

# Cryptocurrency – Instrument of Exploitation of Imperialist Forces

**-Prof. Thota Jyothi Rani**

Cryptocurrency is fake, digital and virtual currency. It's not legal tender. The price of first crypto- currency, Bitcoin which emerged in 2009, reached \$ 66900 recently indicates the strong expansion of fake currency at the global level as well as exchanges and transactions related to it. This could strengthen the argument of "investing in cryptocurrency is the shortest means to earn more money in shortest possible time". Consequently, greediness among youth raised excessively especially in India who possess some computer knowledge. As a result, the demand for crypto- currency increased enormously as well as exchanges related to it. In this process, majority caught in the vicious circle of debt. One private teacher of Khammam, Telangana forced to commit suicide indicates the peak level of gambling of cryptocurrency. This made compulsory for mainstream media to discuss about this aspect and one National channel is tele-casting 'spotlight' programme daily to suggest how to make investment in cryptocurrency.

In view of its close connection with gambling nature, it is harmful to the economy as well as people. Recently, Shaktikanth Das, Governor of Reserve Bank of India strongly stated that cryptocurrency should be banned in view its high volatile prices which throw the lives of majority in danger who made investment in it. However, he suggests that if RBI issues Digital currency, then it is useful. Contrarily, the Swadeshi Jagran Manch affiliated to Rashtrveeya Swayam Sevak Sangh, deals with the economic issues, strongly opposed the ban of cryptocurrency rather the government should recognise Crypto assets as many people have invested in it. The statements of Finance Minister Nirmala Seetharaman in regard to the Bill to be introduced in the present winter session of Parliament, clearly reveals the government's intention to support fake currency. The Geetha Gopinath, principal economist of International Monetary Fund, in her speech in the conference organised by National Council of Applied Economic Research in December 2021, states that it is a serious challenge for any country to impose ban on cryptocurrency. Therefore, it is necessary to formulate International control policy with the mutual co-operation of various countries. This clearly shows the fact that the benefits of imperialist forces are behind the fast, accelerated and wide expansion of fake currency at the global level. Moreover, computer knowledge is a necessary condition for the entry into crypto market. This benefit might be behind the enthusiasm of present

government to achieve 'Digital Literacy for all' which thinks no more of the goal of 'literacy for all'.

### **Crypto Currency**

As it is not legal tender, its existence is not at all related to Government/ Central Banks. The crypto currency use a form of distributed ledger technology called block chain-cryptographic mechanism that stores information in blocks which are chained together - to validate payment transactions. As it is distributed across number of computers, it will not come under the purview of Government control. It is not possible for its double use. Fake cannot be created. Oh! Impossibility of creation of fake for fake currency! However, so many alternative coins - Lite coin, Doge-coin, Peer coin, Name coin, Ethereum - like as many as 6000 crypto currencies emerged and are now in circulation. The Bitcoin, first crypto currency invented by an unknown individual group called as Satoshi Nakamoto, released as open source software in 2009. The strong arguments are promoted and popularised that the main cause for the emergence of global economic crisis in 2008 is money supply which is in the control of national governments. Therefore, the emergence of Bitcoin as a global currency will solve the problem. Thus, the process of delinking money supply from the government/ Central Bank/ Reserve Bank has started.

As on August 2021, the Bitcoins that are in circulation are as high as 18.8 millions whose total market value at the value prevailing at that time in exchange market is \$859.9 billions. The Bitcoin, which is popularised as an alternative global currency is expressed in terms of US dollars is a serious contradiction. Total Bitcoins created is 21 millions once they bring them out with mining, their supply cannot be increased. However, so many altcoins are created already. By August, 2021 their aggregate value is more than \$ 2 trillion. The share of Bitcoins is to the tune of 46.5 percent.

#### **Supporting Arguments of Crypto-currency- What they Indicate?**

Cryptocurrency, fake currency is popularised as real global currency aiming at dismantling the monopoly of government/ Central Bank in supply of money. Thus, its goal is to privatise money supply. Cryptocurrency will be accessible to entire globe. Thus, fake currency is globalised. This strengthens privatisation and globalization of money supply.

The problem of inflation due to rise in the money supply will be solved with the fixed supply of Bitcoins. What about the emergence of thousands of altcoins?

