

# Bitcoin Beef #2: Mining Is a Waste of Resources

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Yesterday, I started to give you my personal view on bitcoin – and I’ve got beef. In that article, I got as far as “Beef 1”. That’s the fact that, in any serious analysis, bitcoin is bad money. It is hard to use, isn’t widely accepted – and its fluctuating value means that it’s just not a good way to store wealth, or to account for it. In short, bitcoin doesn’t really fit economists’ definition of money.

But that doesn’t mean you can’t profit from bitcoin – and from other cryptocurrencies. My colleague, Sam Volkering, is an acknowledged expert in this field. He’s produced an investment guide, to help you avoid the bear traps in this confusing, crowded sector. Of all the 1,000+ cryptos, he can help you pick out [the ones that you should be backing](#).

But I’m not done yet – and there’s a lot more beef.

## Beef 2: bitcoin is a waste of resources, and it’s polluting

Bitcoin is “mined” by solving hard, pointless maths. There are no outputs, other than bitcoins. This busywork mining process is certainly not benign. It uses a significant amount of electrical energy, and computing power – both of which could be put to different uses. Mining bitcoin essentially mandates the purchase of a complex, expensive electricity-wasting machine. It doesn’t produce anything of direct social benefit.

By contrast, my current investment portfolio includes a range of assets like housing. Such assets have undeniable social and financial utility. While people might speculate on the value of property, it is never completely divorced from the fundamentals – in that you can always live in a house. You can’t live in a bitcoin, and the only reason people ascribe value to cryptos is because they think other people also ascribe value to them.

If you bear in mind we have a limited amount of economically employable resources on our finite planet, it seems silly to deploy them in a manner which yields no social benefit – and, in fact, imposes significant social harm. Our electricity is currently generated in a rather polluting fashion, so bitcoins have a clear environmental cost – from both mining and exchange. Currently, the bitcoin network uses around as much electricity as Lebanon, according to the Bitcoin Energy Consumption Index. What’s more, we could use the miners’ pricey computers for doing other kinds of maths – such as searching for new kinds of medicines. Instead, we’ve built enormous arrays of virtual chocolate teapots.

I’m not one for pious investing, but I do try to ensure that the companies I back are providing at least some form of social utility – and I just don’t feel this way about bitcoin. If I saw the situation differently, then I might conceivably speculate on the currency (knowing full well that speculating was *exactly* what I was doing).

So, where does this leave us – from an investment point of view?

Personal morality is your own choice. You may be comfortable with investing in cigarettes, alcohol, weapons, etc – all investments that others may balk at. But the economic fundamentals of bitcoin are something we can all see – even if we might have different opinions on them. And, right now, I think bitcoin’s fundamentals suck. Add that social element back in, and you can hopefully see why I regard bitcoin as rubbish money, which comes at high social cost.

## Does that mean I dislike cryptos more generally? No it does not!

I’m well aware of the limitations of fiat currencies – and I can see how cryptos might ultimately replace them. However, I don’t think bitcoin is the right tool for the job – for a range of different reasons. There are other digitally tradable assets which perform much better. For example, there are blockchain-tradable forms of gold – as provided by OneGram, for example. (I’m no gold bug, by the way – and gold’s environmental costs make bitcoin look like it’s made of daisies.) However, at least some of these alternative cryptos avoid the obvious downsides of bitcoin.

So, it’s not the blockchain approach per se that troubles me, it’s what you’re trading on it. We’ve [recently interviewed](#) several firms, who are launching cryptocurrencies that get round many of the problems inherent in bitcoin.

I think blockchains have a great future, and I think cryptocurrencies could be an important part of that. But bitcoin is presently the world’s most important cryptocurrency, and it just does not appeal to me.

So if bitcoin isn't where I'd suggest you put your cash, then what *should* you do?

There are over 1,000 cryptocurrencies to choose from – and you should get expert insight before you invest. If you're keen to profit from this sector, you should hear what my colleagues have got to say. You can check out Sam Volkering's guide to profiting from cryptocurrencies [on this link](#).

Have you got beef? Please let us know – [andrew@southbankresearch.com](mailto:andrew@southbankresearch.com).

Best,

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*Exponential Investor*