Conference Paper

A Market Society in Russia and Bitcoin

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Abstract

The improvement of monetary systems is a topical and controversial issue in contemporary economic science. The article examines the main problems of bitcoin. The focus is on disclosing the economic essence, reasons and results of bitcoin, as well as problems of practical use in Russia. It presents the author’s interpretation of the financial aspect of bitcoin and its effect on the financial situation of the individual layers of users. In conclusion, it proposes to implement cryptocurrencies in Russia as an important instrument of economic management and economic growth.

Keywords: market society, bitcoin, users, results

1. Introduction

The current population of all countries is putting more of the market society. All values are bought and sold. Hence, the characteristic feature of human development in the twenty-first century is the interaction between market society and computerization of commodity-money relations. A special place in it belongs to electronic payment mechanisms, in particular, such as bitcoin. What is a bitcoin from an economic point of view? What is its role in a market society, and most importantly the consequences of the use for a particular person, certain segments of the population and the whole of Russia? It is extremely relevant and topical to provide scientific resolution of these issues.

2. Materials and methods

The work is written on the basis of the evidence of seven years of experience in the implementation of cryptocurrencies in foreign countries and Russia. This article uses empirical, systematic, analytical, economic and other methods of research of economic activity of subjects of the society. With their help, bitcoin is considered as
3. Discussion

The basic flaw in the foreign economic science consists in abstracting from people. Most of the studies are built on the analysis of the three abstract concepts: “market”, “firms” and “households” without a real person. Hence, many of the concepts, hypotheses, models, conclusions and recommendations of Nobel laureates were not consistent in practice [1; 2, p. 31]. The elimination of this error allows to analyze the economic processes, from the point of view of citizens, the individual layers of the market society and of entire States.

International and domestic elite economic community has huge official and shadow value assets. The number of billionaires in the world, according to the Bank UBS and consulting company, PwC, has increased in 2016 by 10% to 15,422 people, and their combined wealth by 17% to $6 trillion [3]. A large part of the wealth of the global elite is in the informal sector. According to a report by the Tax Justice Network, only on Bank accounts in offshore jurisdictions is 21 to $32 trillion [4].

Of course, the elite are concerned with the issues of preservation and enhancement of their property. The fact that the national monetary system is not as reliable as the one declared by the ‘mega-regulators’. Serious concerns are expressed about the stability of the dollar, Euro, ruble. As a result, the elite develops a negative attitude to the state regulators, in search of the shadow assets of domestic and foreign millionaires [5].

From the point of view of the elite, the most important shortcomings of the existing payment systems is the lack of anonymity of accounts, the ability to block or cancel payments of various domestic and foreign actors.

On the other hand, in the world there is an intensive development of economy and growth of financial assets in developing countries. The global business elite, there is a desire to participate in the redistribution of their financial resources.

All this led to the demand for qualitatively different payment mechanisms, the main requirements of which are absolute anonymity, safety, independence from intermediaries and any regulators, and most importantly the ability to use the role of speculative financial instrument.

As such a mechanism, computer science 10 years of the XXI century proposed a number of cryptosystems, most important of which is peer-to-peer payment system
“Bitcoin” (BTC) that is able to carry out various monetary transactions. All information about transactions VTS is exposed, and privacy is achieved by the absence of the personification of the owners of the addresses. Payments between the two parties occur without intermediaries. There is no mechanism of cancellation of confirmed operations, even when there is a mistake or fraud. No one other than the owner can block finances. Public or private management of the system is excluded. Bitcoins can be transferred to anyone who will inform a bitcoin address. The release of new bitcoins does not depend on any regulatory body, the volume of emissions is pre-determined at 21 million. The adherents of the WTS consider it a new form of money performing traditional monetary functions: a medium of exchange, means of payment, and means of accumulation. This is the theoretical picture of bitcoin.

A completely different situation is in real life. The interaction of supply and demand has led to the rapid development of bitcoin. On July 18, 2017 17 million bitcoin were in circulation [6]. Capitalization of the PTS at the rate of $7000 is $119 billion.

