

E-mail Interview with Geert Lovink

By Francesca De Benedetti

For la Repubblica, published on June 12, 2016, original full version in English here:

Francesca De Benedetti: Why did you decide to create MoneyLab? Do you think “economies of dissent” are a fundamental issue to research?

Geert Lovink: Our international network initiative MoneyLab, which brings together geeks, artists, activists and scholars from a range of countries, is a response to the 2008 global financial crisis and wants to discuss the underlying architectures of bitcoin, the blockchain, crowdfunding, local currencies and mobile money. Two developments come together here: the exploding discontent in ‘global finance’ and the growing technological possibilities to take matters in our own hands. During times of crises, austerity affects ordinary people most, not banks or the political class. In the past it was inflation, these days it’s the growing inequality, the Piketty effect, as it is now called. Class comprise and redistribution of wealth have virtually disappeared. It is not global finance that pays the price, quite the opposite, they are bailed out and hedge funds are experts in betting against the downturn, thereby making even more profit. Citizens cannot benefit from their own crisis. This needs to change. One of the ways to back the initiative, and raise fundamental issues, is the unique opportunity that digital technology is giving us, right now, to redesign money as such. This is a historical opportunity we need to grab. Likely, soon standards and protocols will be defined and innovation moves to other terrains so this why there is an urgency to get as many people, and disciplines, on board.

We can no longer leave the future of money to the banks. They do not need ordinary customers anymore. For banks customers have become a nuisance. This is why the very first thing we need to do is to reintroduce the radical separation between ordinary and investment banking and break up the Too Big to Fail institutions. It is at point the MoneyLab agenda starts to become relevant. The critique of global finance, from Saskia Sassen to Yanis Varoufakis and the DiEM25 movement, is our starting point. However, we should not portrayal ourselves merely as victims; we are coders and designers.

FDB: Electronic payments overtook paper money as the most popular form of monetary exchange in the United Kingdom, whilst the Indian prime

minister has stated his aim to transition to a cashless society. Is the move towards a cashless society inevitable and imminent? what concerns await for a future without paper money? Could cashless society exacerbate inequality?

GL: In my view, money experiments are done to redirect value flows. If innovation in the end will reproduce current tendencies, we should fight them, digital or not, doesn't matter. Initiatives such as bitcoin should be read as early models to replace the 'economy of the free', which currently only benefits Facebook and Google and other platforms. The 'gratis' services are neither beneficial for the users (who are spied on behind their backs) nor for the content producers such as journalists, musicians, designers and other artists. We need a peer-to-peer economy in which we can pay each other in an easy fashion, and digital technologies can assist us in that. A fair, decentralized and sustainable distribution of value is the core value here. Without such a political position, or ethics, if you like, it becomes hard to judge tendencies such as the disappearance of cash. There are technologies that facilitate anonymous payments, and others that don't. That's where the architecture debate come in. The Panama Papers prove that the mafia can perfectly thrive in a cashless society. This is why we need a public debate right now. We need to consult all the mafia experts first and bring them on board. In the end, the question will be how we can tax the rich. What are the best technologies to do this?

FDB: Given the development of technologies, what's the future of money? How should we imagine our future economic exchanges?

GL: This is the exciting part and that's where our collective imagination is being put to the test. We need our best, and most provocative philosophers here who can speculate on the nature of money, the mechanisms of value creation in a post-industrial world that cries for sustainable models of income creation on a planetary level. Critique of Brussels is a necessary start, but not enough. This is where the populism enters the debate. It is easy these days to mobilize discontent, blame others and opt for national solutions. But the real challenge, in Europe, is to invent new industries that are based on decentralized payment systems. That's, for instance, the agenda of the French [Ars Industrialis](#) network and the Peer2Peer Foundation. A crucial concept here is the design of the commons. Very likely, the state is about to lose its monopoly, and credibility, over the definition what money is. The example of Greece learns us how difficult it is to enforce an alternative monetary policy that goes against the forces of

austerity and the interests of global finance. It is hard to conclude that the state only operates in the interest of capital and can no longer act in the public interest. I am saying this as an autonomous anarchist. Let's face it: are we ready to define, and operate, a commons that will guarantee the value of a cyber-currency that will be used by billions? I don't think so. Look at the current governance crisis inside the Wikimedia Foundation, the Bitcoin Foundation (which has been out of operation since last December) and the troubles inside the Ethereum Foundation. This shows us that we have a long way to go and invite us to 'fail better', the slogan of our third MoneyLab conference in Amsterdam (December 1 & 2).

