

Should Bill Bonner Launch His Own Crypto?

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POITOU, FRANCE – “Dad, last week I made another \$20,000 off that NEO cryptocurrency I bought.

“And last night, I made another \$5,000 on my other cryptocurrency investments.”

Our in-house crypto expert was either boasting or pulling our leg; we weren’t sure which.

Stumbling Toward Tomorrow

“I bought into NEO with just \$2,000. I’ve already taken out \$20,000. The account probably has about \$80,000 in it now.”

“What’s neon?”

“The best thing is that I’m now playing with ‘house money.’ I’ve gotten back all of my original investment... and much more. It’s NEO, not neon. It’s the Chinese version of another one of the big cryptocurrencies, Ethereum.”

Day by day, we stumble toward tomorrow. And as usual, the future casts its shadow backward... onto the wayfarers.

Our children, with more spring in their steps, move along quickly. They buy cryptocurrencies in anticipation.

There are now more than 800 different cryptocurrencies competing for our business. That’s five times as many as the most common conventional currencies.

“It’s really a free-for-all,” continued our in-house expert. “New coins are starting up every day. Most are scams or jokes. Some are both. But something is happening here that we can’t afford to ignore.

“Our whole business is based on trying to understand the world of money. This is the biggest thing to happen in the financial world since the discovery of gold. If we don’t understand this, we don’t understand anything.”

Alarming Thought

With this alarming thought, we sat down to breakfast this morning. After two cups of coffee and further discussion, the conversation increased.

Not only do we not understand cryptocurrencies, we judge the odds of ever understanding them at slim.

But maybe we don’t have to.

“You’re never going to understand the geeky technology behind cryptocurrencies – the ‘blockchain,’ ‘proof-of-work algorithm,’ ‘hash rates,’ and ‘Byzantine fault tolerance,’” continued our son.

“Don’t worry about it. We use things every day and most people don’t know how they work. In that famous example – from the libertarian writer Leonard Read – none of us could easily make a pencil. But we all feel comfortable using one.

“Most people don’t know how electric motors or automobiles work... and ask anyone how the microwave oven heats things, they won’t know. We don’t even know how gold works.

“You don’t have to know how these things work... You just have to know what they do and how to use them.”

That was a relief.

“You also have to realize that we now live in a world without real money. We have paper currencies controlled by governments. They aren’t limited in quantity. They can’t be trusted to preserve wealth.

“With bitcoin, you have to use real-world energy – in the form of computer processing power – to increase the money supply. The Fed added something like \$4 trillion to the money supply over the last eight years. It created this ‘money’ out of thin air with nothing more than strokes on a computer keyboard. What kind of money is that?”

“I think it was \$3.6 trillion...” we corrected the record. Not that it mattered. What’s another \$400 billion?

The extra “money” was supposed to light a fire under the economy. Instead, it drenched it in make-believe capital and discouraged savings.

In 1975, the personal savings rate was about 12%. Today, it is only 3%. This leaves the roughly 40 million Americans set to retire over the next 40 years with almost no savings.

“In a modern world, with so many billions of people and so many billions of commercial transactions, real money is not a luxury. It’s a necessity. That’s why this stuff has taken off so fast.”

Adds economist George Gilder in *The Scandal of Money*:

Reform of world money is less a far-fetched dream than a rising imperative. Gold and digital currencies converge to provide a new solution to the enigma of money. Although there are many potential rivals, bitcoin is the most complete and tested form.

Taking Back Control

“Look at it another way,” continued our resident bitcoin-o-phile.

“The financial industry has become parasitical. It uses fake money to con billions of dollars out of the Main Street economy... and shift it to Wall Street and the Deep State.

“Cryptocurrencies are not state run or state controlled. They’re a way for ordinary people to take back control of their financial lives.

“You know, Dad, probably the single most important thing you could do for your readers would be to introduce them to cryptocurrencies. I’m not talking about speculating. You’re right. It’s too dangerous for most people. I’m talking about understanding them. And starting to use them.

“Already in Japan, there are some 20,000 merchants who accept bitcoin. They’re not dumb. They know Japan has the biggest government debt in the world.

“And you know what’s another hot spot? Venezuela. They’ve got an annual inflation rate of about 1,000%. They’re discovering the virtues of cryptocurrencies – fast.

“Anyone can create a cryptocurrency. That’s why there are so many of them. You should create one for your readers. They could use it to pay for their newsletter subions.

“It wouldn’t be an investment. And it wouldn’t be worth much... at least not at first. But it would help introduce people to cryptocurrencies and how they work.”

“Hmmm...”

Regards,

Bill