

The price of Bitcoin has surged dramatically over the past few months, hitting a whopping \$20,000 in December. But the rally seems to have only just begun. An analyst told CNBC this week that the cryptocurrency could reach \$400,000 in due course, making it the most valuable currency in the history of mankind.

For a currency that was trading at about \$800 just a year ago, the rise has attracted interest from long-time optimists as well as naysayers who have called the mindboggling growth a bubble. One reason for the uncertainty is the lack of information about the digital currency, a gap that *Banking on Bitcoin*, a documentary streaming on Netflix, aims to close.

Bitcoin was first mined in 2009, following a paper by Satoshi Nakamoto (more on him later) on peer-to-peer money transactions. In the 1990s, a group of coders, who called themselves “cypherpunks”, had tried creating a digital currency that could be used for online transactions and which did not need the stamp of approval of central banks and governments to operate.

While their attempts did not go far, the financial crisis of 2008 provided fertile ground for a cryptocurrency to take off. Confidence in the banking system was at a low ebb, and the rise of e-commerce and digital transactions had created the need for a currency that could be shared between users without employing the services of usurious middlemen like PayPal.

How Nakamoto came to create Bitcoin is not clear. *Banking on Bitcoin* devotes a substantial portion to uncovering his identity, with little success. The documentary suggests that he may not even have been a person but a group of men who worked together on the blockchain technology that underpins Bitcoin. (The blockchain is an online ledger that keeps track of every Bitcoin’s journey but does so by encrypting the identity of the user.)

From the beginning, Bitcoin has been mired in controversy, not all of it related to its fluctuating valuation. It was used to purchase drugs on Silk Road, the underground website that has since been shut down and whose owner, Ross Ulbricht, is now serving a life sentence. Relatedly, Charles Shrem, a founding member of the Bitcoin Foundation, was also arrested and sentenced to two years.

The documentary is scathing in its depiction of the contrast in the system’s treatment of conventional banking’s failures and those of Bitcoin. Shrem had no personal stake in the running of Silk Road, yet he was sent to prison because his company Bitinstant had supplied Bitcoin to a drug buyer on the website.

Among the many people the documentary interviews is Erik Voorhees, an early player in Bitcoin (he was marketing director at Bitinstant), who says about Shrem’s sentencing: “We have banks on every street corner in America, and those banks know very well that their cash is being used for drugs. And yet, that’s fine. No one gets into trouble.”

A day after Shrem’s arrest, Benjamin Lawsky, the New York Superintendent of Financial Services, held a meeting to discuss a regulatory framework for the cryptocurrency. This resulted in the Bitlicense, a sprawling set of rules that govern the operation of Bitcoin in New York. Fantastically, Lawry left his position in 2015 to start a private consultancy one of

whose services, since discontinued, was to assist Bitcoin companies manage regulatory pressures.

This hypocrisy may be an outcome of discomfort with a new technology but that does not alter its effects. While the regulatory setup tightened its grip on Bitcoin, not one major executive of the banks at the centre of the 2008 financial crisis that sold credit default swaps on subprime mortgages – the house of cards that ultimately caused the crash – has been convicted.

Banking the Bitcoin frames New York and Wall Street as degenerate influences that have repeatedly sought to corrupt the utopian ideals of Bitcoin. Nearly every major bank today has a Bitcoin division, as they figure out how to use the blockchain technology to make money transfer more efficient. Blythe Masters, a former executive at JP Morgan, represents this cohort. Even as she belatedly evangelises for Bitcoin, the documentary informs us of her role in creating the credit default swap.

But the currency, in Voorhees's words, "cannot be co-opted". To its early proponents, it represented freedom from not just financial skullduggery but also poor governance, as represented by Zimbabwe's hyperinflation or the Greek debt crisis. Growing mobile penetration in the developing world, the cypherpunks wagered, would allow people to transact under a new system divorced from government ineptitude or corporate avarice.

It's a stellar claim, one the documentary repeatedly drives home. It likens the arrests of Ulbricht and Shrem to the house arrest of Julian Assange, the founder of Wikileaks. Alex Winter, a filmmaker who has made another film on Bitcoin, says, "Unfortunately, early adopters make the roads that we all travel down, and they are usually paved over in the process. The first guy through the door gets shot."

If the recent upsurge in Bitcoin's value is any indication, the cypherpunks' sacrifices have finally begun paying off.