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Bitcoin, altcoins or gold?

For private investors and central banks? Or for monetary reform?

by NORBERT F. TOFALL

Abstract

Bitcoin is a misconstruction. This does not speak against the original concept of cryptocurrencies. Both cryptocurrencies and other private currencies can be helpful tools for the development of a market-based monetary order.

Zusammenfassung

Bitcoin ist eine Fehlkonstruktion. Das spricht nicht gegen das ursprüngliche Konzept von Kryptowährungen. Sowohl Kryptowährungen als auch andere Privatwährungen können hilfreiche Mittel zur Entwicklung einer marktwirtschaftlichen Geldordnung sein.

In 2024, the price of gold rose by 27.22 per cent measured in US dollars and by 35.64 per cent measured in euros. Bitcoin is celebrating historic highs. And Donald Trump's new meme coin is filling the private coffers of the re-elected President of the United States of America.

Less than a week after issuing the "$Trump", US President Donald Trump signs an executive order banning the further development of digital central bank money by the state.[1] At the same time, he sets up a government commission to present proposals for strengthening private digital assets as well as private cryptocurrencies and stablecoins in a timely manner and to examine the creation of central bank reserves with digital assets, including Bitcoin.

The aim of the executive order is also to promote and protect the sovereignty of the US dollar, including all measures to promote the development and growth of lawful and legitimate dollar-based stablecoins worldwide. The wording "promoting and protecting the sovereignty of the United States dollar" suggests that Donald Trump is not concerned with the denationalisation of money in the sense of Friedrich August von Hayek,[2] but with the exact opposite - albeit in conjunction with the special economic interests of Silicon Valley and probably also his own business interests.

I.

Even critics of our current monetary system - and the author of this article has counted himself among the supporters of competing private currencies in the sense of Friedrich August von Hayek[3] at least since the publication of the FAZ article "Overcoming the crisis with good money" in 2009 - have doubts, to what extent the current price trends of Bitcoin and gold are due to a broad social loss of confidence in our current monetary system or to what extent they are the consequences of economic procrastination in Western societies and reactions to geopolitical crises and dangers.[4]

It is true that economic procrastination and geopolitical crises can lead to a loss of confidence in our monetary system if the wrong monetary policy decisions are made. However, the wrong monetary policy decisions in Western societies have not yet led to a crisis of confidence in our monetary system. There is indeed a crisis of confidence in our political system and in the suitability of our politicians in general. Although our monetary system is the root cause of many economic problems

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1 See Strengthening American Leadership in Digital Financial Technology - The White House

2 See Friedrich A. von Hayek: *Entnationalisierung des Geldes. An analysis of the theory and practice of competing means of circulation,* Tübingen (Mohr) 1977.

3 See Thorsten Polleit, Michael von Prollius, Frank Schäffler and Norbert F. Tofall: "Überwindung der Krise durch gutes Geld", in: *Frankfurter Allgemeine Zeitung* of 5 June 2009, No. 128, p. 12.

4 See also A 'reverse conundrum' and foreign official demand for US Treasuries | CEPR

in our Western societies, it is not being questioned by the established centre parties or by right-wing and left-wing populists.

On the contrary, while the established centrist parties are panicking and clinging to the status quo, the rise of right-wing and left-wing populists cannot be explained without the political and economic procrastination of the last two decades. It is their lifeblood, a lifeblood that is constantly supplied to them by the established parties of all things. A reform of the monetary system after the unadjusted financial crisis of 2007/2008 might have prevented or at least contained these developments. Tempi passati...

Although it remains to be seen when a crisis of confidence in our monetary system will be triggered by future financial crises or even just a stock market crash, the question arises as to what role gold, Bitcoin or alternative digital coins (known as altcoins) could play in monetary reform and new forms of monetary policy. To answer this question, a brief historical review and recourse to a fundamental economic policy principle is useful.

II.

