From Nothingness Into Being: Creation and Resilience of a Decentralized Brand

Mariam Humayun, York University, Canada
Russell Belk, York University, Canada

In this study, we explore how consumers create modern day myths around decentralized brands. Using the context of the cryptocurrency Bitcoin, we analyze how consumers negotiate the ideological and religious myths that shape a decentralized brand and help it survive and become resilient over time.

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Maria Humayun, York University, Canada
Russell Belk, York University, Canada

EXTENDED ABSTRACT

Money has long been considered the source of all evils in society, linked variously to envy, greed, and the corrosion of human relations (Miller 1987, Belk and Wallendorf 1990). Simmel (1978) said money alienates beings by making relations more abstract, and argued that cynicism lies at the root of alienation by reducing every human relation to a monetary value – an idea for which neo-liberalism is often critiqued. Mauss (1954) too might well agree that it was money that made it possible to replace the social obligations and underlying debt that gifts created. Graeber (2014) points out in his treatise on debt how coinage changed the nature of social relations, where individuals became able to trust in the promise of a payment. But what if money became a mystical source of faith and fodder for ideological beliefs uniting a diverse community? What if it went from nothingness into being?

The cryptocurrency Bitcoin destabilizes many of the assumptions about the nature of money. In this study, we focus on Bitcoin as an instance of a decentralized brand. These are brands without any central authority, that operate as a network of different people or groups working with different ideals who, by design or default, collaborate in creating them. These brands are usually not created with profit as the main goal although it may exist. Pitt et al. (2006) and Hemetsberger and Reinhardt (2009) for instance describe how the Linux brand is supported and shaped by the open source community and monetized by IBM. This is more than “presumption” (Ritzer and Jurgenson 2010) where both consumers and producers co-create in producing and adding to brand value (e.g., Facebook, Twitter, YouTube, eBay). Decentralized brands share a distributed user base with different motivations and goals; they act without any central authority. Anonymous, Wikileaks, and Tor are examples of other decentralized brands. Our question here is: what factors help decentralized brands weather multiple setbacks and emerge as resilient?

Bitcoin is essentially a digital ‘currency’ or a computer file (bit) that represents digital cash. It was created by a person or persons going by the name of Satoshi Nakamoto who remain(s) anonymous. Bitcoin came into being on the heels of the financial crisis of 2008 (Maurer, Nelms, and Swartz 2013, Bjerg 2016) and Satoshi is a messiah-like figure who gave the world Bitcoin and then selflessly disappeared into anonymity (Goodman 2014, McMillan 2014). With appropriate religious flourish, the first block of Bitcoins created eventually came to be known as “the Genesis Block” (Schneider 2015). Over the course of its short lifespan, Bitcoin has been subject to numerous crises, including the online illegal market Silk Road, the collapse of the Bitcoin exchange Mt. Gox, governance issues in its open source community, and being banned in several countries.

We draw on the ecological resilience framework as a metaphor to study Bitcoin as a decentralized brand (Gunderson 2000, Holling 1973). There are a number of key concepts from the resilience framework that are useful in understanding the progression of Bitcoin over the years. First, “change is neither continuous and gradual, nor consistently chaotic” (Redman 2005, 72, Holling 1973, Holling and Gunderson 2002), rather change relies on a slow accumulation of natural capital over time. And progress is “punctuated by sudden releases of and reorganizations of those legacies” (Redman 2005, 72). The resilience framework also provides the concept of an adaptive cycle comprised of four stages: exploitation, conservation, release (creative destruction), and renewal (reorganization). These adaptive cycles evolve through stabilizing forces and destabilizing forces that occur. Destabilizing forces are “important in maintaining diversity, flexibility, and opportunity” while stabilizing forces help in maintaining “productivity, fixed capital and social memory” (Redman 2005, 72). Another feature of the resilience framework is the concept of “panarchy” which was coined to represent how ecosystems are governed (Allen et al. 2014, Garmestani and Allen 2006, Holling, Gunderson, and Ludwig 2002). This is important in understanding how decentralized networks, particularly those that depend on the internet, are governed.

The resilience of an ecosystem is tested each time there is a crisis, which means that historical analysis is often necessary in making sense of crisis impacts. Thus in studying Bitcoin ecosystem resilience, we focus on a few key events in recent history that have called into question Bitcoin’s survival and helped transform it. These events include the closure of Silk Road, the collapse of Mt. Gox, the block-size debate, and the multiple Satoshi exposés. This is not a comprehensive list of crises that the currency has experienced; rather they represent incidents that fundamentally challenged Bitcoin’s future and questioned its existence on an international scale. We use the price of Bitcoin and its evolving media coverage as proxies of its resilience. Through participant observation at Bitcoin events, in-depth interviews, archival data (newspapers), and a netnography, we analyze how consumers and different publics’ narratives around Bitcoin changed over the course of these events and in their aftermath.

Our findings indicate that consumers invest Bitcoin with strong religious overtones, making it a technological ‘religion of atheists’ so to speak. Bitcoin has developed a network of advocates who appreciate being referred to as Bitcoin evangelists, proselytizers, backers, boosters, or fans (Mühiz and Schau 2005, Belk and Tumbat 2005, Kozinets 2001). The block-size debate, which threatened to split the Bitcoin community in two, highlights proprietary governance issues in a seemingly altruistic open source community with conflicts between the more capitalist-oriented and more libertarian ideology. Destabilizing forces such as the closure of Silk Road and Mt. Gox highlight how Bitcoin’s memory and myth-making machine operates. With decentralized brands, the nature of information that gets shared is of crucial importance, and social media plays an important role as a stabilizing force.

This paper provides a conceptualization of decentralized brands and how they develop resilience. Our analysis adds a socio-cultural and historical facet to ecological resilience framework. There are also implications for understanding how consumers are changing the dynamics of cementing social media as a modern day myth-making engine.

REFERENCES


With apologies to Sartre.


