

Plato's Explanation for Failing Cryptocurrencies

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The cybercruises are in crash mode. Species are tracked by the authorities. What is the most reliable currency given the precarious stability of the current financial system?

Cybermoney, these units of account that circulate on transaction networks that are beyond any state control, have just undergone a new crash.

Ethereum: -52% in four weeks
Ripple: -57% in seven weeks
Bitcoin: -21% in one month

Between these three "currencies", more than \$ 36 billion of "value" evaporated.

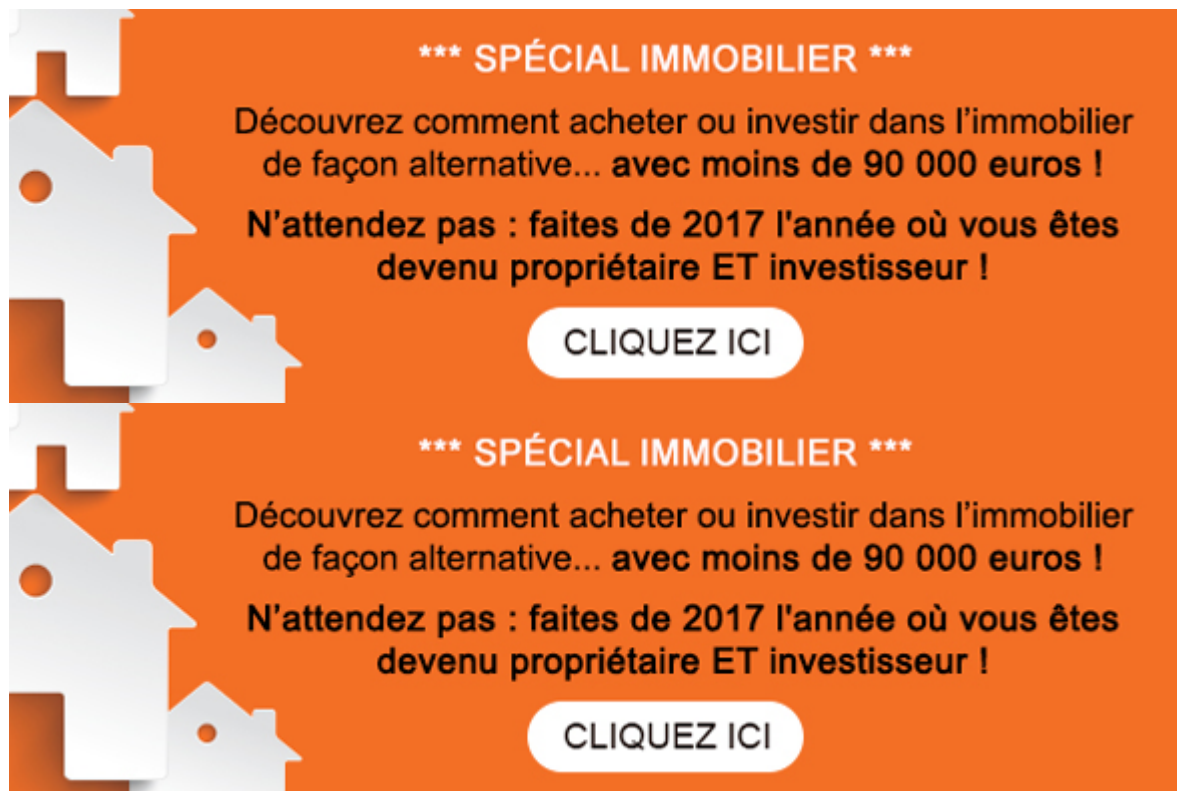
All those who have studied money agree on three functions, codified in its time by Aristotle:

- Account unit- Intermediate of exchanges- Store of value

For monetary Aristotelians, a currency is viable only if it has these three characteristics.

It can not be said that the bitcoin and its derivatives correspond to the third characteristic.