"Everything comes to a head (...) with the question: Which forms of order grant freedom? Which ones limit the abuse of freedom at the same time?", emphasises Walter Eucken in his *Principles of Economic Policy*. [5]

The abuse of the monetary order to assert political power is as old as mankind. This motivation, aimed at securing and expanding political power, ultimately lies behind the entire history of money, which can be read as a history of money manipulation.[6] And the gold-dollar standard agreed in Bretton Woods at the end of the Second World War and the system of fixed exchange rates to the dollar based on it also collapsed after the US governments under Presidents Johnson and Nixon ran the dollar printing press at full speed, i.e. pursued monetary state financing on a grand scale. Firstly, this exported inflation to countries whose currency was linked to the dollar at a fixed exchange rate. Secondly, governments that held large amounts of dollars were concerned about the dollar's gold backing. After the French government under Georges Pompidou sent a warship to New Jersey in 1971 to exchange dollar reserves for gold, and Great Britain followed suit on 11 August 1971, US

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[5] WALTER EUCKEN: *Grundsätze der Wirtschaftspolitik*, edited by Edith Eucken and K. Paul Hensel, 7th edition, Tübingen (Mohr/UTB) 2004, p. 179.

[6] See PETER BERNHOLZ: *Monetary Regimes and Inflation. History, Economic and Political Relationships,* Cheltenham, UK (Edward Elgar) 2003, p. 1: "But it seems that especially rulers soon detected the potential to increase their revenues by tampering with its value. Already in antiquity we know ofmany cases of lowering the intrinsic metallic value of coins for this purpose. Examples are the minting of bad coins by Athens during the Peloponnesian War (Aristophanes, *The Frogs,*719-37) or by Rome during the Second Punic War, especially from 217 BC."

President Nixen announced the end of the exchangeability of the dollar for gold on 15 August 1971 and thus the end of Bretton Woods.[7]

Both the end of the Bretton Woods system and the monetary policy developments of the 1920s and 30s led Friedrich August von Hayek to call for the abolition of the state monopoly on money in his lecture "Choice in Currency" in September 1975.[8] In his paper "Denationalisation of Money", Hayek explains: "The previous instability of the market economy is a consequence of the fact that the most important regulator of the market mechanism, money, was itself excluded from regulation by the market process."[9] And if "we want free enterprise and the market economy to continue (...), we have no choice but to replace the government's monopoly on money and national monetary systems with free competition between issuing banks.[10]

The state and politics must be deprived of their power over money. This does not lead to anarchy, but to a different regulatory framework. What is needed is a monetary order, a monetary constitution which, as a regulatory framework, helps the primacy of law and freedom to prevail. This is only possible through the consistent sharing of power and not through the concentration of power.[11]

And anyone who wants to stabilise the euro and the European Monetary Union in the long term must also take the path of consistent power-sharing and abolish the state monopoly on money so that the euro can be stabilised by competition from private currencies. The EU governments and the ECB must be restricted in their ability to manipulate money through competition from competing private currencies.[12]

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[7] For this and the following paragraphs, see NORBERT F. TOFALL: *Währungsverfassungsfragen sind Freiheitsfragen. Mit Kryptowährungen zu einer marktwirtschaftlichen Geldordnung,* Commentary on Economics and Politics by the FLOSSBACH VON STORCH RESEARCH INSTITUTE, 15 January 2018, pp. 2-3.

[8] Cf. HANS JÖRG HENNECKE: *Friedrich August von Hayek. Die Tradition der Freiheit,* Düsseldorf (Verlag Wirtschaft und Finanzen) 2000, p. 317.

[9] FRIEDRICH A. VON HAYEK: *Entnationalisierung des Geldes. An analysis of the theory and practice of competing means of circulation,* Tübingen (Mohr) 1977, p. 94.

[10] Ibid. p. 127.