The popularised benefits of crypto-currency are, in fact, ridiculous. Low cost, easy transfer and no government intervention which is stated as an indicator of efficiency. Moreover, the circulation of legal tender requires enormous banking network which is costly while this is not necessary for the transfer of cryptocurrency. The supply of crypto currency is determined by market forces is very significant for them.

The history of cryptocurrency since its inception showed theft and hacking of millions of dollars worth Bitcoins, their use for Hawala, criminal activities extensively. It became a powerful financial tool for criminals. Sudden declaration of bankruptcy by crypto

exchanges due to theft and hacking results in the loss of money by common people who invested in crypto assets.

The largest Bitcoin exchange in the world MT Gox lost 8,50,000 Bitcoins, worth \$ 473 million in 2014 due to theft, declared bankruptcy, resulted in the big loss to common people. The Homero Josh Garza, who initiated startups, punished to pay fine to the extent of \$ 9.1 billion for fraud. Similarly, Tether exchange in November 2017, Bitcoin Gold in 2018, Korean exchange in June 2018 subjected to theft of millions of dollars worth crypto currency. Fake websites for fake currency are common. Despite so many harmful effects, the inter-national organisations are silent and dominant countries are hesitating to ban or to take action against crypto-currency should be noticed.

### **Various Countries - Bans on Crypto Currency**

UK, US and European Union initiated studies as to how to control crypto currency in response to the sudden declaration of bankruptcy by MT Gox. However, they did not propose for ban.

Meanwhile, 'awareness' programmes, platforms, Exchanges, Advertisements to attract people, Networks related to cryptocurrency strongly strengthened at the global level. In March 2018, the world crypto currency could attain place in the Marriam Webster dictionary and later on in Oxford English dictionary. The European Union Parliament defined cryptocurrency. Thus, all this paved the way to raise people's acceptance.

The Paul Krugman, who won Nobel Prize in Economics in 2008 states that cryptocurrency increases money laundering in the world and it is a bubble and will not last while Warren Buffett, US business magnet states that cryptocurrency is the indicator of money laundering and it will come to a bad ending. Only in 2021, all the governments started discussing the necessity of controlling cryptocurrency.

Financial Action Task Force which has membership of 38 nations including India, strongly states that cryptocurrency should be controlled in view of its effect on money laundering and updated 'travel rule' in June 2020 to standardise its transactions.

In September 2020, the European Commission published the strategy of Digital Finance while US Securities and Exchange Commission started examining it, where as UK states that it is compulsory for firms related to crypto currency to register in the 'Financial Conduct Authority'.

The Basal Committee on Banking Supervision guided by the Central bank Governors of group of 10 (G10) countries proposed that if banks acquire crypto assets, then they should keep capital aside equivalent to the estimated losses. In May 2021, China banned all the transactions related to crypto currency. South Africa experienced many scams and most significant among them is disappearance of Raaes Cagee and Ameer Cagee, who are the founders of Africrypt Exchange with Bitcoins worth \$ 3.8 billion in April 2021. Similarly, Mirror Trading International, whose operations are \$ 170 millions, suddenly vanished. Therefore, the government is formulating rules to regulate it from 2022 onwards. The South Korea started implementing a new regulation from March 2021 onwards where all the firms related to crypto currency should be certified by Information Security Management System to get registered in Korea Financial Intelligence Unit. The

Republic of Turkey banned the purchase of crypto assets with crypto currency in April 2021. Contrarily, El Salvador accepted Bitcoin as legal tender in 2021 while Cuba followed suit in August 2021.

The Library of Congress which always reviews the perspective of various countries on cryptocurrency reveals that by November 2021, 113 countries directed their Financial Regulation Agencies to formulate regulation policies to regulate crypto currency and crypto assets. While 42 countries banned few usages related to cryptocurrency the absolute ban can be seen in Algeria, Bangladesh, China, Egypt, Iraq, Morocco, Nepal and Tunisia.

