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CAN THE BOOST OF CRYPTOCURRENCY RESULT IN ALTERING THE WAY HOW THE TRADITIONAL NEOLIBERAL ECONOMICS OPERATES IN TERMS OF SHIFTING AND ENHANCING THE DEMOGRAPHICS OF THOSE WHO USUALLY GAIN THE PROFIT?

Abstract:

Defining the phenomenon of cryptocurrency, first of all, the paper attempts to explain the reasons why we have chosen to address specifically this topic taking into account primarily the very special current cryptocurrency boom that intensified significantly during and in the post-COVID-19 pandemic times almost all over the world. While discussing quite a compound nature of the popularity of cryptocurrencies associated predominantly with the products in this case – consumption of the hardest attainable resource ever – time, we also analyze such other determining factors for the above-mentioned boom or boost as is, for example, the role of the systemic crisis. Separate examination of the correlation between the COVID-19-and post-pandemic crisis and the boost of cryptocurrencies is provided as well in parallel with comparing this story with the similar one involving the global financial and economic crisis along with the resulting global recession of 2008-2010 on one hand, and the emergence of cryptocurrencies as a certain potential solution to the crisis on another. To respond to the major question of the paper, and measure whether the boost of cryptocurrency can cause shifting the way of how the traditional neoliberal economics functions through the essential changes and increase in the demographics of the usual profit gainers, we try to consider cryptocurrency’s hypothetical capability to substitute the cash eventually, as well as based on different surveys – categorize those who bought cryptocurrencies in the past, or is purchasing now or plans to do so in the nearest future.

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Keywords:

Cryptocurrency; boom or boost of cryptocurrency; COVID-19 pandemic; neoliberal economics; demographics of profit gainers; “crypto-uncertainty”

What is a Cryptocurrency?

According to Investopedia, “A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology – a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.”²

Why a Cryptocurrency?

Particularly in the COVID-19 pandemic times, there has been observed a significant increase in the popularity of cryptocurrencies and in the number of people involved in investing and trying them out. We can freely call such a phenomenon a boom. This can be most probably explained by the greatly evident fact that a lot more people than during the pre-COVID period who stayed and still stay home working, studying, or leading the majority of their activities online, could simply afford to experiment with new deals, ventures, hobbies, etc., and taking into consideration much more flexibility with the daily routine and regime often, certainly depended first of all on the nature of jobs and/or other responsibilities these people are entitled to generally perform, but keeping also in mind the situation with the significantly reduced spending and minimal economic and/or financial turnovers in the conditions of quarantine lasting for more than a year as of now, a lot more ordinary public started to try out relatively new and much captivating sphere as is cryptocurrencies. The gambling moment should not be excluded here, especially thinking in parallel of the widespread mania with the computer or video games. For many, such interest and enthusiasm towards cryptocurrencies have been determined by at least the perceived opportunity for winning extra money when purchasing, exchanging and playing with hyper volatile cryptocurrencies frequently. Another factor is also a very serious circumstance connected with in fact the systemic crisis caused by the global pandemic in this case that in a situation of the lack of local and worldwide control, in the condition of losing control over

² J. Frankenfield, *Cryptocurrency*, Investopedia, <<https://www.investopedia.com/terms/c/cryptocurrency.asp>> (16.03.2021).

the developments, eventually broke down the trust of the citizenry towards their governments and international order as well, which gave impetus to the larger amounts of people globally to seek alternative and more decentralized ways of getting income that wouldn't depend on centralized systems and governments. Quite valid statistical data suggests that actually in less developed or developing countries, where, in general, there are a lot of problems with the public trust towards the governments and weaker systems from the perspective of democracy along with the lesser economic and other kinds of stability, a lot more portion of people became interested in investing in cryptocurrencies even with comparatively lesser amounts of money. These countries keep leading in the world's top 15 countries with the highest adoption of cryptocurrencies³.

The history of the development of cryptocurrencies also suggests additionally here that their inception in 2008, the year when the global financial and economic crisis eventually resulting in the worldwide recession started, has not been accidental. Cryptocurrencies emerged to alter and improve traditional financial and economic systems and institutions affected and brought almost to the verge of collapse by the crisis as has been deeply believed by many. Significantly, consumers also sought to explore new ways and effectively execute economic transactions with high and/or much higher transparency and accountability – thanks to the decentralized and far securer blockchain system. Similarly to the situation with the global financial and economic crisis and resulting global recession of 2008-2010 and the emergence of cryptocurrencies as a certain potential solution, COVID-19 and its devastating impacts in every dimension of human existence and functionality, including perhaps most dramatically in the socio-economic systems, but also politics, culture, etc., is discussed in the context of a variety of many different crises and still anticipated severe recessions in the post-COVID era, among which those crises and recessions of the economic and financial nature are once again – especially critical in the sense of having decisive and determining power, can be quite fairly regarded as a new and another trigger for upcoming yet, sometimes even revolutionary changes and advancements in technology, science, and business, but specifically focusing on cryptocurrencies and their multifaceted development.