[11] The European special path to an open society is based on power-sharing, on power and counter-power, see: HANS ALBERT: "Europe and the taming of domination. Der europäische Sonderweg zu einer offenen Gesellschaft", in: *Freedom and Order. Zwei Abhandlungen zum Problem einer offenen Gesellschaft,* Tübingen (Mohr) 1986, pp. 9 - 59; STEPHEN HOLMES: "Differenzierung und Arbeitsteilung im Denken des Liberalismus", in: NIKLAS LUHMANN (ed.): *Soziale Differenzierung. Zur Geschichte einer Idee,* Opladen (Westdeutscher Verlag) 1985, pp. 9 - 41; MANCUR OLSON*: Macht und Wohlstand. Outgrowing Communist and Capitalist Dictatorships,* translated by Gerd Fleischmann, Tübingen (Mohr) 2002; ERIC L. JONES: *Das Wunder Europa. Umwelt, Wirtschaft und Geopolitik in der Geschichte Europas und Asiens,* 2nd German edition, expanded by the afterword to the 3rd English edition, translated by Monika Streissler, Tübingen (Mohr) 2012.

[12] See FRANK SCHÄFFLER and NORBERT F. TOFALL: "Euro-Stabilität durch konkurriende Privatwährungen", in: DIRK MEYER (ed.): *Die Zukunft der Währungsunion. Chancen und Risiken des Euros,* with contributions

Although state parallel currencies are a step in the right direction of more currency and thus more system competition, they merely shift the problems of abuse of power and money manipulation to the national level. Experience has shown that competition between national currencies is not strong enough to effectively prevent state manipulation of money and interest rates, as can be seen from the monetary policy situation of the dollar, yen and euro and the frequent global devaluation races. In addition, we will have to say goodbye to the idea of being able to return to the old German Bundesbank and its stability policy, either directly or via the diversions of a state parallel currency. The 25 years between around 1973/74 and 1998/99, during which the Bundesbank pursued an independent stability policy directed against the power interests of the German governments, are the greatest exception in the history of monetary policy and central banks. Measured against the entire history of monetary policy manipulation, this is unfortunately a very short period.[13]

Genuine decentralised civic counter-power, which helps to preserve law and freedom and the market economy *across national borders* and prevents money and interest rate manipulation as far as possible, can only be created by allowing competing private currencies. The decentralised, million-fold demand for good money is a decentralised bourgeois counterforce that no government and no ECB can stop once the state money monopoly has been abolished or weakened.[14]

III.

The softening of the state money monopoly began with the development of cryptocurrencies shortly after the financial crisis of 2007/2008 and has continued to develop in an evolutionary way ever since. In addition to the development of cryptocurrencies, there have also been many other decentralised private initiatives to develop and issue private currencies since 2008.

Cryptocurrencies are a use case of competing private currencies in the sense of Friedrich August von Hayek. As cryptocurrencies are not so easy to ban despite the state monopoly on money due to their decentralised digital construction, or a ban is not easily enforceable, they play a particularly relevant role in the process of the emergence of decentralised counter-power to the state monopoly on money.

Friedrich August von Hayek made the following proposal back in the mid-1970s:

"The concrete proposal for the near future (...) is that the countries of the Common Market (if possible including the neutral countries of Europe, perhaps later also the

by Helmut Schmidt, Václav Klaus, Arnulf Baring, Roland Vaubel, Wolf Schäfer, Hans-Olaf Henkel, Charles B. Blankart and others, Berlin (LIT) 2012, pp. 275 - 288.

[13] Ibid.

[14] Ibid.

countries of North America) should bind themselves mutually by formal treaty not to place any obstacles in the way of trade in their mutual currencies (including gold coin) or of an equally free exercise of banking business by any bank legally established in any of their territories."[15]

By granting complete producer and consumer freedom in the financial sector, each individual citizen could be allowed to choose between state and other money. To achieve this, the state monopoly on money would have to be abolished and only the development of alternative currencies, competing private currencies, in decentralised discovery processes parallel to the state means of payment would have to be permitted. According to Friedrich August von Hayek, regulations regarding the material cover of currencies or even a gold standard are both unnecessary and harmful. For "competition would certainly force the issuing institutions to keep the value of their money (in relation to a fixed bundle of goods) constant far more effectively than any obligation to redeem the money in these goods (or in gold) could."[16] Of course, it could happen that with free competition between different types of money, gold would initially prove to be the most popular type of money. However, the increasing demand for gold would probably lead to such an increase and possibly to violent fluctuations in the price of gold that gold would cease to be suitable as a monetary unit for business transactions and accounting.[17]

The extent to which backed currencies will dominate in a market-based monetary order[18] cannot be measured ex ante, because individuals have the free choice to produce or demand both backed and unbacked currencies. As is currently the case, these currencies will be made available via loans or by selling them for other currencies.