4. Results

An objective analysis of the practice of bitcoin showed the separation of its participants on winning and losing (see Table 1). While the total gaining of Russia from the widespread use of bitcoins, according to our estimates, will be significantly less than the total costs and losses of the Russian users. Most of the revenue will go to foreign entities.

<table>
<thead>
<tr>
<th>Winning</th>
<th>Losing</th>
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<tbody>
<tr>
<td>Manufacturers of computer equipment</td>
<td>Mass users</td>
</tr>
<tr>
<td>Organizers and software developers</td>
<td>Commercial organizations</td>
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<tr>
<td>Manufacturers and professionals of the infrastructure</td>
<td>Small financial speculators</td>
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<tr>
<td>The economic elite</td>
<td>The banking system</td>
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<td>Large financial speculators and intermediaries</td>
<td>State and municipal organizations</td>
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<td>The informal sector</td>
<td>The state’s financial system</td>
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Despite the absolute security of the bitcoins which is declared by the authors, the network has showed direct and indirect problems since the beginning of its operation.
Direct problems are associated with numerous attempts of breaking components of the PTS. These problems include:

- software;
- key storage on the sites;
- storage holder identification;
- storage of bitcoin;
- transaction confirmation;
- protection exchanges bitcoin exchange;
- security of the infrastructure of bitcoin;
- ensuring technical and legal security of customers with various violations and embezzlement.

Indirect risk of bitcoins consists in the following.

1. There is a significant increase in the cost of hardware, software and service and other collateral. Mass adoption of bitcoin will require the widespread replacement of gadgets users much higher cost.

2. The independence of the bitcoin has a relative character, since the operation of the Internet depends on the actions of service personnel, organizations, and regulator. Each provider may disable, change the speed of the Internet. Law enforcement are able to suspend any provider at any time.

3. Transaction cost is increasing. An the beginning of bitcoin transactions were carried out free of charge, then on the basis of voluntary Commission, and in the future such a large Commission will be charged, that it will not allow the majority of transactions in retail network;

4. A significant increase in the duration of the confirmation transactions (from several seconds to several days) creates difficulties of using bitcoins in the financial market.

All the aforesaid leads to the speculative nature of bitcoin, its transformation into the informal financial mechanism of redistribution of money resources in the Russian federation and world market society. If in May 2009, 1000 bitcoins cost $1, in January 2015 – $200, in November 2017 one bitcoin was $7000. By limiting total emissions and the growth of speculation it is possible that the price of the currency bitcoin will go up to $10 thousand, 50 and even $100 thousand, or it will fall.
Developed countries (USA, Japan, China etc.), major financial corporations, banks (Barclays, Goldman Sachs, UBS,) introduce various ways to use the VTS as a financial instrument of global redistribution of monetary streams of the broad masses of uneducated and emotional foreign entities.

Official mass use of bitcoin in Russia will lead to multiple undesirable consequences, including:

- growth of volumes of output of capital from the country;
- additional tax evasion;
- expansion of the informal sector;
- financial losses of many legal entities and individuals;
- weakening of the Russian currency and the banking system.

5. Conclusion

The Russian megaregulator has decided to take control of the issue, mining and handling cryptocurrency. At a high level of liberamente in Russia at the first stage of the official introduction of bitcoin, it seems appropriate to do the following:

- prohibit individuals and government organizations use bitcoin;
- at all levels of professional education in the study of financial management of organizations and citizens to include special courses on cryptocurrencies, with emphasis on their economic substance;
- conduct an experiment to transfer the current payment mechanism for digital addressable system.

In Russia there is a bulky inefficient system of monetary circulation, the maintenance and control of which requires a considerable part of GDP. Its improvement must be carried out in the interests of all citizens and organizations of the country and not with the filing of the global financial elite. The effectiveness of the use of cryptocurrencies largely depends on the level of economic literacy and the quality of personal financial management, the improvement of which is a critical area of stabilization and economic growth in Russia [7].
References


