

Digital Currencies Now Outnumber National Currencies by 5:1.

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For a long time now, there have been more cryptocurrencies in existence than fiat currencies. While the fiat club has stalled in recruiting new members, the crypto club is multiplying all the time. With the number of cryptos now above 900, we're now close to *five times* as many digital currencies as national currencies. Some of these are jokes. Some are scams. One is both. And some currencies are funny for the wrong reasons.

Those with the skills can create a generic cryptocurrency in an afternoon. They can then launch this currency in an initial coin offering (ICO) and sell units of this currency to any who is willing to pay for them. With some decent marketing they can make a fortune. This process can be rinsed and repeated as long as there are investors naïve enough to buy anything labelled as a cryptocurrency.

ICOs are often compared to initial public offerings (IPOs), where companies sell their shares to the public in order to fund future growth. While the principle is similar, companies selling their shares need to meet strict standards from stock exchanges and organisations like the US Securities and Exchange Commission before they can issue shares. ICOs are completely unregulated and do not have to meet any standards. They are a Wild West market, with as more bandits and outlaws than golden investing opportunities. As my colleague Sam Volkering put it in a recent update to [Revolutionary Tech Investor](#) subscribers, "Let's be clear. 90% of all ICOs are utter rubbish." Sam has compiled a report detailing which cryptocurrencies to avoid in the current climate – [click here to find out more](#).

Many of the ICOs being launched these days are purely a money-making exercise – some are outright scams. This current state of the cryptocurrency market was wittily illustrated by a man named Josh Cincinnati when he created "PonzICO". Created as a cutting satire of the cryptocurrency industry, it is a legitimate ICO scheme with no objective other than to enrich its creator. No tokens or digital coins are even offered in this ICO, the scheme only exists to buy Cincinnati a Tesla and a two-bedroom flat in San Francisco (among other things).

Investors in this Ponzi scheme invest Ethereum (Cincinnati's favourite cryptocurrency) into the ICO and in return receive a portion of whatever the next investor invests – after Cincinnati has taken a 50% "service fee", of course.

Almost all cryptocurrencies are launched with a white paper, describing what the currency is for and how it is created. The PonzICO white paper is a mockery of these, using similar vague language and including self-referential citations.

Titled "Let's Just Cut to the Chase", it humorously states its aims:

PonzICO is the first ICO to respect your intelligence by calling a spade a spade. Here's how it differs from your everyday ICO:

- *It dispenses with tokens entirely—we all just want that sweet, sweet Ether.*
- *There is no limited time window for "investment." Time is an illusion.*
- *PonzICO also dispenses with the notion that it needs a meaningful product attached to its future earning potential. It is the product.*
- *All profits from PonzICO are carried in balances linked to prior participants in proportion to their prior investment on a transaction by transaction basis...with a trivial, 50% service fee for yours truly...*