However, the immediate authorisation of competing private currencies and all-encompassing currency competition will not lead to an immediate complete collapse of state money, a "race" out of the state currency and a collapse of our entire financial sector. This would only be the case if a situation could arise overnight in which there were enough private issuing banks and other private money producers who could issue better money than the state currency without delay in sufficient quantity and distribution, which would also have to have already gained greater trust among the people than the state currency. To be able to get out of a currency

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[15] FRIEDRICH A. VON HAYEK: *Entnationalisierung des Geldes. An analysis of the theory and practice of competing means of circulation,* Tübingen (Mohr) 1977, p. 1.

[16] FRIEDRICH A. VON HAYEK: *Denationalisation ...* op. cit. p. 32.

[17] Cf. ibid. p. 102 and 127.

[18] A market-based monetary system is understood to be a competitive monetary system or, more precisely, a reputation-based competitive monetary system. This differs from free banking in the narrower sense, which is generally based on the gold standard, by the authorisation of different currency standards, see: PAUL TERRES: *Die Logik einer wettbewerblichen Geldordnung,* Tübingen (Mohr) 1999, pp. 166 - 277.

immediately, you also need another, better currency that you can get into at a reasonable cost.

Human behaviour always takes time. And for this reason, a functioning market-based monetary order will not fall from the sky overnight, even if our current monetary order collapses or at least comes under pressure. Even a market-based monetary order can only develop gradually. [19]

IV.

Although there are private banks that have attempted to market financial products in recent years, which, according to the intention of their producers, should have a private currency function,[20] it is not these attempts that are currently developing into a relevant counterforce to the state money monopoly, but cryptocurrencies. This is due to power politics. A state ban on cryptocurrencies is very difficult to enforce and, if at all, then only in cases where the construction of the respective cryptocurrency itself gives rise to starting points for enforcing a ban.

To understand the phenomenon of cryptocurrencies and to differentiate them from other digital currencies (such as digital central bank money or the state digital parallel currency), it is important to realise that cryptocurrencies are the means of peer-to-peer networks with which people can carry out exchange transactions without intermediaries such as central banks and commercial banks. The ideal goal of these peer-to-peer networks is decentralised and direct cooperation between people, without intermediaries being able to manipulate the conditions of this cooperation. Ideally, these peer-to-peer networks should be able to process large volumes of transactions quickly, cost-effectively, transparently, securely and anonymously.

To put it very simply, a cryptocurrency - or more precisely: a cryptocurrency peer-to-peer network - is made up of four elements:

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[19] Unfortunately, both Ludwig von Mises and his student Murray N. Rothbard completely underestimated the problem that a market-based monetary order can only develop in an evolutionary way. This is astonishing insofar as one of the most important theoretical elements of the Austrian School of Economics, which distinguishes it from neoclassical equilibrium thinking and which Mises particularly emphasised, is the insight that human action requires time and therefore the passage of time must not be neglected in theoretical models. See also: LUDWIG VON MISES: *National Economy. Theorie des Handelns und Wirtschaftens,* unchanged reprint of the 1st edition, Geneva 1940, Munich (Philosophia) 1980, p. 76 f. and JESÚS HUERTO DE SOTO: *Die Österreichische Schule der Nationalökonomie - Markt und unternehmerische Kreativität,* Vienna (Hayek Institute) 2007, p. 62.