For Plato, however, the last function was not indispensable, and money could only be a "social convention" of no real value. Plato would very well have with Keynes ...



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The problem of currencies which do not know how to reveal themselves as reserves of value is that they eventually disappear. Of the 775 fiduciary currencies that existed or still exist, 599 have died. Certainly, their death sometimes takes several generations but the cemetery of the fiduciary coins is well stocked.

My colleague Yannick Colleu is examining today [On the history of the dollar](#), Which has become a global currency over time,

although it has become purely a fiduciary.

With the dollar being cut off from gold, how is the "value store" function assured? Only by the interest rates paid by the federal government on its debts. This is the only thing that guarantees the buying power of the dollar over time.

This is also the reason why gold generally rises when real interest rates are negative. The real interest rate is the interest rate served by the federal state minus inflation calculated by a controlled by the federal state. One is never better served than by oneself. The purchasing power of the long-term dollar has therefore sharply eroded.

Cyber ??currencies are not backed by anything tangible and do not pay interest rates. They attract speculation because their anonymous transmitters simply guarantee that their quantity will be limited. The basis of this speculation is that "what is rare is expensive".

At this stage, however, this reasoning is incomplete. It would be better to write "what is rare **And searched** is expensive ". Rare is not a sufficient condition - simply necessary.[Editor's note: To find out more about these cybercords, what they can do for you and how to get them,[it's here.](#)]

Speculators believe that these currencies will become more and more sought after and yet they are not real reservoirs of value. So it's a risky bet, unless ...

This is where the disappearance of species comes into play.

More and more governments are seeing a very bad eye on species - even though they are not paying any attention to it. But the *cash* Has for a government a hateful fault: the transactions are more difficult to control and therefore to tax.

Recently, a great deal of public work has begun to promote the end of species and to impose traceable transactions in all circumstances. Security arguments are most often advanced.

Deutsche Bank has just published in English a note entitled "*Cash, Freedom and Crime - Use and impact of cash in a world going digital*" (Species, Freedom and Crime - Use and Influence of Species in a Digitizing World). Here are the main conclusions:

With the growing use of e-payments, the need for cash is no longer required. Although the evidence and statistics in this area of *cash* Are rare, facts more than emotions should guide the debate about the future of species.

The demand for *cash* increases. Banknotes and coins in circulation amounted to € 1,100 billion in the third quarter of 2016, three times more than in 2003. The amount of cash rose faster than GDP.

In the field of monetary policy, hard cash can be a decisive instrument in anyone's hands. If depositors withdraw their large-scale bank deposits, financial institutions and monetary authorities will be pushed to the limits of their power.

Deleting the cash will not eliminate the money from the crime. Alternative modes of transfer of funds from criminal activities will replace *cash*, Although at higher costs.

Payments migrate to digital and fraud follow. Sweden, which now works (almost) without cash, is seeing card fraud increasing. However, the security of cash or digital transactions is high in Europe.

The *cash* Confers protection of personal data and therefore guarantees civil rights in the event that an administration abuses its power. The abolition of species can be seen as an attempt to strengthen citizen controls. Confidence in public authority would be eroded.

Dear reader, this note comes from the biggest bank in Europe, a bank too big-for-bankruptcy whose balance sheet represents more than 1 500 bn € (half of the GDP of Germany). However, lucidity still prevails among some of its employees. So everything is not rotten in the realm of finance ...

Read again the last paragraph: it is obvious that the cybermills would constitute a parade in the case where the trust in the public authority would evaporate.

In this sense, speculators might be right. Cyber-currencies would become scarce - since their issue is deliberately limited - and sought after, since the currency *cash* Would have become illegal.

However, these cyber-currencies are not, as is, a valuable reservoir, unless they are one day backed by gold or precious metals. So it's a bold bet.

As Bill Bonner [You can however purchase your lottery ticket](#), A bet on the rout of the authorities in the next crisis deserves to be taken!