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Section A

4 Cryptocurrencies: Potential and Threat

An anecdote goes that a sailor once lost his way on the sea, and surfaced on a lonely island. The island was inhabitated by a secretive tribe, who soon captured this intruder. He could not understand their language but tried desperately to plead for release. When pleading seemed to make no difference, he tried bribery. He gave them dollars, which they threw in the sea. He offered them his gold chain, one of the tribesman examined it for some time and threw it away.

Desperately, he tried to think of what could work. He opened his bag to offer them alcohol. But when the bag opened, all the tribesmen stood standstill, in awe.

Alongwith some bottles and books, the bag had some sea-shells. The sailor had picked them off one of the beach, because his little girl liked to play with them. He was surprised at the awe they were generating among the tribesmen. To try his luck, he offered one shell to one of them. He got a grateful smile in return. When he offered them all the shells, they not only released him but also built him a raft.

What does this show? For men who had no interest in dollars or gold, shells were in demand. Shells were precious and seen as a source of wealth. After all, what is money, but a piece of paper? So why can a shell not be just as precious? And why can't an invisible computer-generated coin also be just as important?

Cryptocurrency is nothing but a

virtual "currency" "mined" by huge number of "miners". Unlike gold-mining, they work on computers, spending hours on high processing speed systems, to generate one "coin".

Bitcoin, Ethereum, Litecoin, Ripple - the names may differ, but the underlying principle is the same. A decentralized system is in place, in which using the blockchain technology, miners mine the currency. This is somewhat similar to a Central Bank who prints currency based on monetary principles.

However, unlike hard currency, there is no underlying asset here. And nor is there a government which decides when and how much currency to print. It is purely demand-driven but limited by the number of miners and their system capabilities. Also, there is no sovereign guarantee. The entire process is trust-driven.

If both the sender and receiver agree to the usage of such a currency, the transaction can take place. The real money is involved in payment to miners to purchase the "coins" as per the exchange rate.

Hence, the potential of crypto-currencies lies is the usage as a medium of exchange when agreed upon by both parties. Also, the entire process is anonymous and no bank account or Identification proof is required to make such a payment. And nor is it bound by international rules for currency transfer between 2 nations.

And this is where cryptocurrencies have the possibility of becoming a threat.

Absolute anonymity. Both the sender and receiver remain anonymous to the miners and the whole system, and vice versa.

Dark Net has seen payments being made by cryptocurrency for purchase of weapon, drugs, contract killing, ransom and even human trafficking.

A saying in digital forensics goes that "track the money-flow, you will find who you are looking for.". But here is a money flow impossible to trace. And with easy availability and exchange. Not surprising then, that crypto-currencies have become the preffered medium of payment in criminal activities

Ransomware attack by "Wanna Cry" which locked systems and demanded payment in bitcoins catapulated the misuse of crypto currencies to the headlines all over the world.

However, the aim of starting this technology was not to facilitate crime, but rather was a noble, idealism driven initiative.

A person or group of persons who is known as Satoshi Nakamoto created the first bitcoin using a cryptographic hash function. The goal was this - in the aftermath of the 2008 Financial crisis, people were fast losing faith in banks. Thus bitcoin was proposed as an alternate medium of exchange.

The Arab Spring around the same time further showed the usefulness of this technology. The protestors could gather funds using bitcoins. In dictatorial regimes, banks and other financial institutions are under watchful eyes of the regime. Hence, bitcoins offered a safe, anonymous way of fund collection and making payments.

Bitcoins also started to be used as a cheaper way to transfer money across nations, by poor working class people who migrated to various countries in Africa, Arabia for employment. It became a replacement of the Hawala system, which though known for misuse, is the only way for transferring money without incurring huge fees for the process.

Thus, the potential good use of cryptocurrencies has been many. However, is it enough to let such an unregulated system continue? Or are some changes needed?

Anonymity is definitely desired by political donors like in case of Arab spring. Thus, until an alternate system is viable, this good use of cryptocurrencies deserves to continue.

However, the reason for resorting to such ways by non-criminal elements needs to be resolved as well. Banks all over charge huge transfer fee and exchanges are also subject to currency fluctuations. This is often a huge burden for working class. Thus, lower fees for low-income transfers upto a certain limit may be proposed. M-pesa which uses mobile phones to transfer money in Africa is another solution because it involves telephone number based authentication instead of anonymity.

Currency fluctuations due to speculative trading also needs to be controlled. A possible solution is a partly floating, partly fixed rate which will give greater stability in transfers that involve change of currency.

Currency speculations were also seen in bitcoins where within a week, the value of 1 bitcoin rose to over $1000 from less than $400. Such speculative trading needs to be regulated so that investors with inadequate knowledge do not get trapped in the lure of easy money.

Theft of bryptocurrency is a rising legal issue. It is difficult to stop theft because any computer-related system, no matter how secure, can definitely be hacked. Insurance of cryptocurrency may be a new area of business.

Governments all over the world are watching cryptocurrency rise with caution. While some like China and India have banned it, some are adopting a 'wait and watch' approach.

Venezuela which is battling

hyperinflation, launched its own cryptocurrency '<u>petra</u>' to make payments for its huge oil sales.

<u>Warren Buffett</u> has termed them as a ponzi scheme, while many economists have warned about its usage for tax evasion and moneylaundering, apart from other crimes.

A technology by itself is neither good nor bad. Its usage defines it.

Cryptocurrency has the potential to be used for peaceful purposes. However, it also is being used for acts of crime. It is an international issue, and hence an international deliberation is needed on the same.