[20] See, for example, KARL REICHMUTH; REMY REICHMUTH: *Der RealUnit®. Zur Quelle der Geldwertstabilität,* Thun (Ott) 2001 and KARL REICHMUTH in collaboration with BEAT KAPPELER, JOACHIM STARBATTY and UWE WAGSCHAL: *Weg aus der Finanzkrise*. *Decision and liability reunite,* Zurich (Verlag NZZ) 2008. The RealUnit issued by Lucerne private banker Karl Reichmuth is ultimately nothing more than a mutual fund.

1. Distributed Ledger Technology or Decentralised Ledger Protocol,
2. Consensus building mechanism,
3. authentication and anonymisation of users by mean of cryptographic procedures and
4. Payment system with its own currency.

A distributed ledger or decentralised ledger protocol is a decentrally distributed account book in which the transactions of the peer-to-peer network are entered. It is a file that is stored on many computers of participants in the peer-to-peer network so that the ledger is preserved in the event of destructive access to a computer or if this computer is forced to shut down by the government or other means. The broader and more global the distribution of this file becomes, the more difficult it will be to paralyse the associated peer-to-peer network or to enforce a ban on the entire network. A distributed ledger can be organised as a blockchain[21] , but also using alternative methods.[22]

The following questions now arise around clearing and settlement:

- Who can enter what in the decentralised account book?
- And how is it ensured that an entry in the decentrally distributed account book really reflects a user transaction? How is consensus reached on this before all decentrally distributed files can subsequently be synchronised?
- And how do users authenticate themselves in the peer-to-peer network? And who checks this and how?
- And who pays those who keep the decentralised distributed account book and carry out the necessary consensus checks and authentications?

It is immediately obvious from these questions that, in addition to a distributed ledger, a consensus-building mechanism is required that checks and verifies the individual transactions before they can be entered into the decentralised distributed ledger of the peer-to-peer network. If this checking and verification is only carried out by a centralised body, this would immediately create a decisive starting point, firstly for fraud and secondly for the enforcement of a ban on a cryptocurrency peer-to-peer network. The more globally distributed computers are involved in this task, the more difficult it will be to manipulate consensus building or to override this necessary element for maintaining the peer-to-peer network. Naturally, this also applies to the authentication and anonymisation of participants in this network. No matter how complex cryptography (symmetric or asymmetric) is used to anonymise and authenticate the individual users, if this task is carried out by a

[21] See Melanie Swan: *Blockchain*. *Blueprint for a New Economy,* Cambridge et al. (O'Reilly) 2015.

[22] See Tony Arcieri: *On the dangers of a blockchain monoculture*, blog post from 5 January 2016, online at: https://tonyarcieri.com/on-the-dangers-of-a-blockchain-monoculture

central location, this central location can be manipulated or paralysed much more easily than in a process carried out by many globally distributed computers.

Since the aim of peer-to-peer networks is to enable decentralised and direct cooperation between people without intermediaries such as central banks and commercial banks being able to manipulate the conditions of this cooperation, a peer-to-peer network requires a payment system with its own currency as a necessary element in order to pay those who manage the distributed ledger, carry out the necessary checks and consensus building and perform authentication and anonymisation. If this currency is managed by a central organisation, this necessary element for peer-to-peer networks also provides a starting point for manipulating or shutting down the entire system. This becomes more difficult the more decentralised and global this mining and payment process is organised.

The performance of a cryptocurrency in terms of transaction volume, transaction speed, transaction costs, transaction security and transaction transparency results from the specific design and combination of the four necessary elements of a peer-to-peer network.

V.

As the development of today's best-known cryptocurrency Bitcoin shows, Bitcoin is unfortunately a misconstruction when measured against the ideal goals of a peer-to-peer network. Both the organisation of Bitcoin's distributed ledger and the very costly, increasingly complex verification and consensus creation process of Bitcoin, which consumes more and more computer capacity and energy costs, have led, among other things, to the fact that the transaction speed and transaction volume of Bitcoin are low and the transaction costs are very high. These structural problems are not solved by the Lightning Network. The Lightning Network ultimately only acts like a payment service provider at the petrol station that makes advance payments, while clearing and settlement are subsequently processed.