It is easy to deconstruct the libertarian agenda of the blockchain kids and criticize them for their preference to work with Citicorp and Barclays instead of focusing on the needs of migrants. Let's instead celebrate the richness of experiments, get involved and understand the historical moment, knowing that these technologies will eventually scale up and rule our lives in 10 or 20 years time. We already know, for instance, what a massive job killer the blockchain technology is going to be, in particular in the banking and administration sectors.

FDB: When bitcoin emerged, with its blockchain technology, a kind of "digital money utopia" emerged: btc was the first completely open financial network, it was open source, it was anonymous and transparent, it was decentralized, it didn't admit any financial institution - such as banks or any other intermediate system. No authority, no state power... Like the early internet, it seemed a kind of revolutionary protocol. Nonetheless, critics define bitcoin as a kind of "Ponzi scheme for redistributing wealth from one libertarian to another". Have we missed a chance? Is btc technology at the service of equality or inequality? Is it "a system for buying drugs and making illegal exchanges" or is it a kind of failed utopia?

GL: That's a strange, romantic notion of the early internet, which was a computer network that emerged out of the American military complex during the Cold War and turned into an Western academic network that was fully state funded until the early-mid 1990s until it was taken over by commercial partners. The same can be said of cryptography, so long dominated by the world of spycraft, and now an important pillar of the cyber currencies. One of the early clients of [Digicash](#), a forerunner of Bitcoin, was the Dutch government. Please, don't believe the hype. In particular in Italy people love to emerge themselves into the cyber ideology. Even the early

Bitcoin was never entirely anonymous. It still is open source, yes, which is facilitating the possible ‘forking’ of the project in two different directions, a threat that might blow up Bitcoin. It is true that the early use of Bitcoin was primarily for criminal purposes, the account of Nathaniel Popper, *Digital Gold*, a book that I can highly recommend, clearly proves it (without turning the stories into some accusation). It is too easy to blame a hand of libertarians knowing that the national state fails at any level to protect its citizens and convict the bankers. The real scandal here is impossibility, also of the academic class, to see the research potential at this level. We should praise the wisdom of the early engineers who understood the importance of the public domain and blast the neo-liberal bureaucrats of today who shift the responsibility to so-called ‘entrepreneurs’. But start-ups can never do fundamental research. It is not their task. This is the problem with the entire ‘creative industries’ approach. After the state has withdrawn it is unclear who will do the hard work. And then we’re upset that a wild bunch of both right-wing and left-wing computer programmers hack something together.

FDB: Who’s taking advantage of bitcoin and cryptocurrencies?

GL: The group of geeks that got involved early on is remarkably small and mainly drew from free software circles. The second group that got on board were financial speculators and people with a ‘fintech’ background. This is when the btc value briefly touched the 1000 USD ceiling. The value now hovers around 500 USD after having been as low as 200 USD. It is hard to predict what btc will do. There are only few players and many of them are the miners themselves who ‘create’ the coins, mostly of them being Chinese. The recent investments did not go to bitcoin but ended up in the blockchain software initiative called Ethereum. In fact, overall investment in cryptocurrencies went down recently, in line with the overall withdrawal of venture capital, in particular in the Bay Area. The problem of the extreme fluctuations is the general confusion if btc is a commodity (like gold) or a currency. The ordinary users a low and stable value would be best, but bitcoin believers and evangelists disagree with this idea. Contrary to what one would think they look at bitcoin as a value that should not be used, that should be hoarded, because then you can sell it later on for a profit—presumed that the bitcoins go up in value. And remember, btc is not a utopia. It has created its own middle men, the miners and exchange, it is not anonymous, and unfortunately not always secure.

.
FDB: What’s your evaluation of “mining”?

GL: Really bad, in particular from an environmental perspective. The bitcoin creation consumes an incredible amount of energy. Of course, digital money needs to be created. In my view this should be done by the Bitcoin Foundation itself, or by some other legal peer-to-peer entity, not by individuals or companies that do this with the aim of making money. The hoarding principle, which is related to private mining, slows down the circulation of the currency and frustrates early cultures of use. Why would users be so mad to get into a currency that fluctuates 50-100%? One could defend this by saying that btc is a great investment, a safe heaven. But that's not what we need right now. Most of are creative producers, not private investors. We need new sources of incomes, getting rid of giving away everything for free because there is no easy-to-use payment system in place. This is particularly in the interest of European millennials who are now caught in the Silicon Valley social media trap and will soon look into the abyss once the swapping is over.

FDB: "Bitcoin did have great potential but it is damaged beyond repair", critics say. Do you agree?

