

which connects many pipelines between Europe and central Asia. Moreover, there is tendency of oil rich nations to instigate international conflicts, which is popularly called 'petroaggression'. The Iraq-Iran war in 1980 and the Iraq-Kuwait war in 1990 give testimony to this fact.

There is also a problem of immense government corruption with little or no accountability that worsens economic conditions. The government of oil rich nations does not depend upon taxes for its revenue needs and mostly meets them through the export of crude oil and hence, remain, by and large, unaccountable. Through its control over crude oil, it serves to amass huge wealth, which it then uses to thwart and suppress those (i.e. the civil servants and voices of citizens) that challenge its power and position. According to a report published by Transparency International (2007), the OPEC oil rich nations rank very poorly in the corruption perception index.

Thus, by citing the examples of Angola and Nigeria, enough practical evidence has been given to support the oil curse thesis or the fact that abundance of resources has a negative impact on the democratic regimes and economic growth of an economy. However, in the recent years, we have seen countries like Norway successfully escape the clutches of resource curse. This is not because the theory of resource curse is not ubiquitous, but because Norway had the foresight to recycle its oil revenues into other sectors of the economy and indulge in rationale economic measures. It also had a good leadership together with a functioning democracy and a competent bureaucracy that further provided impetus to its economic growth. Thus, even though Norway might be an exception, the oil curse theory is necessarily a rule, particularly as far as poor, politically unstable, underdeveloped countries are concerned.

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BITCOINS

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Invented in the wake of the global financial crisis by a mysterious computer guru using the pseudonym Satoshi Nakamoto, bitcoins are a form of cryptography-based e-money. They can be stored either virtually or on a user's hard drive, and offer a largely anonymous payment system.

Currencies serve multiple functions in society, but primarily they are used as a medium of exchange and as a store of value. In principle, bitcoins can fulfil both those roles for its growing community. As long as businesses choose to accept bitcoins in payment and there are exchanges to turn them into other currencies, they will survive as a medium of exchange. While

bitcoins started as a response to the financial crisis and an attempt to circumvent the shortcomings of our global financial system, they have quickly turned into a growing economic force and a unique test-bed for new ideas about money, value, and ways of buying and selling.

Bitcoins crashed in China in December 2013. Beijing keeps a tight grip on Yuan, and enforces capital controls, which the e-currency threatens by its very nature. In December 2013, the People's Bank of China banned domestic third party companies from providing clearing services for virtual currency. On the other hand, various US government agencies have said that bitcoins offer legitimate benefits. They believe that bitcoins provide an amazing platform that will change the way the world understands money.

But Indian bitcoin companies are on the fence regarding continuing operations. It cannot be denied that bitcoins and other virtual currencies have begun to gain widespread acceptance in India, despite poor internet penetration and a natural scepticism to assets not backed by tangible entities such as land. The RBI has stated that users of virtual currencies are exposed to potential legal, financial and security related risks. It has, in fact, issued a notice warning the public of the risks involved with virtual currencies such as losses arising out of hacking, no established framework for recourse to customer problems and the general financial volatility surrounding bitcoins, while claiming that they could be used for money laundering and funding terrorism activities. It stopped short however of issuing a ban or any other restriction.

It is a known fact that in India, the creation, trading or usage of virtual currencies is not authorized by the central bank or monetary

authority. It has also been reported that bitcoins are being traded on exchange platforms whose legal status is also unclear. Hence, traders are exposed to legal risks as well. But leading legal and taxation expert Nishith Desai has given this cryptographic digital product a clean chit stating that bitcoins *per se* are not illegal in India, but how one deals with these may be a matter of legality. This is in consonance with the international approach. It is very important that this new technology be understood timely and an appropriate regulatory regime be developed so that India does not miss out on a great opportunity. Bitcoins may be highly risky now, but they can be an alternative to general currency as well as a major financial instrument in the future.

The government's job is to warn the public about the high volatility and risk propositions of bitcoins, but it should not create fear that bitcoins are illegal. Bitcoins are for those who have an appetite for high risk and who have faith in this technology.

Bitcoins look like currency or money, sound similar to securities or shares, feel like derivatives or negotiable instruments, but they are not so actually. They are not a prepaid instrument either. While in the US bitcoins are regarded as a commodity, it is doubtful whether it could be considered so in India as it is an intangible property. Bitcoin creation and transfer is based on open source cryptographic protocol managed in a decentralized way, and if harnessed properly, bitcoins could deliver many benefits to India's economy.

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