The high concentration of mining processes on localised oligopolies, which is due to the design of the first two elements of this peer-to-peer network, also offers many starting points for government agencies to enforce a ban on Bitcoin. If the power to Bitcoin miners is cut off without notice, it is at least questionable whether other miners can quickly compensate for this loss of capacity to maintain the entire network.

However, these and other problems do not speak against the entire concept of cryptocurrencies. Initial attempts at new technologies cannot be perfect. The decisive factor is that competition produces better products. There are now over 10729 cryptocurrencies listed (as of 23 January 2025 at 16:00),[23] which, however, need to

[23] See www.coinmarketcap.com

be examined based on the four elements explained above to determine whether they are really cryptocurrency peer-to-peer networks or merely digital coins.

In the case of cryptocurrency peer-to-peer networks, it is then necessary to analyse what is happening in these networks and whether anything is happening there at all. Are the respective peer-to-peer instruments used for transactions at all or are they purely objects of speculation or fun coins or shit coins? Or supporter and memorial coins like $Trump?

Almost 17 years of experience with the cryptocurrency Bitcoin shows that there is ultimately no such thing as an ideal cryptocurrency that would supersede all other currencies:

If the administration of a cryptocurrency is strictly decentralised, the transaction speed decreases, and the transaction costs increase. If the verification and consensus algorithm become increasingly complex and costly for security reasons, this can lead to a concentration of "verifiers". If, on the other hand, administration is centralised, the central office can manipulate the system and is susceptible to state intervention.

The one perfect cryptocurrency cannot be designed in one fell swoop. It is therefore crucial that "currency competition as an evolutionary process"[24] can drive the development of ever better cryptocurrencies. The main benefit of the new technology for a free society and the development of a market-based monetary order is not the constructivist concept of a new ideal currency that is supposedly capable of solving our economic problems. The main benefit of this new technology for a free society is that the currency competition between cryptocurrencies can produce a multitude of increasingly better cryptocurrencies for different purposes and needs and that this competition between cryptocurrencies should also exert salutary competitive pressure on other private currencies as well as on state currencies beyond the scope of this new technology.

The actual trial-and-error processes are probably still ahead of us. And it is obvious that the entire technology that made cryptocurrencies possible in the first place has been shaking up the business models of the financial industry's existing intermediaries for some time now. But central banks are also keeping a very close eye on the entire development and are looking into digital central bank money.

[24] See Frank Schäffler and Norbert F. Tofall: "Währungswettbewerb als Evolutionsverfahren. The transition from a state paper money monopoly to a market-based monetary order is evolutionarily possible by means of competition", in: Peter Altmiks (ed.): *Im Schatten der Finanzkrise*. *Muss das staatliche Zentralbankwesen abschaff werden?,* Munich (Olzog) 2010, p. 135 - 155.

Technically, a situation could even arise in which the entire current banking system can be wound up in the event of over-indebtedness without the collapse of payment transactions, because payment transactions, as well as securities trading, have been gradually converted to peer-to-peer transactions.

And it should also be noted that, in addition to the ideal pure forms of cryptocurrency peer-to-peer networks, mixed forms of cryptocurrencies with other private currencies are not only possible but could also gain a particular impact in this combination. For example, partially or fully backed currencies could be used as a payment system instead of an unbacked cryptocurrency. A currency fully backed by physical gold, for example, has the disadvantage compared to a real cryptocurrency that it is vulnerable to possible confiscation of the gold deposit, but could be advantageous for acceptance and distribution. However, well-managed funds could also form the value basis for such a private currency.

In terms of regulatory policy, this creates a situation in which the state money monopoly is facing increasing competition, which will become hugely relevant in terms of economic and monetary policy if cryptocurrencies are increasingly used by the general public as competing private currencies for whatever reason - but presumably in the course of one of the next financial crises, should this trigger a crisis of confidence in our monetary system. It is therefore to be hoped that a possible bursting of the Bitcoin hype will not trigger the same loss of confidence as the bursting of the hype surrounding the Telekom share, which undermined the Germans' appetite for the share for years.[25]

VI.