Cryptocurrency's Potential to Substitute the Cash?

Even though it is very hard to make some solid predictions in advance, especially in such a period of 'crypto-uncertainty' if I may use this kind of a

³ *Share of respondents who indicated they either owned or used cryptocurrencies in 55 countries worldwide in 2020* [in:] *Cryptocurrency adoption in 55 different countries worldwide 2020*, <<https://www.statista.com/statistics/1202468/global-cryptocurrency-ownership/>> (30.03.2021).

term to point to a relatively short time that has thus far passed since the inception of cryptocurrencies in 2008 – till their supposedly forthcoming full-scale development, mainstreamization, and quite probable and anticipated eventual regulation by governments, central banks, etc. However, while constantly and unavoidably thinking of the parallels with the emergence of the Internet, its revolutionary evolution since the 1990s, and of transforming its functionality from exclusively academic domain to cover almost each and every sphere of human life and activity, all of this suggests envisioning the overall expansion at least of the role of cryptocurrencies, which even under the regulatory involvement from the part of governments and central banks might not necessarily be limited to the governmental or central bank digital currencies (CBDCs), and there exists a likelihood that so-called private crypto assets would keep functioning as well. We could bring here already not quite a unique example of the existence of different governmental websites, which does not exclude their free and normally unlimited coexistence with the endless number of the world citizens' personal, business, and/or a great variety of websites working for diverse purposes and initiatives.

According to many professional and popular opinions, among which I would particularly distinguish the ones we hear from such a gigantic worldwide bank and actor in the field of global finances as is Deutsche Bank - a German multinational investment bank and financial services company, how much contradictory it might not sound from this kind of institution, i.e. bank, "Until now, cryptocurrencies have been additions, rather than substitutes, to the global inventory of money. Over the next decade, this may change. Overcoming regulatory hurdles will broaden their appeal and raise the potential to eventually replace cash."⁴

Who is Buying Cryptocurrencies?

According to Statista⁵, the global user base of cryptocurrencies increased by nearly 190% between 2018 (35 million) and 2020 (101 million). This data is based on the information gained from trading platforms and wallets. Even though the increase in demographics might have been caused by a rise in the number of accounts increased by 37%, as well as by improvements in identification, and despite more accounts in exchanges or wallets became systematically linked to an individual's identity, which made it easier to estimate the minimum user numbers associated with accounts on each service

⁴ *Imagine 2030: The decade ahead*, Deutsche Bank Research, Konzept # 17, 2020, p. 8.

⁵ *Number of identity-verified cryptoasset users from 2016 to the 3rd quarter of 2020 (in millions)* [in:] *Estimate of the number of cryptocurrency users worldwide 2016-2020*, <<https://www.statista.com/statistics/1202503/global-cryptocurrency-user-base/>> (30.03.2021).

provider, in our opinion, the COVID-19 Effect needs to be taken into consideration separately.

To illustrate the general shift in demographics of the cryptocurrency buyers before and after the global pandemic, I will provide here the results of two studies at least about the US customers.

Before COVID-19. In 2018, Finder.com surveyed 2,001 American adults to examine who had been buying cryptocurrencies and found that just under 8% owned them. According to the survey, men were more than twice as likely to own a digital currency than women, and that the largest reason for not owning one was a perception that they didn't need to. Bitcoin was the runaway 'winner' with 5.15% of people owning it followed by Ethereum at 1.8% and then Bitcoin Cash at 0.9%. Millennials (about ages between 22 and 37) had a 17% ownership rate, Gen X (about 37 to 55) were at a bit less than 9% and Baby Boomers were just over 2%⁶.

After COVID-19. The recent Cornerstone Advisors' study revealed that 15% of American adults now own some form of cryptocurrency – a little more than half of whom invested in cryptocurrency for the first time during the first six months of 2020. On average, these new investors obtained roughly \$67.5 billion in cryptocurrencies, roughly \$4,000 per person. The self-reported value of cryptocurrencies like Bitcoin and Ethereum for Americans who owned these assets before 2020 is about \$111 billion, or close to \$7,000 per person⁷.

The demographical analysis distinguishes the following dominating groups among the cryptocurrency buyers: 1) High income, well-educated men, 2) Millennials and Gen Xers, and 3) Bank of America customers⁸. This data seems quite logical, understandable, and nothing surprising can be found here taking into account more or less traditional and major social characteristics of the crypto investors. However, the new and evident trend observed during the global pandemic period is the increase in the number of these buyers.

Interesting is the following statistics as well: “44% of Americans who have already invested in Bitcoin and other cryptocurrencies said that their financial health is ‘much better’ since the beginning of the Covid crisis. That’s in contrast to just 5% of all other US consumers.”⁹

In differ from the previous group of crypto holders, the first-time investors prove to change up the financial institutions they do business with. According to the same study, when Apple Cardholders only comprise 5% of all credit card

⁶ V. Ng, *Why haven't we all bought cryptocurrency yet*, <<https://www.finder.com/why-people-arent-buying-cryptocurrency>> (30.03.2021).

