cryptocurrency was the house currency of the global online black market. Crypto credits could buy drugs, weapons, oceans of pirated media, trade secrets, intellectual property, hacked records, classified information.

May's theory was that, at a certain point, you would go to an open-air market, and the merchant would provide you with a choice: pay in cash, on Venmo, or anonymously send some crypto credits—and get a discount for the latter because crypto credits grant access to something more valuable than regular money does.

Cryptocurrency creates and develops a steadily growing global digital black market. And that will eventually lead to the global collapse of governments and the rise of a new cryptoanarchic state of affairs. That was May's plan, which he outlined, more or less, from the mid-1980s to the mid-1990s, and it actually did air. It was not just a theoretical concept that informed the development of cryptocurrency, it actually had two direct children, and one of them was WikiLeaks.

Julian Assange was a member of the mailing list and the circle around the crypto anarchy project. He knew almost everyone involved. They all shared a set of mutual interests and concerns. We can understand the development of WikiLeaks, in part, as an expression of May's original idea—but with a key difference. Assange had an insight that May did not: people would want to share hidden information for reasons other than financial compensation.

The second child of May's original vision for what cryptocurrency could be is a site called the Silk Road. Which is a little bit of a demonstration of one aspect of the reality of May's claims and existence proof. It was an online, anonymous black market that was, run, and accessible only through Tor, the encrypted onion router system, developed and still to some extent managed by the United States Navy and the state department to enable anonymous web access and communication. The Silk Road vast reputation-based online marketplace for connecting drug dealers with clients, and nominally other kinds of contraband. The Silk Road acts as an exemplary proof of this dimension of May's ideas because it was also the first really useful thing you could do with Bitcoin. The creator and manager of the Silk Road – Ross Ulbricht, set it up with the specific intention, not just of becoming a wealthy drug deal facilitator, but also because he had read May, and he himself was influenced by another even more obscure philosophy of economics called “agorism”.

He was influenced by agorism and sought to incentivize people to adopt anonymous transactions, conceal their financial activities, to begin to have more and more of an existence outside of state control. The Silk Road is a direct expression of May's vision and one of the primary points at which cryptocurrency starts to become more widely discussed and adopted. He had argued that you can make a digital currency valuable by making it into something that can give you access to contraband, access to what is forbidden. And that is, in fact, more or less exactly what happened and helped to create the framework within which people began to hold Bitcoin to transact it no longer as a mere interesting hobby, but as something actually potentially valuable because of what it could provide you with access to.

The second rational plan – extropy

That's one vision – cryptoanarchy. What about the other one? The second movement, which includes many of the same people as cryptoanarchy, is called Extropy. They were the sister movement to cryptoanarchy, but they had a much bigger vision. They were possessed of a relentless and absolute cosmic optimism. Their primary

manifesto writer and impresario was a guy named Max Moore, whose previous name had been Max O'Connor. But one of many marvelous aspects of extropianism as a movement is adopting new names to reflect your optimistic perspective on the future. So along with other people like Max's lifelong partner Natasha Vita Moore, T. O. Morrow, Simon with multiple exclamation points, all these people who would just add in additional elements to their names to capture the extent to which they were optimistic, hopeful, visionary, excited for the future. But Max Moore, as the leader, in some ways also has the name that most purely reflects the Extropian attitude. The Extropian vision, which they outlined in manifestos, magazines, events, and, whole long paper trail of online activity was MORE: more time, more space, more energy, more intelligence and information, pleasure, and agency on a cosmic scale. Right? Their goals were nothing less than human immortality, the complete elimination of cruelty and pain, access to cosmic stores of energy and materials, and so on.

They were looking for the opposite of entropy. Extropy rather than entropy. Their vision was to essentially oppose the thermodynamic arrow of time itself and instead create more complexity, more information, more intelligence, expand humanity out into space, etc. Their cultural influence was far greater than they have ever received credit for. In many ways, they created a certain dimension of Internet culture and Silicon Valley culture. They created an aesthetic, a vibe, a way of thinking, an ethos. And then as their movement itself dissolved, that ethos, that vibe, that aesthetic has remained. So with that premise in the background, you may ask, so how does money come into this? How did they get involved in cryptocurrency?

They were not just seekers of cosmic abundance and immortality, but also libertarians. And as such, they identified free markets as being the fundamental motor of technological innovation. If you believe that we are on the verge of a string of unprecedented breakthroughs in various branches of technology, the possibility of medical immortality, of general artificial intelligence, of nanomachines that are able to transform anything into anything else, of access to almost godlike levels of power, then what you want to do is accelerate technological innovation.

According to their political and economic connections, the way that you accelerate technological innovation is that you make money freer in various ways. So if they could begin creating more new kinds of currencies that were native to the Internet, unregulated by states, unregulated by central banks, currencies that were produced by countless new kinds of banks, then those would begin to spur a continuous growth in the amount of scientific and technological discovery and innovation taking place.