As Bitcoin is a misconstruction in terms of the objectives of a cryptocurrency peer-to-peer network, it is not surprising that Bitcoin does not fulfil any significant social exchange and payment function today but has instead become a - albeit highly risky - means of storing value. In view of the highly speculative risks, it is debatable whether one should even speak of a store of value function. In any case, long-term investors should not replace their gold holdings in their portfolio with Bitcoin but should instead finance their Bitcoin exposure from speculative funds. The mere possibility that Bitcoin miners can be localised due to their power consumption and therefore have their power cut off (Greta Thunberg is certainly in favour of this) and it is then questionable whether other miners can step into the breach quickly and with sufficient capacity should be a reason for caution.

Even more problematic in view of the misconstruction of Bitcoin is the proposal that central banks should build up a Bitcoin central bank reserve. An initial proposal

[25] See Marius Kleinheyer: *Aktien für alle!,* financial sociological analysis by the Flossbach von Storch Research Institute from 15 December 2017.

was made in the US state of Texas,[26] which was then brought to public attention by Donald Trump's big tech friends and has now also found its way into the executive order signed by Donald Trump on 23 January 2025. It is obvious that it is in the interests of Bitcoin owners if central banks buy Bitcoin, which drives the Bitcoin price up further. It is obvious that this thwarts the original purpose of Bitcoin, which was to create a peer-to-peer network beyond the central banks. This no longer has anything to do with a "denationalisation of money" in the sense of Friedrich August von Hayek.

Furthermore, the question arises as to how a Bitcoin central bank reserve can be economically justified. Under the gold standard and in the Bretton Woods system with fixed exchange rates linked to the dollar, holding reserves to avoid exchange rate adjustments in the event of temporary balance of payments imbalances was sensible and necessary. Reserves are also held in the floating exchange rate system to smooth exchange rate fluctuations to avoid disruptions to trade flows. The level of these reserves can be determined, as Thomas Mayer explained as early as 1980 in his article "Export revenue fluctuations and capital goods imports", as the "variability of import capacity and a policy variable that reflects the responsiveness of imports to changes in import capacity and thus expresses the trade-off that exists between complete stabilisation through the use of foreign exchange reserves and maximum imports." Since Bitcoin plays virtually no role as a means of transaction and is unlikely to do so in the future due to its misconstruction, Bitcoin is not needed to smooth exchange rate fluctuations.

The proposal from US Big Tech circles therefore harbours the suspicion that private special interests could be served by the state and thus the monetary order could be abused as so often in the history of money. Walter Eucken already stated in his Principles of Economic Policy that freedom is also threatened by the state joining forces with private bodies of power, which is reminiscent of the fall of the Roman Empire. "There are differences between the past and the present; but these differences only increase the danger. The population today is much more numerous and lives in larger masses. Above all, however, today there is an industrial-technical apparatus that represents an instrument of domination and power unknown in earlier times."[27]

Today's combination of big tech and big government represents an instrument of domination and power that even Walter Eucken would not have thought possible. And there is a real danger that the opportunities offered by cryptocurrencies and altcoins for the evolutionary development of a market-based monetary order will

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[26] See https://capitol.texas.gov/tlodocs/89R/billtext/html/HB01598I.htm - I would like to thank my colleague Christof Schürmann for this tip.

[27] WALTER EUCKEN: *Grundsätze der Wirtschaftspolitik,* edited by Edith Eucken and K. Paul Hensel, 1952, 7th edition with a discussion between Ernst-Joachim Mestmäcker and Walter Oswalt, Tübingen (Mohr Siebeck) 2004, pp. 177-178.

be deliberately disrupted or even destroyed by this combination. Both cryptocurrencies and other private currencies can be helpful tools for the development of a market-based monetary order that creates prosperity for all. However, they can also be misused for special interests that hinder prosperity for all. What is needed is a market-based monetary order, not a combination of Big Tech and Big Government hijacking monetary policy and the Fed.

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