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### Would Karl Marx Support the Existence of Bitcoin?

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# Would Karl Marx Support the Existence of Bitcoin?

Henry Corderman

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## Would Karl Marx Support the Existence of Bitcoin?

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Bitcoin, the digital currency making headlines around the globe, is revolutionizing the ways at which people understand industry and commerce. The cryptocurrency was created in 2009 and it is currently valued on the U.S. stock market at over \$7,000. Although the price has fallen from its high of almost \$20,000 back in late 2017, it still begs the question, what makes this cryptocurrency so popular (Yahoo! Finance. 2019)? Going back to the origins of Bitcoin, it was created to undermine the contemporary paper form of money by breaking down national barriers and establishing a universal money that can be spent anywhere. The developer of Bitcoin goes by the alias Satoshi Nakamoto and when he first introduced this idea on a forum, he branded the new currency as “decentralized,” removing the necessity of trust from the transactions (Nakamoto 2009). Unlike paper currencies which rely on a centralized agency to regulate transactions, Bitcoin is unique as it is created on a peer-to-peer network. This network is known as blockchain and it functions without a centralized authority. More specifically, every computer that’s a part of the Bitcoin community tracks and records every transaction made which allows a transparent and smooth exchange of goods. Because people do not need to place their faith in a bank or a centralized agency to overlook their transaction, Bitcoin can be considered a trustless currency. Although Bitcoin was only recently created, if one examines the currency in tandem with historical, political, and economic theories such as socialism, there is a surprising relationship between the two. In fact, Karl Marx, the creator of socialism, would likely support the existence of Bitcoin because of its decentralized and democratic nature.

To understand the relationship between Marx and Bitcoin, it is important to understand the essence of Marx’s 19th century arguments. In many of his works, Karl Marx often describes the limitations and problems that derive from capitalism. Specifically, in *The Communist Manifesto*, Marx emphasizes that although capitalism may lead to many new inventions and innovations (i.e. railways and navigation technology) the whole essence of the capitalist system is rooted in constant growth where the working class is left behind (Marx & Engels 1848, 10). The working class, also referred to as the proletariat, is Marx’s targeted audience for socialism and he directs his argument as their advocate. While the upper-class bourgeoisie accumulate capital for themselves and make a living, the proletariat are exploited. His issue, Marx explains, is extrapolated in the ever-expanding market, as the need of a continuously growing market “chases the bourgeoisie over the whole surface of the globe” (Marx & Engels 1848, 12). The resulting consequence of this type of economic system is centralization. While property and power seem to be concentrated in the hands of the bourgeoisie, governmental systems are lumped together under one nation and one code of laws (Marx & Engels 1848, 13). In other words, separate cultures and communities become intertwined under the same goal of profit. This presents Marx’s main argument for socialism. Marx wants the proletariat to revolt and by doing so, disassemble all forms of social hierarchy. He writes that with socialism, the working class will create the state and the state will regulate all means of production (Marx & Engels 1848, 28). The difference between the capitalist society and the socialist society is that the socialist society will not be based on the want of profit and instead be based on the collective wants and needs of the working class.

The main reason Marx would support Bitcoin is because the decentralized aspects of socialism is quite reflective in nature to Bitcoin's use of blockchain. As previously mentioned, Bitcoin was created in a way where there was no need for a central authority. The reason why this is possible is because of the peer-to-peer network that bitcoin was constructed on. If a computer on the blockchain shares new information and the other computers do not track or record the change, the information is ignored (Popper 2015, 22). According to Nathaniel Popper, the author of *Digital Gold: Bitcoin and the Inside Story*, "people who join the Bitcoin network, were, quite literally, both customers and owners of both the bank and the mint" (Popper 2015, 24). Just as Marx advocates for the workers to become the state, Satoshi advocates for the customers to become the bank. By cutting out the middleman, you do not need to place your trust in any centralized entity.