They could effectively act as the fuel that would produce these breakthroughs in their lifetime that would enable them to achieve the godlike levels of power, the eternity of existence that was their ultimate goal. The way that they modeled this was first – wealth capture. This idea was a true insight into the nature of economic reality: we should be able to produce these new kinds of currencies, these new kinds of investment vehicles, these new kinds of assets that will produce an extraordinary amount of wealth. And if we create those, we can capture as much of that wealth as possible.

But the sort of moral justification for this project is not wealth capture and capital accumulation for the sake of being rich. It's that they possess the transhumanist vision to be able to direct, to sluice all of that wealth into these novel forms of technology, into these new heterodox areas of scientific research. And in that we can identify the moral spirit that we see now in organizations like FTX – the crypto trading organization now disgraced. But a part of the moral justification for FTX's model of getting rich was effective altruism. A framework within which they had the insight that they would be able to deploy the money more intelligently towards ends that would produce the greatest possible outcome for all humanity.

The extropians also created a number of other vehicles that were more specific and concrete to using currency to try to generate the future that they hoped for, like eccentric idiosyncratic currencies. One of these is something called idea coupons, which were currencies which would only be redeemable if a specific event came to pass at a specific time. In other words, you could use it as a mechanism to raise money for some kind of research that you were trying to do, and people would circulate those coupons, the more plausible they found your idea to be. Similarly, they created betting and prediction markets. They created many different forms which are all based on trying to figure out how to identify technologies that would lead to these breakthroughs into a future of abundance that they longed for and then to incentivize those breakthroughs through the creation of these new digital currencies. The extropians were also fascinated by cryonics. Cryonics is the sort of science of freezing living things and then bringing them back to life. It is the study of the long term effects of freezing biological organisms. From an extropian perspective, if you believe that we are on the verge of these unimaginable breakthroughs, these radical social and technological transformations, and that you furthermore are building the tools that will make those breakthroughs possible, then you face a kind of terrible, tragic corollary: what if you die just before they arrive? So the extropians developed a major focus on having themselves frozen.

Some of them had their heads frozen in the same vat in Scottsdale, Arizona. They died, and their bodies were carefully managed to minimize decay. They were frozen, their heads were cut off with a bone saw, wrapped in aluminum foil, and immersed in liquid nitrogen in a tank. The reason for this, once again, is so they can be brought back in a future of abundance.

One of the deepest original roots of what became cryptocurrency started with a conversation between Tim May and a very early member of the movement about the idea of producing some kind of digital currency, because of the way it was encrypted, would only be accessible once you had access to some specific password. And the reason they came up with this idea was so that you could die, have yourself frozen, and offer as a reward to the people who would bring you back to life access to your stash of cryptocurrency. That you would literally create a market incentive for your own resurrection. It's absolutely extraordinary and is the purest expression of the extropian attitude. A desire to achieve nothing less than return from death, called by extropians a "metabolic coma". Your brain uploaded to a computer to enjoy hedonistic immortality.

The way you get there is through developing some new form of cryptographically secured digital cash. Two rational plans that have a vision, if you accept their premises, a way of getting from fear to there that involves creating new cryptocurrencies. One of these plans is for collapse of governments and the rise of cryptoanarchy, and one is for the creation of a cosmic abundance.

The first irrational passion – the Miami tendency

Let's jump across the almost thirty years that intervene between these two rational plans and what we will talk about now: the ".com" boom and bust, the emergence of the singularity as a unique movement, the belief in this future artificial intelligence breakthrough. Micropayments and digital gold currencies try to succeed and fail. PayPal survives through sheer luck and then burdens us forever with Peter Thiel and Elon Musk. At the year of the global financial crisis in 2008, the pseudonymous Satoshi Nakamoto circulated the original Bitcoin white paper. This project kicked around as a curiosity for a couple of years and was taken up by various communities, but a combination of ransom demands and the Silk Road aided in its adoption into more widespread use. Booms and busts come and go. Countless imitators of what is now called cryptocurrency spring up, make some money, rug pull as the slang term is. Create some kind of value proposition, take some money, and then disappear or

fail. Trading firms and brokerages reinvent every kind of financial tool and strategy. Believers take power in New York City, in El Salvador, and on the boards and executive suites of corporations. FTX and the Alameda Research Group lead to one of the most spectacular cases of corporate fraud in the history of finance. Sweeping thirty year period. Almost three decades after those rational plans, let's have a look at two of the great irrational passions that currently dominate cryptocurrency.

The first of these – the Miami tendency. After the unexpected emergence of the city of Miami, Florida as an epicenter of cryptocurrency speculation and activism. It's the location of numerous annual cryptocurrency and especially Bitcoin events, festivals, and congresses. In the Miami tendency, a very different vision has taken over that branch of cryptocurrency. One of the things that was under remarked at the time of the development of Bitcoin, when Nakamoto produced the original paper and through subsequent discussions, was the focus of that paper, both in its metaphors and in the design of the initial version of the technology itself on being a kind of digital gold, not digital cash. The volume of Bitcoin is ultimately finite. It will be exhausted like gold in the crust of a planet. It requires a steadily increasing level of effort and energy commitment to access to mine. It is designed to be deflationary. It's designed to be scarce.