### **Crypto Assets - Legality**

The America International Revenue Service took a decision to consider Bitcoin as an asset in 2014 and therefore impose capital gain tax on it. Accordingly, it has directed that income tax returns should be submitted inclusive of Bitcoins. Thus, it became legal with this. The Big Wall Street Bank declared that it will provide Bitcoin funds from 17, March 2021 onwards to its rich clients. While BNY Mellon, the largest corporate banking company declared that it will provide services related to crypto currency from February 11, 2021. The VENMO which provides Digital Wallet Services to 60 million people consisting of students and small businessmen announced to utilise its platform for the transactions and store of crypto currency on April 20, 2021. Moreover, the University of Pittsburg announced that its peer-reviewed journal, 'Ledger' will publish studies related to crypto-currency. All this indicates its acceptance in US.

The America Red Cross, UNICEF and UN World Food Program accepts donations in cryptocurrency is the final flash. Thus, cryptocurrency and crypto assets continue to stay firmly.

### **India - Cryptocurrency**

In India the popular celebrity Amitab Bacchan along with his son Abhishek Bacchan has invested on cryptocurrency in 2015 in a Singapore firm, Meridian Tech Pte to the tune of \$ 2,50,000. Its value increased sharply to \$ 17.5 million in 2017. This resulted to encourage and convince Indian youth by promoting and popularising the argument that investment in cryptocurrency is shortest route to earn more income and easy way to face the challenge of inflation so as to lead luxurious lives. Consequently, the first exchange related to cryptocurrency came into existence in 2017 only. Now, many exchanges are present like Coin Switch Kuber, Coin DCX, Wazir X, Zedpay. Interestingly, Amitab Bacchan is the Brand Ambassador for Coin DCX.

Initially, the promoters expected that its demand will confine to Metro-politan cities but shortly it has spread to Tier 2 and 3 cities. Now, it is present in as many as 4000 cities and the average age of these investors is 25 years.

The report of Broker Portal, Broker Chooser released in October 2021 states that India stands first in the world with 10 crore of investors in cryptocurrency while US place is second with 2.74 crore investors.

India do not have a firm stand on cryptocurrency since beginning. The Reserve Bank of India banned it in 2018 while Supreme Court abolished the ban in 2020. However, the

growth in the activities related to crypto currency did not stop during this period. The abolition of ban resulted in its accelerated growth. High volatility of its price did not stop its expansion. Despite they know that it is a 'big Gambling', they prefer to make investment in it on the assumption that "wise and sensible will not lose". The concept of "earning more money quickly is a hefty weakness". However, this greed strongly implanted in the minds of youth. Therefore, they are intolerant at least to listen that crypto-currency is fake. Consequently, the users in Crypto Exchange, Coin Switch Kuber is as high as 11 millions which is higher than the largest stock broker, Zerodha which consists of 7 million users. Further, the investment in cryptocurrency in India is more than \$ 40 billion.

Broker Choose laments that despite the absence of legal protection, the user basis of cryptocurrency is rising at an alarming rate in India.

Recently, Coin Switch Kuber blocked as many as one 80,000 accounts and Wazir X, 14,469 accounts owing to the complaints from US, UK, Switzerland, Germany and Austria. A probe is initiated on Wazir X as it is violated FEMA in the transactions of Rs. 2700 crores.

In India, a high level inter- ministerial committee is constituted in November 2017 to study the issues related to virtual currencies and propose actions to be taken. The Committee submitted its report on February 28, 2019 in which it has recommended that 1). A Bill should be introduced in Parliament to ban cryptocurrency and (2) To constitute a high level committee to examine the development of digital currency to be issued by RBI.

Dr. Pavan Duggal a senior advocate of Supreme Court and Cyber law expert states that cryptocurrency is harmful to the people as well as to the economy. Its advertisements in IPL 2020, ICC Men's T20, World Cup Cricket to attract and misdirect the youth, should be banned, he says.

It is to be noted that NASSCOM oppose the ban on cryptocurrency. Moreover, the statement of our Finance Minister Nirmala Seetharaman, indicates that the bill to be introduced in Parliament in relation to crypto-currency will not incorporate ban on cryptocurrency. The experts are estimating that the proposed bill will recognise crypto assets as investment and therefore, impose capital gain tax on it. All this clearly indicates that the cryptocurrency will grow at an accelerated speed.