GL: I am one of them. But I wouldn't talk about crypto-currencies in the past tense. Bitcoin pioneers stress the experimental status of the currency. The point is that these tests are happening in real life, on the open internet, not in a closed lab. Bitcoin is a classic bottom-up initiative and thrived as an informal network, specially in the early days (2009-2012). Its seize is miniscule in comparison to the daily flows of the global financial system. We need to see these projects as 'social sculptures', as Joseph Beuys used to call them, conceptual artworks. In fact, the art critics should come on board to judge these architectures. The point has never been: how do we fit in? Networking is a constitutional basis. Anyone who remembers the dysfunctional internet in the 1990s will agree. To dismiss a technology because it is not working is straight out silly and proves a basic lack of understanding of history.

FDB: Has btc or any other digital system the power of disrupting the international payment industry? Could btc or any other "money killer app" ever replace conventional money?

GL: Our money is already digital, that's not the point. The question is who designs, defines and maintains the operating system of that money. That's in the hands of extra-digital powers such as ECB, Basel, the big banks. In the case of btc the question has never was if could replace ordinary money. The

founders had the intention to replace, or rather complement gold. Bitcoin is based on the idea that we should go back before 1971 when the gold standard was still in place and stop creating endless amounts of virtual money, which are based on nothing. The problem really is one of the lack of industries, the lack of employment, not money as such. Digital or paper money should facilitate investment, which the virtual money right now is not doing. I am indebted to Saskia Sassen who came to all these conferences over the past decades to explain us these mechanisms. I can overestimate the importance of her work. In the beginning finance looked to us like a parallel universe where computer networks were utilized outside of the internet. Bitcoin is the first to truly integrate the two, it is digital native money.

FDB: Let's talk about technologies underlying bitcoin. Which are the positive and the negative elements of blockchain and crypto-currencies? Potentials and risks.

GL: Positive about the blockchain as a distributed database is definitely its emphasis on decentralized systems. Over the past decade the internet has only grown in the opposite direction. No more decentralized servers, few data centres, owned by the big players, more monopoly players such as Google and Facebook that sabotage the market place and destroy the 'bazaars', resulting in more surveillance, geo-blocking on the national levels. The internet did not scale up, it centralized. Positive is also the open source nature of, for instance, Ethereum, an initiative that will most likely be wiped out by IBM and others in order to reach a Linux status inside the FinTech industry. Having said that, blockchain should be seen as a new IT paradigm, a way to link data in a network, but let's not over-romantize it. Blockchains are already mostly used inside existing institutions such as large banks where they operate as grotesque job killers. There is nothing subversive about it. But instead of only complaining about evil capitalism, let's focus our energies also on the positive potential, for instance cooperative computing, working with a mix of public and private ledgers and open governance structures that can be utilized in many parts of society.

FDB: The value of money is an act of faith - which faith, in the digital era? Which faith, if we exclude any institutional intermediation (of States, banks and so on)?

GL: Users need to trust their currency. Wild fluctuations may be acceptable for a small group of developers and financial speculators but should in fact

not be connected to the open web. A recent example is the Ethereum-based investment vehicle called DAO which presents itself as trustless system. Insiders warned that this financial system, which started with 150 million USD, was vulnerable to attacks and called for a moratorium. What may work between a bunch of hackers might not be ideal if you start playing with money and people's livelihoods. This is a fundamental issue: the supposedly autonomous and referenceless simulacrum of digital money is not a game, attackers can swindle people out of their investments. In the current neo-liberal system the bill will always be passed on to ordinary customers, the citizens, and will not be paid by the investors. This is why we need an urgent dialogue between the libertarian fintech world and the critics of global finance. The same can be said of the used consensus model. As a New York Times comment said: "The theory of jointly deciding to fund efforts will face the reality of individual self-interest, politics and economics."

FDB: What's the best alternative you can imagine for money in digital era?

GL: That money will be administrated by third sector coalitions outside of nation states and big business. Civil money, if you like. We depend on the stability and accessibility of money but can no longer trust politicians and banks to do that for us. Since 2008 they have lost their credibility. Bankers got away with it and are not in jail and this further fuels populism. That's the crisis we're in, with more to come. Many of us have woken up and started creating the crystals of what could become a global civil society financial sector. In their early phase alternatives will be shaky and based on questionable ideologies, but we need to take that for granted and that's why this infantile ecology is crying for engaged critics, designers, artists and programmers to come on board. The best alternative is running code. One thing is sure: the tiny programmers community around Bitcoin, Ethereum, Ripple etc. can't do this on their own. We need an Internet Governance 2.0 this time without nation states and big business as exclusive 'stakeholders' but this time with artists, philosophers, researchers and designers.