Its original framework was not a currency that you would use to transact casually, but rather as a kind of collateral that you would hold the way that a reserve bank will keep some quantity of gold in a basement somewhere that you would hold and then use as collateral for other kinds of financial activities. A kind of digital analog for physical gold. What we see in the Miami tendency is that this attitude has been taken up by the long term American conservative political obsession with the gold standard, with using precious metals as the basis for value.

What's extraordinary about what's happening in Miami is that we are witnessing so-called "gold bugs" – people who are obsessed with gold. The "gold bugs" have been recreated in Miami as pure ideology because now there's no precious metals involved. There's just Bitcoin. They have managed to recreate the whole of their ideological framework while just leaving behind the precious metal entirely. The consequence of this for us is that it essentially ignores the promise of privacy and the fantasy of innovation, which drove the original dreams of creating cryptocurrency in favor of removing the money supply from even the most minimal form of democratic control, in favor of a system in which rather than decentralizing and devolving power. The Miami tendency looks at cryptocurrency as a way for a small group of

people to take power themselves. It's a way in which this extremely anarchic and autonomy focused currency has now been brought around entirely into the creation of a new sort of oligarchic class who would get in charge of the money.

"Gold bugs" have always been fascinated with the idea of destroying central banks, destroying the Federal Reserve. The most fascinating thing about the Miami tendency is that they also want to destroy central banks. They are generally disgusted with all of the crypto boom, luridity, and tawdriness. Many of the things that we would identify as being the elements of the popularity of crypto (NFTs, the proliferation of other kinds of coins, etc.) embarrass them. These are things that undercut the seriousness of the project.

They are interested in creating digital gold and then being in charge of it, being able to manage it. They want to be the government. They are interested in active state intervention and are cultivating Trump as an ally. One of the goals is to set up a strategic Bitcoin reserve. In this case, the US federal government will get into the business of gathering, managing and holding Bitcoin and also sustaining its value. The mood of the Miami tendency is very serious and somber. It's political philosophy. The vibe is wealthy and conservative, but in a specifically aristocratic libertine kind of way. They're conservative in the sense that their sexual morality is about orgies and polyamory, but their political focus is about the maintenance of elite hierarchies of power. Their diet is carnivorous. There's an extraordinary emergent phenomenon that combines Bitcoin maximalists with people who eat only meat. That's one of the irrational passions that dominate the crypto landscape now. The other is YOLOism.

The second irrational passion – YOLOism

YOLO is an acronym – you only live once. YOLO is a hashtag often used specifically in the context of individuals, engaging in financial gambling, as an act of bravado, as a demonstration of your fearlessness. They are closely allied with the Miami tendency in terms of their political interests, but their overall attitude and vibe and aesthetic and so on just could not be more different. Where the Miami tendency is focused on the idea of crypto as a source of stability that is unable to be interfered with by central bankers and government ministers, the YOLOists are a large and growing voting block who are interested in volatility and unpredictability for its own sake. They are a version of investment that has no model of the future. They're a version of investment in which the whole point of the process of investment is the

wild gamble, is the uncertainty. "Lambos or food stamps". Lambos for Lamborghinis, the extremely expensive sports car, and food stamps for the US' very minimal form of welfare for people who have no other way to buy food. Because if you win – you're rich, and if you lose – you're completely impoverished. The purpose of the stakes is the sheer joy of gambling. It is the decadent stage of a kind of investment nihilism, buying into speculating on and meaning about cryptos and meme stocks just for the sake of pure drama and clout.

The alliance

There is a really sinister and interesting development, which is the alliance between YOLOism and the Miami tendency. YOLOism is now relatively large, but extremely active among vocal voting blocks. These are young men who are in favor of candidates who support crypto, who support retail investor meme stock action, and who also very crucially support legalizing sports betting or keeping it legal or making it more available. They're voting in favor of the right to lose money, to gamble, to engage in chaos, to live in this state of uncertainty and volatility. And if we look back at the rational plans, we could see the way that two plans completely diverge with each other. The one in favor of the collapse of governments in a state of total warlord black market chaos, and the other in favor of these cosmic breakthroughs into immortality and eternity through technology. Today we see crypto supporting two seemingly mutually exclusive movements again: the fascination with conservative aristocratic control of a new gold standard and the embrace of the sheer ludicrous volatility and waste, the opportunity to be ruined in YOLOism. It's well worth dwelling on how crypto can support these seemingly bifurcated ideas, political visions, and ideologies. And it's worth looking at all of these together to understand the way in which crypto has always acted as a utopian or dystopian political vision.

Safety measures

Thinking of how to prevent the harms that are being envisioned by these groups from coming to pass would begin with finding ways to dethrone and regulate the power of finance capitalism in modern political society, which is one of the things that sounds like a very large, vague goal. In the case of the United States, a landmark piece of legislation comes to mind: the Glass-Steagall Act. This law aimed to impose greater regulation and oversight on financial markets, limiting the power they could

accumulate and restricting their ability to operate unchecked. Establishing laws that recognize the excessive power of this sector of capital accumulation is likely the most effective way to curb its influence and prevent it from gaining political control.