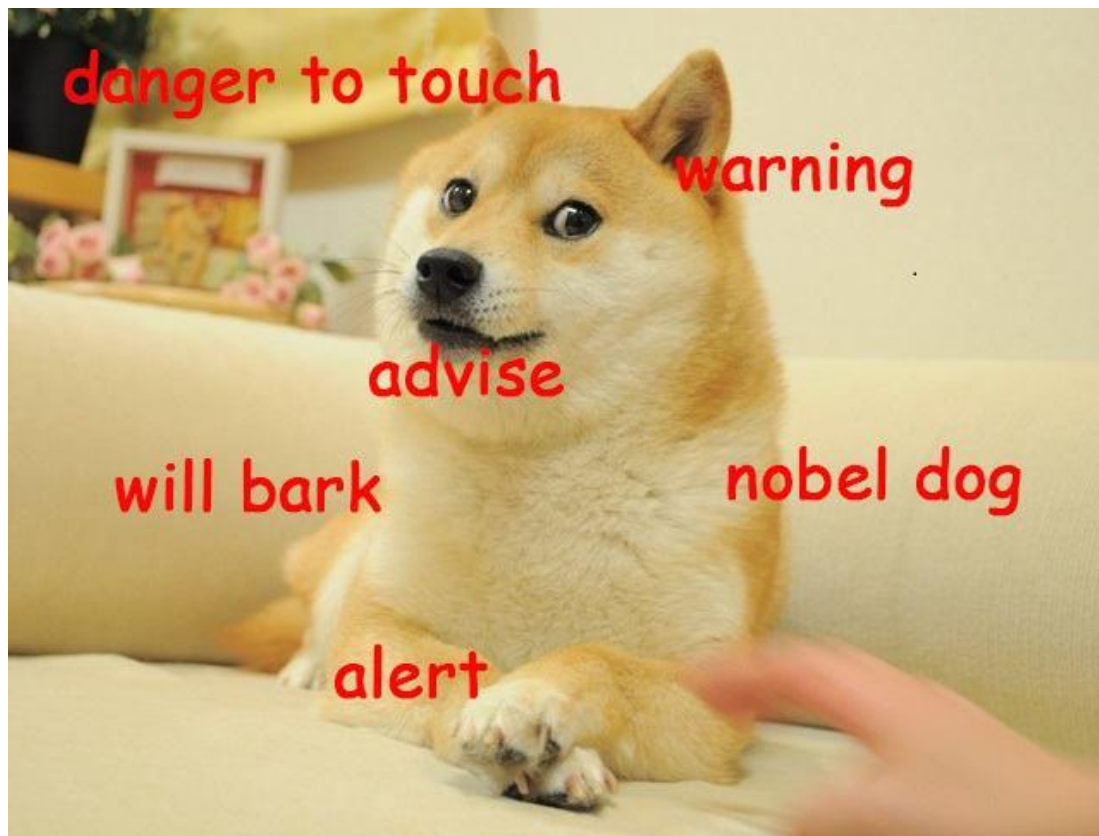
Of course, PonzICO is a joke, albeit fairly elaborate. Cincinnati even suggests that fans of his work should contribute to PonzICO if they find it amusing:

*In some seriousness, the author will view the fees generated from [PonzICO] as validation for his blockchain satire, and your generous investment will undoubtedly encourage him to make more. Don't want him to make more? F*** you.*

As of this writing, PonzICO has raised over \$3,000. Not bad, for a joke. But jokes have raised an awful lot more than that in the cryptocurrency game.

The \$193 million dollar joke

Back in 2013, an edited image of a dog began circulating the internet. It was a Shiba Inu, a Japanese breed, with raised eyebrows and an accusing expression on its face. Surrounding its surprised expressive features were a collection of broken phrases written in Comic Sans, representing a sort of canine internal monologue.



The image was exceedingly popular among millennials and other internet dwellers, who christened the dog “Doge”. Doge became a popular meme, with thousands of images of the original dog and other Shiba Inus similarly captioned and shared online. It was applied to anything and everything – photoshopped on to sport stars, Nicolas Cage and even baked goods. Creators and fans of the Doge meme called themselves “Shibes”, and became a tightly knit online community dedicated to sharing the gospel of Doge with the world.

The Doge meme bled from the internet into American politics, with US congressmen posting Doge memes on Twitter to promote their opposition to Obamacare. The Republican National Convention (RNC) even weaponised a Doge meme criticising the Clintons.

While these juvenile images made many cringe, Doge and the army of Shibes spawned a remarkable phenomenon: Dogecoin. Bitcoin had been gaining internet recognition for a while by 2013, and Shibes had wasted no time in plastering the Doge face on anything related to it. They joked that Dogecoin was far superior to bitcoin, and was “going to the moon” in value, despite no such currency existing.

It didn’t take long for some to start taking it seriously. In a few months Dogecoin had been created. It soon tripled in value before crashing, and was stolen by hackers in large quantities by Christmas.



One of the reasons cryptocurrencies are so numerous these days is because the original code for bitcoin is open source – anyone can copy and modify it however they want. Minor tweaks can be made here and there, before being published again as a totally new cryptocurrency.

A programmer from Oregon called Billy Markus took the source code from Litecoin, an offspring of bitcoin, and made a few modifications before creating Dogecoin (Ð) and launching the currency in early December that year. Like many young cryptocurrencies, the price spiked early, although this was crushed when large bitcoin mining pools began mining the currency with their superior computing power.

