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Niall Ferguson: Will Bitcoin Banish U.S. Dollar, or Will U.S. Dollar Banish Bitcoin?

The social networks' ability to upend hierarchies by connecting people is paradoxically easy to coopt through their narrow private ownership, historian argues



The networked world created by companies like Google, Apple, Yahoo, Facebook, Twitter and Bitcoin pose a direct challenge to hierarchical structures like government, often spurring greater social equality.

But Harvard historian Niall Ferguson says it would be naïve to assume the ultimate victory of "free and equal netizens,"

arguing that governments have often succeeded in coopting or controlling threatening new networks.

Social networks seem to have diminished the information advantage of government vis-à-vis ordinary citizens, Ferguson argues in the lengthy essay published in [The American Interest](#).

"First email achieved a dramatic improvement in the ability of ordinary citizens to communicate with one another. Then the internet came to have an even greater impact on the ability of citizens to access information. The emergence of search engines marked a quantum leap in this process. The advent of laptops, smartphones, and other portable

devices then emancipated electronic communication from the desktop. With the explosive growth of social networks came another great leap, this time in the ability of citizens to share information and ideas," writes Ferguson.

Ferguson, who often writes on financial history, identifies Bitcoin as perhaps the "most important network challenge to hierarchy," since it potentially undermines "the time-honored state privilege to debase the currency" and offers many advantages over a fiat currency besides.

"As a means of payment—especially for online transactions—it is faster, cheaper, and more secure than a credit card. As a store of value it has many of the key attributes of gold, notably finite supply," he writes.

Clashes between people-empowering horizontal networks and vertical hierarchies are not new to history—"they *are* history," the historian says.

And sometimes they upend hierarchical structures as Gutenberg's 15th century printing press did, ending the Roman Catholic Church's religious monopoly—"the Reformation... was printed as much as it was preached," he writes. But he notes that printing existed in China before the 15th century—it's just that networks were freer from hierarchical dominance in the West than in the East at that time.

Further network effects in the West unleashed waves of innovation known as the Scientific Revolution, the Enlightenment and the Industrial Revolution; trade and migration exported these ideas globally.

Yet Ferguson demonstrates that new networks did not always lead to liberalization, as in the 19th century when hierarchies gained control over the dazzling new networks of the railways, steamships and telegraph cables. That tendency accelerated through the mid-20th century, a period that saw "the most centrally controlled states of all time (Stalin's Soviet Union, Hitler's Third Reich and Mao's People's Republic)."

That is because, despite the vast networks they created, the telegraph and telephone "were relatively easy to cut, tap or control."

In contrast, "newsprint, radio, cinema, and television were not true network technologies because they generally involved one-way communication from the content provider to the reader or viewer. During the Cold War the superpowers were mostly able to control information flows by manufacturing or sponsoring propaganda and classifying or censoring anything deemed harmful," Ferguson writes.

But the impact of today's technology is potentially more akin to that of the book in the 15th century—only faster and with global impact.

"The advent of the personal computer, email, and the internet... have allowed ordinary citizens to organize themselves into much larger and more dispersed networks than has ever been possible before," he writes, noting that just 2% of the world's population were internet users as recently as 1998, a figure that has risen to 39% today (77% in the developed world).

Besides increasing the volume and speed of information accessible to ordinary citizens, the new networks allow publicizing information that hierarchies prefer be kept secret.

"[Edward] Snowden has already revealed much more than [the Pentagon Papers' Daniel] Ellsberg and to vastly more people, while Julian Assange, the founder of WikiLeaks, has far out-scooped Carl Bernstein and Bob Woodward," Ferguson writes.

The new networks also expose hierarchical structures' inefficiency, as occurred in the troubled launch of Healthcare.gov. "In the age of Amazon, consumers expect basic functionality from websites," he writes.

The potential of the new networks for upending government hierarchies was demonstrated in the Arab Spring uprisings and by the Maidan revolutionaries in Kiev.

Will their power overcome the institutional might of stronger hierarchies in places like the U.S. or China?

Not if governmental institutions can coopt them, a possibility that is eased, paradoxically, by the inegalitarian private ownership of these equalizing networks.

"Edward Snowden's most startling revelation was the complicity of companies like Google, Apple, Yahoo, and Facebook in the National Security Agency's global surveillance programs, notably PRISM," he writes.

And while Facebook CEO Mark Zuckerberg may self-righteously protest government intrusions into users' privacy, Ferguson argues that "he knows full well that since at least 2009 Facebook has responded to tens of thousands of U.S. government requests for information about Facebook users."

But the danger in the Western world is not political insurrection, but rather users' narcissism and indifference.

Despite their vast disruptive potential, Ferguson concludes that established hierarchies may gain the upper hand after all.

“The suspicion cannot be dismissed that, despite all the hype of the Information Age and all the brouhaha about Messrs. Snowden and Assange, the old hierarchies and new networks are in the process of reaching a quiet accommodation with one another, much as thrones and telephones did a century ago.”



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