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Crypto-politics and counterfeit democracy

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"Wall Street wins every election. Now you can too". This was the tantalizing offer to New York's subway riders ahead of the 2022 midterm elections by Kalshi, a retail-focused futures start up. Kalshi's promise, at once grimly realistic and exuberantly hopeful, drew on all the anxieties that fuel the contemporary financial and political imagination. Democratic doubt and gamified speculation mingled seamlessly.

What began with an intense bout of crypto fever has since the onset of the pandemic engendered an explosive rise of retail trading platforms in anything from 'meme stocks' to digital tokens, but also increasingly in more exotic investment instruments, such as futures and other derivatives. The attention economy of social media apps had long cracked the addictive subtleties of gamified user interfaces that provide pleasant ripples of endorphin. As physical gambling outlets closed during lockdowns, retail investing apps and crypto exchanges stepped in to fill the gap.

But a peculiar ideological development took place in this new speculative world: a vintage language of democracy began to circulate. As the zero-commission trading app Robinhood puts it on its website, in making investing more widely available, gamified retail investing aims to "democratize finance for all". Even some of the more judicious chroniclers of 'FinTech' have since adopted a similar language of democracy. In *The Future of Money*, for example, the economist Eswar Prasad (2021: 21: 101) uses the language of "democratizing finance" to describe anything that makes financial services, including speculative investments, more widely available.

To see trading platforms tout themselves as agents of democracy is a startling sight. After all, one way to understand the rise of FinTech and cryptocurrencies is precisely to unveil them as attempts to remove the financial and monetary system yet further from the reaches of the democratic state (Eich, 2022: 212). Although Bitcoin has by now largely abandoned its monetary ambition by becoming a virtual slot machine, the struggle over the political status of money continues to rage in the competing realms of stablecoins and Central Bank Digital

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Currencies (witness the hype and then demise of Facebook's Libra/Diem coin). Guarding against the further privatization and de-democratization of the monetary system as a core piece of public infrastructure means positioning the promise of democracy against the rise of crypto.

Such a critical rebuke of attempts to de-democratize the monetary infrastructure remains a vitally important one. Yet this framing easily obscures another strand of crypto's original political imagination that has since returned in new shape. Drawing on its roots in cypherpunk and counterculture, the decentralized architecture of crypto and blockchain always also harbored a vision of techno-Jeffersonianism: decentralization as a force of democratization.

When assessing these schemes against their own vision of democratization, we see little but failure. Thanks to massive economies of scale, but also because of the way in which underlying patterns of ownership mirror the existing inequalities of society, a decentralized protocol by itself does little to diffuse power. Often the exact opposite occurs. Yet while the original political promise of financial decentralization has become ever harder to sustain, the idea of democracy as access, including access to gamified investments, continues to capture the financial imagination.

One way of warding off the challenge is to dismiss crypto's claim to democracy as simply empty chatter. Notably, there is not even a pretense of equal access or even effective access. Instead, the only thing that is being equalized is a negative economic freedom to buy certain services, in this case highly speculative investments. But accessing financial markets through Robinhood is not comparable to accessing the ballot box. Rather than the egalitarian democratic principle of 'one person, one vote', this is the old neoliberal slogan of 'one dollar, one vote' (or rather: 'one token, one vote'). As Ludwig von Mises (1951: 443) already put it, "capitalist society is a democracy in which every penny represents a ballot paper".

However, the idea of democracy as the ability to access something has at the same time also more critical lineages. Historically, the possibility of accessing credit has often played a significant role in democratization processes. For example, broadened access to financial goods, especially mortgages, undergirded the postwar social democratic capitalist settlement (Adkins et al., 2020). Especially for those previously excluded from the home-owning asset economy, for example, as a result of red-lining in the US, access to the key financial services of postwar affluence came to constitute an aspirational tool of empowerment. In this case, access meant more; it democratized the "rentier function" (Adkins et al., 2020: 5).

Compared to this link between postwar democracy – imperfect as it was – and the aspirational asset economy, Robinhood's invocation of the 'democratization of finance' is best understood as a counterfeit appeal. But even if we can expose this notion of crypto-democracy as a deceptive slogan rather than a democratic theory, the problem again emerges: how and why does it find such traction? Why is it so evocative? Its broad resonance in popular culture alone demands that we take it seriously. After all, the counterfeit precisely seeks to blur the distinction between real and fake.

Faced with crypto bros and NFT manias, it is of course tempting to fall into a dismissively moralistic diagnosis. There is moreover a long history of the happy marriage of regressive politics and the flourishing of lotteries. The idea that the inequalities of capitalism are ultimately just instances of individual talent and luck is a classic adage of Mont Pelerin. But to simply dismiss the counterfeit as not real makes it hard to appreciate the appeal of what appears straightforwardly as a pathology. This easily obscures a set of more interesting questions about what fuels the appeal of presenting gambling as democracy.

Democracy and gambling have a surprising overlap. After all, one of the most fundamental features of both is the uncertainty of the outcome. That is part of the thrill, as well as anxiety. This is not even to mention the historical connection between democracy and sortition. Some of the earliest democracies chose their officials by lottery, believing this the fairest form of democratic selection.

But the analogy also quickly unravels. After all, Robinhood awards preferential terms not based on sortition but collateral. Just as the logic of private banking dictates that the best credit is offered to those who need it least, so are the possible gains and losses of speculation distinctly skewed along the wealth distribution. Robinhood might lower the threshold of access but it equalizes neither outcomes nor power. Furthermore, while both gambling and democracy offer a mechanism through which individuals can relate to an uncertain future, the key difference is that in gambling, individuals may bet on a winner, but they cannot influence the relevant future outcome. By contrast, democracy is precisely a collective means for shaping an uncertain future. Elections are not merely about winners and losers; they constitute an institutionalized channel for collectively employing the power of the ballot box to shape the world.

How then can we differentiate real democracy from the counterfeit? Keynes would no doubt have been surprised to learn that the historical era named after him was realized not through the euthanasia but the democratization of the rentier. Yet alongside his vision of a rentier-free society, his practical understanding of capitalist expedience was always grounded in a keen awareness that enterprise, speculation, and rentierism were often hard to tell apart. All this made him famously ambivalent about the capitalist system and its money motive.

Keynes had equally ambivalent, if considerably less publicized, feelings about democracy. Indeed, he conceived of democracy as a kind of gambit, perhaps even a speculative gamble. As he put it with a mixture of both support and skepticism, democracy was on a permanent sort of “trial” (Keynes, 1904). It was never final but itself an ongoing experiment: “We cannot yet tell” (Keynes, 2013: 2). In the ongoing trial of democracy, it was thus not only prudent to suspend ultimate judgment; there was a corollary duty to believe in the capacities of democracy and to keep the experiment going.

Can we recover and sustain such a pragmatic faith in the public’s democratic capacities at a time when crypto’s claim to represent the true spirit of democracy enjoys such traction? Much rests on it. At least we are at long last once more discussing the economic meaning and underpinnings of democracy. But a full articulation of democracy’s promise will also require an examination of *why* the speculative ethos of crypto is able to capture and counterfeit our democratic imaginary so easily.

It turns out that Kalshi’s subway ads carried an asterisk in small print: “Pending regulatory approval”. For the moment, the promise of gambling on democracy rests in the hands of the Commodity Futures Trading Commission, the main US regulator of derivatives. But unless we shore up the economic practices that sustain actually existing democracy and re-examine our democratic imaginary – including its frustrated desires – counterfeit democracy will continue to circulate.

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