At Christmas time, the online digital wallet provider Dogewallet was hacked, resulting in millions of Dogecoin being stolen. But the Dogecoin community was undaunted. In a completely unprecedented event for the shady and dog-eat-dog world of cryptocurrencies, an initiative known as “Save Dogemas” was born. Those unaffected by the heist donated what they could of their Dogecoin to those who’d lost it. A month later, all those who had been the victims of theft had been reimbursed by charitable members of the community, all in the spirit of Christmas.

Dogecoin was seen mainly as a joke, but this actually drove its value higher. Tipping an internet user who had done you a service, or had produced content that you appreciated, became popular. This was done almost always in jest, as Dogecoin was so cheap, but its popularity drove demand.

While bitcoin rode on the narrative of limited supply and anonymous use, and was seen as a utility for criminals, Dogecoin was the opposite. It was a light-hearted and harmless bit of fun to be celebrated, with a community who just wanted to make their favourite dog even more famous. Bitcoin’s limited supply didn’t appeal to the kids wanting to tip their favourite YouTuber or internet celebrity. Excessive supply was fine – 110 billion Dogecoins have been mined already, with 5 billion to be generated every year *ad infinitum*. The contrast between the two currencies was illustrated in their uncorrelated performance: in 2014, during a week when the value of bitcoin was cut in half, Dogecoin increased in value by 935%.

Dogecoin has since faded from prominence in the crypto scene, with many Dogecoin developers moving into other cryptocurrencies like Ethereum. But the coin has left a deep paw print – for a time in 2014, it was used in more transactions than every other cryptocurrency combined.

What made Dogecoin different from the rest of the cryptos was the people using it – the code backing it is nothing exceptional. What made it different was a yearning to be and achieve something more than itself. This is something I expounded on [last week](#) with the formation of cryptocurrencies being mined in pursuit of things other than their own security. While Dogecoin was mined in a very mainstream way.

The Dogecoin community was upbeat and generous, and raised large amounts of money to give away to all kinds of charitable causes. After the Christmas hack, it [brought a Jamaican bobsleigh team to the Winter Olympics](#) (Dogesled), [built a well in Kenya](#) (Doge4Water) and [sponsored a NASCAR driver](#). The white background behind Doge in the paint job below is meant to be the moon, what with the Dogecoin price “going to the moon”, as prophesied.



Speaking of which, the community also raised enough Dogecoin to charter a lunar lander. A company called [Astrobotic](#) will send a gold-plated representation of a Dogecoin to the moon in 2019.

Dogecoin is a joke. But it's a joke worth \$193 million as of me writing this. Other currency jokes aren't so funny.

The killing joke

In South America, the debauchment of the Venezuelan bolivar continues. Borrowing money to support promises it can't keep – [tragically a popular policy these days](#) – has resulted in an annual rate of inflation above 700%. The bolivar has not been worth the paper it is printed on for some time now, but it now faces even further humiliation. It is now worth even less than *World of Warcraft gold*.

World of Warcraft is an online role-playing video game, with over five million players. It has an in-game currency – “gold” – which is used to advance a player's standing in the game. This gold can be bought with real money, and if you take the dollar exchange rate into account, one unit of World of Warcraft gold is now worth almost two bolivars.

A world which *doesn't even exist* now has a stronger currency than the *the most oil-rich country on the planet*. What was once the richest nation in all of South America has a currency with less buying power than one dedicated to levelling up virtual goblins.

Some Venezuelans have taken to bitcoin to protect their wealth against the hyperinflation inflicted upon them, but involvement in the bitcoin scene can get you arrested.

Socialism isn't cheap – the promises made by socialists like Hugo Chávez and now Nicolás Maduro are expensive. And to pay for them, they have debased not only their currency, but their people, who starve and turn to crime just to stay alive.

Dogecoin may be a joke, but the users laugh about it. The bolivar is also a joke – but the Venezuelans aren't laughing. They're too busy eating rats and dogs to stay alive.

Until next time,

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PS Your comments are always welcome: boaz@southbankresearch.com.