Currency is nothing but a medium of exchange and there is no reason why such virtual coins cannot exist, as long as their existence is not a threat.

Section B

1. When government fears the people, there is liberty. When the people fear the government, there is tyranny.

Power, they say, corrupts. And absolute power corrupts absolutely. Hence, philosophers like Rousseau, Voltaire, Montesquieu argued for a limit on power of any government. The principle of 'Separation of power' is based on this need to prevent absolute power.

Man was born free. He always had unlimited, absolute power. But that led to chaos in the society. Hence men decided to restrict their own power and give a part of it to the 'state' and this ensured stability in the society.

This state is nothing but what eventually grew to be known as the 'government'. Thus, the power that the government has, belongs to the people. They had deposited it with the government, just like money is deposited in a bank. And they have the right to withdraw this power whenever they want.

Thus, the very survival of the government depends on the willingness of people to share their power with it. And this is why the government should fear the people as their existence is due to people.

This shows that liberty, though not unlimited liberty, exists when the government fears the people and recognises that it depends on people and ~~Atice~~ not vice versa.

In a democracy like India, Constitutionalism acts as a check on power of all three pillars of democracy - legislative, executive and judiciary. Of these, only judiciary does not depend on people for its survival.

Periodic elections are mandated every 5 years and people choose the legislative; who then choose the executive.

This ensures that fundamental rights and laws are enforced because any government that tries to contain these rights will be voted out by people.

Right to speech and expression, right to equality, right to equal opportunity to public employment. Freedom of assembly, movement, settlement, association, occupation. Protection against arbitrary arrest and detention. Freedom of religion. Protection of cultural and educational rights. And above all, the right to life and liberty and the right to constitutional remedy

All these exist because the government fears that it will be voted out if it tries to restrict any of them.

<u>Emergency</u> was a 22-month period which saw these rights being suppressed. Freedom of press was curtailed. Opposition leaders were detained without bail or hearing. Associations and organisations opposed to those in power were banned. Excesses in form of forced evacuation of slums, forced sterilization were conducted. A period of absolute tyranny.

And this continued unabated because the provisions of <u>Article 352</u> allowed the government to continue in office without the necessity to conduct elections. The provision of National Emergency was a remnant of the <u>Government of India Act 1935</u>.

It was created and it belonged to an era when absolute control was desired and it was deemed important that the people feared the government. How else could a handful of Britishers rule such a vast population? Fear. The most potent weapon.

Thus, we saw that once a government's existence no more depended on the will of the people, tyranny ensued. People began fearing the government instead of the other way round.

When the elections were finally conducted, people showed their power. Every leader responsible for misuse of power got defeated including the sitting PM and her heir-apparent son. The balance of power was restored. The government began to fear the people, ensuring liberty.

However, this is not a black-and-white issue and there exists many variations and potential grey areas.

<u>Monarchies</u> do not get voted to power and many monarchs have enough repression tools to prevent mass uprising.

However, liberty does exist in monarchies too, even when people may fear the monarch.

<u>Saudi Arabia</u> is a case in point. While the West often portrays the poor record of human rights, lack of rights of women and absence of democracy as an issue, the voices of citizens tell a different story.

Saudi Arabia has ranked high in various independent assessments by international agencies and organisations in Human development Index, Global Happiness Index, Standard of Living, Income levels, and ranked low in illiteracy, IMR, NN MR, MMR, disease burden.

Thus, a picture emerges of a citizenry who enjoy a high living standard, education, healthcare. While they fear the rulers, and there exists many restrictions, overall the nation seems to enjoy fair amount of liberty too.

This is a case of liberty and high development existing even in case where people fear the government. This may be explained by people having <u>relinquished</u> some <u>more of their power</u> <u>to enjoy other benefits.</u>

Blue-collared workers have often mentioned how they prefer working in Saudi, inspite of several restrictions due to the higher payments. Thus, <u>is liberty the only necessity?</u> or <u>do basic necessities precede more liberty?</u>

China is another example of a country where people fear the government, and yet liberty does exist.

Liberty, hence, is a spectrum. The degree to which it is desired depends on the citizens. And there is nothing wrong if a citizenry is ready to trade part of liberty for other benefits.

On the other hand, tyranny may also exist in countries where, theoretically, the government fears the people.

Even in a democratic phrase of Pakistan, Bengalis were repressed by the Punjabis due to sheer economic and military strength, combined ~~fo~~ with a feeling of racial superiority.

Blacks in the oldest democracy of USA have faced police tyranny

and even judicial discrimination.
"Black Lives Matter" movement is the symbol of how a democracy does not entail equal rights and liberty for all

A government, when it is said to ~~p~~ be fearing people, actually fears the majority. It is the majority who determines the survival of a government. A majority which needs to be kept happy. A majority which demands its liberty be protected.

Minorities - be it linguistic, ethnic, racial, gender, sexual orientation have faced tyranny even in the most liberal democracies.

From Catalonians in Spain, to Tamils in Sri Lanka, from Arabs in Israel to Christians in Nigeria, from homosexuals in Russia to Turks in Germany - the minorities never have had the same sense of liberty and tyranny as the majority, irrespective of what type of government exists.

Liberty, no matter in what degree, is truly liberty when it is in same level for everyone - majority and minorities.

And hence, a government should fear all of its people, and not just a set of people who can assure it of staying in power.

Uncle Ben said, "With great power comes great responsibility" and with the powers bestowed on the government, it has the responsibility to ensure liberty to all. This should not change irrespective of how the power is attained.