

Is Bitcoin This Generation's Tulipmania?

Retrieved Friday 15th of September 2017 07:58:10 PM

How do the rich and powerful respond when their supremacy is challenged?

If you want an answer to that question, direct your enquires to Jamie Dimon, CEO of JP Morgan.

This week he gave us a lovely insight into just what happens when new ideas and thinking disrupts the privileged position of those in power.

Short answer: they fight back. They'll play dirty while they're at it.

And they'll stoop to levels of hypocrisy most humans aren't capable of.

Case in point – Dimon's suggestion that bitcoin is a "fraud". It's also "worse than tulip bulbs" (look up "tulip mania" if that reference goes over your).

Dimon went on to claim the cryptocurrency "won't end well". And here's the kicker – he'll fire any JP Morgan employee caught owning bitcoin. "I'd fire them in a second," he said. "For two reasons: it's against our rules, and they're stupid. And both are dangerous."

There you go. If you own, have owned or are thinking about owning bitcoin, you're stupid. In Dimon's view. If that ruined your day, I apologise.

I disagree with that view, by the way. In fact I'm happy to personally employ any "stupid" JP Morgan employees out there right here at Southbank Investment Research. Clear your desk and contact me at nick@southbankresearch.com..

Full disclosure: I can't promise to pay you like a banker. But I can guarantee if you value genuine critical thinking and the complete freedom to talk about alternative ideas the establishment consider "stupid", you won't find a better place to do it than here at Southbank Investment Research. And we buy everyone beer on Fridays.

You have to love someone like Dimon taking a stand on cryptocurrencies though. It's the entire crypto revolution in microcosm. Dimon (and JP Morgan in general) is a great example of who the current monetary system works just perfectly for.

JP Morgan was key in the development of the derivatives market in the 1990s and early 2000s. It approached American International Group with new collateralised debt obligation (CDO) products, which generated huge fees for investment banks. It was involved in subprime lending. It was a real financial innovator.

Innovative, but not above sticking its hand out for a bailout when the financial crisis struck. It received \$25 billion via the Federal Reserve's Troubled Asset Relief Program ("TARP").

In short, it's a prime example of just what a mess the current system is in.

Bailouts, rigged interest rates, money printing – it's all great if you're an insider.

The current system suits governments, central banks, investment banks and other financiers just fine. It protects their privileged status, power and wealth.

Of course, if you're a normal person the current system doesn't do you any favours. That's because you don't matter. No one cares if you get screwed by a system that favours the powerful.

If you have to invest your hard-earned savings or pension pot in a market irradiated by quantitative easing (QE) – tough. If your savings pay a pittance – shut up and stop whinging. If you get "bailed in" when a bank goes under – sorry, that's just the way things are.

As my mate Sam Volkering (editor of *Revolutionary Tech Investor*) and author of put it:

What slid under the radar with Dimon's comments was JP Morgan trading revenue was down 20% year-over-year. Meanwhile, Bitcoin is up around 315% this year alone.

The irony to Dimon's comments is he's part of why bitcoin even exists. JP Morgan is part of the reason bitcoin is so successful. The whole rigged, broken financial system is exactly why the future of money is bitcoin and crypto. And there's nothing Dimon or any of his cronies can do to stop it.

Which is all just a long-winded way of saying *of course* Dimon doesn't like cryptocurrencies. Cryptos are a response to a financial system that is rigged and distorted almost beyond meaning. That doesn't make bitcoin or other cryptos perfect. But increasing interest in them is an act of financial rebellion.

That's how revolutions start. You have to have something to revolt *against* first. That might be because an existing industry doesn't work any longer and is replaced by something better. Or it might be what's there at the moment is so corrupt people are forced to look for an alternative.

And that's what cryptos are. An alternative financial system.

Does that mean they're guaranteed to succeed? No. Does it mean the market can't overheat or bubble up? No!

But I think the existing financial system **IS** guaranteed to fail. Something will replace it. Long term that something might be cryptos. Understanding that and positioning yourself a of it could well be a smart move.

That's the context you need to see cryptos in. A monetary rebellion.

I've seen people describe bitcoin as purely an asset for speculators. That's a strange and narrow view. It's like saying the French Revolution was purely about cake, or the Occupy movement was purely about tents. It completely misses the point that both were movements *against* something.

I'm open to people's objections and criticisms because cryptos aren't perfect.

But beyond a certain point, you need to flip that equation over: criticism of crypto implies support of the existing system.

Unless you're an insider with your in the trough of QE, TARP, ZIRP, NIRP and whatever daft scheme the authorities come up with next, there's no good reason to support what we have now. There's no reason not to consider alternatives. You certainly shouldn't dismiss them as "stupid".

You may not want to own bitcoin – at this price, or any other. But if you're not looking at it as a fundamental reaction against the system we have at the moment, you're missing the point.

I'm not going to end by saying "so buy bitcoin" (though I believe setting an account up and funding it with a small amount of money is worth it). But I will recommend you start taking this seriously and learn more about this. To do that I suggest reading Sam Volkering's book, which we've just published here in the UK.

Best,

Nick O'Connor

Nick O'Connor

Nick O'Connor
Publisher, *Exponential Investor*

PS One criticism I've seen of cryptos is that they're created by "anonymous" groups of people. The argument went on to say that it's better for a currency to be managed by a strongman, king or cabal because then everyone "knows who is in charge".

That's just an argument for authoritarianism. We need someone in charge to manage things, so we all know who we're being screwed over by. That's a strange argument.

I will agree there's no *need* for people behind these coins to be anonymous. I doubt it'll stay like that. There's no reason Amazon or Google couldn't issue a coin. A powerful brand combined with a new monetary system would be quite a combo. I can't see it happening though. Amazon and Google both do pretty well out of the status quo.

The key difference with all of these ideas is no one is *forced* to use any one crypto. With a state-managed currency, you're forced to use what the authorities tell you. You can't pay your taxes in bitcoin. Or dollars. Or yen. Only pounds. That's what gives the state a powerful monopoly on your money and your life.

Cryptos could conceivably break that monopoly. A natural, free market in money, where you can use the currency you deem best for your needs – that's the world cryptos could create. But it threatens more than just the financial system. It threatens the state itself. Dimon will have some powerful allies in his war on crypto if that happens.