Interestingly, the reason to decentralize is oddly similar between bitcoin and socialism. Marx and Satoshi would both agree that it is difficult to place trust in a single, regulatory authority such as a bank. While he did not specifically make that claim, Marx believed that when capitalism becomes too centralized, it leads to overproduction, and overproduction will eventually lead to chaos (Marx & Engels 1848, 15). If we examine the 2008 financial crisis, when people were too focused on making profit through mortgage backed securities, Marx would likely consider this event as overproduction as a result of capitalism. The chaos that Marx spoke of can be seen at the exact moment when the housing market crashed. Continuing this point, the fact that everyone, regardless of their social status, was affected in this market crash reinforces that this is the chaos that Marx is talking about in *The Communist Manifesto*. When he wrote of the collapse of capitalism, he also noted how the bourgeoisie self-sabotaged their success and "called into existence" the proletarians (Marx & Engels 1848, 15). In other words, Marx argued that demise of the bourgeoisie would bring about success for the proletariat and help build the pillars upon which socialism would stand. For Bitcoin, the lack of trust in centralized agencies stems from the very inception of cryptocurrency itself. Cypherpunks, the creators and researchers of cryptocurrencies cite that their goal was to provide an alternative to the grievances of modern-day financial handlings (Popper 2015, 16). The current financial system is flawed according to cypherpunks. These supporters of crypto argue that "the state will never be able to control the money supply in a trustworthy way. Instead, money should be controlled by the 'natural laws' of the market" (Barton 2015, 33). By "natural laws of the market," the author of this work is referring to bitcoin's ability to function well without a centralized authority. Sarah Underwood, the author of the article *Blockchain Beyond Bitcoin*, agrees with the natural functionality and benefits of Bitcoin. Specifically, she argues that the transparent and trustworthy qualities of Bitcoin demonstrate that the currency could boast many positive financial ramifications in the country. Among these impacts she lists a potential sidestep of a 2008 crisis recurrence, increased healthcare efficacy, and further cultivation of the supply chain economy. (Underwood 2016, 15). The 2008 great recession is a universal example that explains why both Satoshi and Marx criticize centralized agencies.

The similarities between Bitcoin and socialism is based on their democratic core values as well as their distrust for centralized institutions. For these reasons, Marx would certainly support the existence of bitcoin. Furthermore, the strong relationship between the two begs the question if bitcoin is the steppingstone towards socialism. In other words, is Bitcoin the necessary currency needed for the transition between capitalism and socialism? Although Karl Marx died over a century ago, his ideas did not. One of Marx's fundamental arguments is that socialism will destroy nationality and the existence of distinguishable countries. He discusses

that on the path to a more extreme form of socialism known as communism, this path includes the destruction of national borders. The “working class have no country” Marx writes, and because of this, borders become obsolete (Marx & Engels 1848, 28). In order to dismantle the current organization of nations and borders, there needs to be an economic tool or currency that allows people to trade across borders. Bitcoin may in fact be the perfect tool to drive this transition because anyone around the world can make transactions online using bitcoins (Barton 2015, 26). The fact that bitcoin can be used universally without requiring a centralized institution to do so, this contemporary currency is the perfect tool for the socialist movement. For these reasons, not only would Marx support the existence of Bitcoin, he might also adopt the currency as the primary monetary system for socialism.

While socialism and Bitcoin may have missed each other when it comes to historical timelines, they share many of the same ideologies including widespread democratization and decentralization. Karl Marx likely would not only support Bitcoin, he also may have realized that perhaps Bitcoin is the guiding tool to help catalyze the communist movement. The question that arises from this strong connection is what Bitcoin means for the future of capitalist society. It is possible that Bitcoin’s ability to cross borders may threaten capitalist society and encourage the reintroduction of a strong socialist movement. However, way before we see the end of capitalism, a much more reasonable consequence may occur. Bitcoin’s introduction and adoption into transglobal transactions may redefine how future economists perceive Karl Marx and his views. In the United States, the criticism and negative stigma that embody the historical figure may transition into a much more curious attitude. Bitcoin’s association with democracy may ignite important discourse regarding issues like class inequality that is all too present in the contemporary world. Just as bitcoin and its association with Marx has had the potential of social and political ramifications, cryptocurrencies that develop over the coming years may see more than just economic outcomes.

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