

Tribal Crypto-Currencies: Sovereignty, Values, and the Regulation of Emerging Financial Technologies

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In February 2014, The Traditional Lakota Nation launched mazacoin, a bitcoin variant, as its “official tribal currency.” Only days later, the launch of another nationally-focused crypto-currency, Laxmicoin of India, was suspended following central-bank raids on local bitcoin exchanges. While alternative-currency and -payment systems are becoming commonplace, mazacoin and Laxmicoin are among the first to combine the technology of crypto-currency with territorial and governmental affiliations. The linkage between emerging financial technologies, alternative currencies, and efforts towards regional autonomy or sovereignty are giving rise to a “mangle” of legal, policy and ethical issues from the level of rural communities up to that of the global financial system.

Regulatory perspectives on crypto-currencies are evolving rapidly, but have reflected consistent policies dating back to informal and formal interventions in virtual world and game currencies in the middle of the last decade. Intervention has been justified on the grounds of prevention of money laundering and trade in illicit goods, but also can be read as defense of currency sovereignty. Yet, mobile payment systems such as Kenya’s M-PESA have been welcomed as a means of providing banking-like services in areas where mainstream financial infrastructures are weak.

To date, most attempts at creating local alternative currencies have been bottom-up, community-based mobile currencies following the lead of M-PESA, such as the “pound” of Brixton and Brighton in the UK. These have not involved the active support of governmental institutions nor sought to displace the local currency either in practice or as an assertion of sovereignty claims. Mazacoin thus raises a set of novel regulatory, political, and ethical issues above and beyond those involved in the growing prominence of crypto-currencies and alt-finance more generally.

Textbook definitions of money typically cite three distinct if inter-related elements: medium of exchange, unit of account, and store of value. While the latter term typically refers to economic value, money and currencies are also stores of ideological, ethical, cultural and national values. Thus, alternate currencies are in part a contestation of the set of values encapsulated within the dominant, national, currency. We argue that the ideological “store of value” of crypto-currencies is a poor fit in the tribal context, despite mazacoin’s careful and thoughtful tailoring of the bitcoin protocol to address Lakota needs.

To substantiate this claim, we set forth a rubric for matching the goals of communities seeking alternatives to national currencies and dependence on the global financial system with the affordances of specific emerging financial technologies. We then propose regulatory and policy frameworks which may, by encouraging prudent experimentation and devolving limited currency sovereignty, strengthen national and transnational economies by providing for greater resilience against recurring shocks.

We then examine the potential utility of crypto-currencies such as mazacoin as medium of exchange, unit of account, and store of value for tribal communities, and, based on the framework developed in this work, propose an alternative tribal currency system fitting the three elements of the standard money definition to tribal needs, and outline a path towards its adoption and regulation.