

Even Cryptocurrency Speculation is not a Victimless Crime

News:

In the past few days, as Bitcoin has been diving to new lows, the Financial Times newspaper has been reporting on the past and future of this wrongly named “cryptocurrency.”

“Last December, bitcoin looked set to break \$20,000 in a frantic bull run that saw it double in value in three weeks as supporters hailed it as the future of money in the digital era. But since January the cryptocurrency has lost nearly three-quarters of its value.”

“The market, even according to its supporters, relies on drawing in new blood. It cannot thrive and has no fundamental driver for further gains without it. “Bust is the word,” said the chief executive of IG Group, one of many retail brokers that happily rode the wave of huge buying volumes towards the end of last year but that now thinks the frenzy has passed.”

“Across cryptocurrency forums and blogs, the word of the month is “capitulation”. With bitcoin below \$5,000 for the first time since October 2017, leading figures in the community have turned on each other in a spiral of finger pointing, while crypto-enthusiasts are at war with detractors who see this as a victory for fiat currencies. While this may not be the end for bitcoin and company, the crash underlines the question of whether it is worth trying to bring cryptocurrencies into the mainstream at all.”

Comment:

Such a crash was inevitable due to the inherent instability of such “currencies” which have no intrinsic value. It was in fact treated more as a commodity with financial speculators playing the same game that they play with ordinary fiat currencies today: buying large quantities to inflate the price, before selling suddenly when the price is high. The losers are those who moved slowly, left holding onto the greatly devalued currency after the crash. The experienced wealthy investment bankers walk away even richer, while the less experienced and ordinary investors are left significantly poorer, many having lost their life savings in their unwise gamble.

The same happens every day with the world’s ordinary fiat currencies, normally with less spectacular gains and losses due to heavy government regulation. Fiat currencies are officially backed by the government, so overcome their lack of intrinsic value, and derive value so long as the government survives to support it. The collapse of the “Asian tiger” economies of the late 1990s, however, bears testimony to the reality that sometimes the capitalists do get away with theft on a grand scale.

This is the sad reality of currency speculation. The desperately poor and naive investors are conned into such poor investments by the wealthy promoters of this thoroughly corrupt capitalist system.

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