### **Cryptocurrency - Impact on Environment**

The activities of cryptocurrency related to its mining and proof of work consume large quantity of electricity and release huge amount of carbon footprint. Thus, its creation is costly and harmful to the environment. Therefore, it is ridiculous to state that its creation is cheap. The lone Bitcoin mining in 2017 consume electricity as high as 943 MW. The making of proof of work block chains of Bitcoin, Ethereum, Litecoin and Monero during January 2016 to June 2017 released carbon dioxide emissions to the tune of 3 to 15 million tonnes. It is estimated in September 2021 that the annual electronic waste emissions of Bitcoin alone is 30.7 metric kilo tons and its carbon footprint waste emissions is 95.90 MT. Moreover, the annual electricity consumption of Bitcoin alone is 201.89 Twh. Thus, the

expansion of crypto currency will leave no electricity for any other purposes. Moreover, it is highly dangerous to the environment and to the issue of climate change.

### **Towards Corporatization**

Cryptocurrency is the symbol of Gambling. In October 2021 ACX exchange in Australia collapsed suddenly stating that it lost crypto-currency worth \$ 50 million. Similarly, another exchange Mycrypto wallet-whose transactions are worth hundreds of thousands of US dollars, suddenly declared bankruptcy. On the other, it is also proved that crypto-currency is the best financial tool for Hawala, criminal and illegal activities. The process of reinforcing imperialist loot and exploitation in the movement of monopoly capitalism naturally strengthens criminalised world is the contemporary reality. They strengthens one another. They live together. But, contrastingly popularise that all this is only for the benefit of common people. The Indian youth who are caught in this distorted vicious circle, always opines that in the gambling of cryptocurrency, intelligent people will not lose. What is the role of individual investor's intelligence in the sudden declaration of Bankruptcy by the Crypto exchanges?

The cryptocurrency in India is a strong tool of dominant forces to transfer the wealth accumulated with the software youth. Therefore, it is running towards corporatisation. Because, the expansion of crypto- currency is closely related to the support extended by powerful corporate forces. Elon Musk, the CEO of Tesla Inc and Space X, Twitter CEO, Jack Dorsey accepts crypto currency and owned it abundantly. Sundar Pichai, CEO of Alphabet Inc a subsidiary of Google proudly says that his 11 year old son is mining Ethereum. Similarly, Mark Zuckerberg, CEO of Face book, Apple CEO, Tim Cook said that they own Bitcoins. Further Jeff Ray Preston Bezos, the founder and CEO of Amazon says that he owns Bitcoins and Ethereum. The Bill Gates strongly opines that cryptocurrency is superior to legal tender. Thus, all the Global corporate giants openly promoting and supporting cryptocurrency i.e. fake currency.

The history of Dogecoin clearly proves that though anybody can create cryptocurrency , its survival , development and value will be decided, determined and dictated by powerful corporate forces. To ridicule crypto currency in 2013 Billy Markers and Jackson Palmer, both are software engineers created Dogecoins with the logo of Doge, called Meme coins. It is in the circulation of their internet community. Suddenly, its price started to rise. The Jackson Palmer co-founder of the Dogecoin left the group stating that the crypto coin is the instrument of exploitation and will make the founder rich. Meanwhile, Elon Musk, supported Dogecoin in his tweet. Interestingly, his every tweet lead to the rise in the value of Dogecoin. Its market capitalisation value reached \$ 85 billion by May 5, 2021 and its annual growth exceeded 20,000 times. Mark Cuber announced that it will accept Dogecoin in its transactions resulted in its sudden rise in the transactions of Dogecoin. The Space X declared on May 9, 2021 that its first space mission will mobilize funds only through Dogecoin. Thus, the coin which is created for the purpose of satire became one of the important cryptocurrency due to the declaration of powerful corporate forces.

## **Conclusion**

The cryptocurrency emerged in the process of delinking money supply from the government to privatise it. In view of its close association with the benefits of Imperialist exploitative forces, it is globalised in a short span of time. Thus, the survival expansion and growth of cryptocurrency will be in the framework directed by corporate forces. It is a strong financial instrument to loot common people. The Imperialist exploitative forces always discovers the instruments of exploitation. Therefore, the exploitative system should be rooted out to end all forms of exploitation instruments. This warrants the building of strong people's movements.