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BLOCKCHAIN DEMOCRACY

In *Blockchain Democracy*, William Magnuson provides a breathtaking tour of the world of blockchain and bitcoin, from their origins in the online scribbles of a shadowy figure named Satoshi Nakamoto, to their furious rise and dramatic crash in the 2010s, to their ignominious connections to the dark web and online crime. Magnuson argues that blockchain's popularity stands as a testament both to the depth of distrust of government today and also to the fervent and undying belief that technology and the world of cyberspace can provide an answer. He demonstrates how blockchain's failings provide broader lessons about what happens when technology runs up against the stubborn realities of law, markets and human nature. This book should be read by anyone interested in understanding how technology is changing our democracy, and how democracy is changing our technology.

William Magnuson is an associate professor at Texas A&M Law School. He teaches and writes about corporations, technology and finance. Prior to joining Texas A&M, he taught law at Harvard, worked as an associate at Sullivan & Cromwell in New York and served as a journalist in the Rome bureau of the *Washington Post*.

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TECHNOLOGY, LAW AND THE RULE OF THE
CROWD

WILLIAM MAGNUSON

Texas A&M Law School



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Contents

<i>Preface</i>	<i>page vii</i>
Introduction	1
PART I THE BLOCKCHAIN	7
1 The Origins of the Blockchain	9
2 The Technology of the Blockchain	41
3 Blockchain in the World	61
PART II WEAK LINKS	91
4 Crypto-Criminals	93
5 The Energy Hunt	122
6 The Penumbra Problem	144
PART III THE FUTURE OF DECENTRALIZATION	171
7 How to Govern Technology	173
8 Technology and the Rule of the Crowd	191
Conclusion	205
<i>Notes</i>	<i>214</i>
<i>Acknowledgments</i>	<i>251</i>
<i>Index</i>	<i>252</i>

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Preface

As the nineteenth century belongs to literature, and the twentieth to war, the twenty-first century belongs to technology. Its steady march into the fabric of our daily lives has been swift and utterly complete. For many of us in the Western world, we can hardly imagine a day in which we do not chat with friends, read the news, go shopping and watch movies, all through the internet, and often on our phones. Technology is everywhere, and looks likely to stay there. Thus, if we are to understand the great movements in politics and society today, we must begin by understanding technology.

In recent years, understanding technology has largely meant understanding Big Tech. A few giant corporations, easily countable on a single hand, dominate the tech industry to an extent rarely before seen in the history of capitalism. Their names are familiar to us all: Facebook, Apple, Amazon, Netflix, Google. Their dominance is remarkable. Social media *is* Facebook. Online search *is* Google. Online shopping *is* Amazon. Apple and Netflix have competitors, but they still manage to exert unrivaled control over their industries. These companies rule technology and, consequently, our lives. One cannot partake in the wonders of modern technology without going through them. Technology is, in a word, centralized.

There is, however, an exception.

The blockchain is famously the technology underpinning bitcoin, the virtual currency that took the world by storm in the mid-2010s, launching a generation of bitcoin billionaires and blockchain fanatics along with it. But unlike so much of the tech industry, bitcoin and the blockchain are based, not around a central company or product, but around an idea of radical decentralization. Instead of entrusting our technological lives and fortunes to a single large corporation, the blockchain allows us to entrust them to a network of peers. Instead of relying on a Silicon Valley monopoly

to keep our data private and safe, we rely on ourselves. By creating a single, immutable document that is shared and maintained by everyone, the blockchain is purpose-built to avoid the perils of Big Tech.

It is for these reasons that I first became interested in the blockchain. As a legal scholar, I was curious about how our laws might govern a decentralized technology of the likes of blockchain. What laws would apply to it? Who would apply them, and to whom? With Big Tech, these questions are easy. With blockchain, they are hard. As a citizen, I was curious about how blockchain might affect government. Would it reduce government's role in society? Would it circumvent democratic processes? Or would it, conversely, improve democracy's ability to reflect and promote the public good? As a tech devotee, I was curious about whether the blockchain could make inroads into the broader technology universe. How would businesses make use of it? How might it affect the financial industry? What risks did it pose for companies that adopted it, and for individuals that invested in it?

As I would learn as I began my research for this book, these are questions about which people have strong opinions. Asking people what they think about blockchain is not unlike asking them if they believe in God. Some say yes. Some say no. Some turn red in the face and tell you that you shouldn't be discussing such things around the dinner table. All have something to say. In fact, it is tempting to say that no technology has ever generated so much hype, either negative or positive, as has the blockchain.

I have attempted to approach these questions with an open mind. When I began my research, I had no strong preconceptions or material interests. I didn't have a grand theory. I was aware of the fierce debates on both sides, but I had no stake in them. I was simply fascinated by the phenomenon that was blockchain, from its origins in the online scribbles of a shadowy figure named Satoshi Nakamoto, to its furious rise and sudden crash in the mid-2010s, to its ignominious connections to the dark web and online crime.

In the course of writing the book, I bought an espresso using bitcoin, I stayed in a bitcoin hostel and I visited a bitcoin mine in dusty East Texas. I played ping-pong with fervent blockchain believers, and I played tennis with equally fervent blockchain skeptics. I read more scholarly articles than I ever thought could possibly have been written on a single topic, let alone on as esoteric a field as the blockchain.

Throughout the course of my research, it was hard not to be impressed by the devotion of the blockchain community. It permeates every part of the blockchain ecosystem, from virtual currencies to utility tokens to decentralized applications. It is on ample display in blog posts and twitter rants and message rooms. And it is demonstrated quite viscerally by the people who have

put their life savings into virtual currencies, moved into vans and traveled the world as blockchain evangelists. It is even discernible in the expansive investments in time and money that major companies have poured into the industry. This combination of passion and incentive, of morality and greed, has led observers to remark that the technology might become the world's greatest invention since the internet.

But time and again, in conversations and emails and posts and articles, a theme emerged. To enthusiasts, blockchain represents more than just a new technology. It is more than just the next Facebook or Google or Apple. It is even more than the code that Satoshi Nakamoto wrote. For believers, the blockchain represents a cure for the most pressing problems of our time, from the pervasive power of Big Tech to the paralysis and division of modern politics. The blockchain is what democracy looks like in the Age of Technology.

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