⁷ R. Shevlin, *The Coronavirus Cryptocurrency Craze: Who's Behind The Bitcoin Buying Binge?*, <<https://www.forbes.com/sites/ronshevlin/2020/07/27/the-coronavirus-cryptocurrency-craze-whos-behind-the-bitcoin-buying-binge/?sh=7ab19f212abf>> (30.03.2021).

⁸ *Ibidem*

⁹ *Ibidem*.

customers, among those that do have the card, 47% own some form of cryptocurrency – two-thirds of whom purchased crypto in 2020¹⁰.

The most striking is the demographics of the next wave of investors. The 11% of Americans who plan to invest in Bitcoin and other cryptocurrencies are sufficiently different from the current set of investors, they are:

- 1) Women (Currently, they only make up 22% of the cryptocurrency investors, however in the next wave of investors, they account for 35% of the total);
- 2) Minorities (African-American and Hispanic consumers comprising 28% of all Americans, account for 23% of the current crypto investors. Among those that anticipate investing in the next 12 months, 37% are from these two ethnic groups);
- 3) Younger and older (Just 6% of Gen Xers and Baby Boomers already have cryptocurrencies. In the next wave of investors, this number increases, specifically, 17% are Gen Xers and 11% are Baby Boomers);
- 4) Less educated (Among current crypto investors, just 18% have not earned at least an Associate's college degree. Among the consumers expecting to invest in cryptocurrencies in the next 12 months, that percentage rises to 36%)¹¹.

And one more important specificity is the fact that among the next wave of investors, just 30% consider themselves to be 'very financially literate', in comparison to 54% of those who already hold cryptocurrencies¹².

Conclusion

As the data shows and we observe particularly in the COVID-19 era, the so-called Cryptocurrency Craze illustrates the increasing involvement of a larger public from all over the world and even more from the developing countries. These people invest in cryptocurrencies that are characterized by high volatility and assessed by many professionals and practitioner financiers as a risky and greatly speculative venture. It is still very early to derive solid conclusions and provide any stable predictions in this regard as so far we are in the process of the active evolution of cryptocurrencies and the system hasn't been established yet. Governments and some central banks started to adjust to the ongoing changes and develop their alternative tools and mechanisms, or attempt to regulate independent, private, and decentralized cryptocurrencies. At the same time, we are witnessing an obvious shift in the demographics of those who have already benefitted or are to gain profit from investing in cryptocurrencies, thus step-by-step impacting and

¹⁰ *Ibidem.*

¹¹ *Ibidem.*

¹² *Ibidem.*

potentially changing the traditional statistics of those benefitting eventually from neoliberal economics. The surveys discussed in the article¹³ still only partially show such a shift, especially while categorizing the crypto buyers, first of all yet mentioning – ‘high income, well-educated men’ along with other groups. The meaningful changes though are already depicted and projected in connection with the next wave of investors, which to our belief tend to keep an even more expanding trend involving larger parts of an ordinary population. This might mean substantial future alterations to the whole essence of neoliberal economics, the way how it operates, and for whom. Whether such kind of inclusion of the middle-income people and less developed countries might eventually mean the greater transformation of the neoliberal ideology and practice to the extent of its death, is a very critical question. In any case, we anticipate the change of neoliberal economics in terms of how it operates, for whose benefit and profit, demographics of these people, and presumably also shifts in the social classes of those beneficiaries. However, we should not forget that the major purpose of neoliberalism and neoliberal economics, i.e. constantly gaining profit, and as much as possible, in these contemporary processes of the Cryptocurrency Craze not only persists to remain unchangeable but even more evolves to absorb everything around, reaching even more and more layers of people and spreading in a way just like the global pandemic itself. Whenever the demographics of the profit gainers are democratized though, even in the era of the Internet and the overall decentralization, globalization, and the technological boom, this already means something very special and worth analyzing in terms of examining the significant changes in the functionality of the neoliberal economics. It might not mean an existential crisis for the neoliberal ideology and economics still, but more its great ability to almost permanently (at least so far) adjust to continuously changing realities, as well as the remarkable potential for flexibility that is characteristic so astonishingly for the given system of the contemporary capitalism. Apart from all of this, certainly, it all may depend first of all on the success of cryptocurrencies per se - how much they would be maintained and developed more, kept decentralized eventually despite already visible attempts of the governments and central banks for regulation, and whether this, this system remains to be as accessible to the wider public in the end as it currently is. This can freely apply to the broader availability not only of cryptocurrencies for the ordinary public but also of the stock market as well, once again - thanks to the Internet, etc.

¹³ R. Shevlin, *The Coronavirus Cryptocurrency Craze: Who's Behind The Bitcoin Buying Binge?* Forbes Media LLC, 27.07. 2020, <<https://www.forbes.com/sites/ronshevlin/2020/07/27/the-coronavirus-cryptocurrency-craze-whos-behind-the-bitcoin-buying-binge/?sh=7ab19f212abf>> (30.03.2021)

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