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Crypto 36,000

The weekend riptide in cryptocurrencies erased $10.4 billion in market capitalization from the five leading cryptobrands—which sent them all the way back to the level at which they traded on Aug. 30. The only thing more violent than the sell-off was the levitation that preceded it.

Digital currency is the subject at hand, a subject that keeps on giving—in quoted value (periodic pullbacks notwithstanding), investor attention, regulatory scrutiny (both supportive and otherwise) and, of course, euphoria. In the past four weeks alone, the combined market cap of all 865 registered craft currencies has vaulted by $28 billion to $151.4 billion. Nowadays, you can't start a hedge fund unless it's the crypto-focused kind: There are 55 of them, and counting.

This essay builds to the conclusion that craft currencies have more in common with fiat currency and craft beer than they do with gold bullion. Magical thinking sustains them, just as it does the money that the central banks digitally propagate. Bitcoin may be "non-dilutable" and "authenticatable." It is likewise fork-able, hack-able, disrupt-able, regulate-able and—in ways still to be revealed—taxable. Such vulnerabilities characterize the entire fast-expanding crypto-universe. Money is not a tech stock or a casino chip. Craft currencies are tech stocks and casino chips doing business as money.

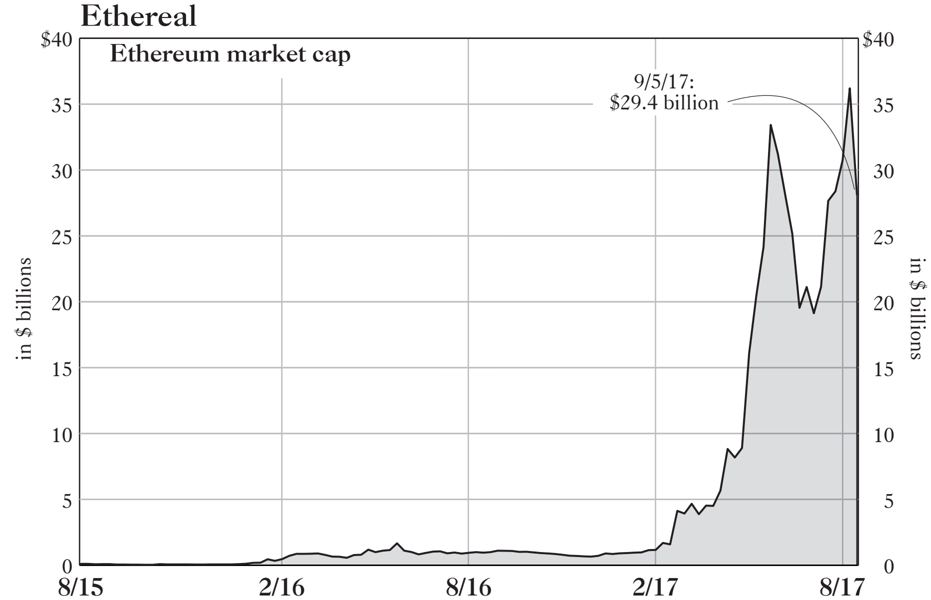
It's a sign of the times that more people check the price of bitcoin than check the price of gold or read *The Wall Street Journal*. CoinMarketCap.com ranks 405th on the list of most-visited websites, up by 868 places in the past three months, according to the latest Alexa tally of internet traffic. In its fiery ascent, the go-to site for cryptocurrency price-ogling passed the online portal of *The Wall Street Journal*, which weighs in at 544th. Kitco.com, on which one has been able to watch the price of gold go sideways, stacks up as No. 2,465.

Argument holds no power against the locomotive force of a speculative mania. The craze will end in its own sweet time. Meantime, we are bearish on bitcoin and its imitators, including tether, as well as on Bitcoin Investment Trust (GBTC in the over-the-counter market), the $1.5 billion market-cap fund that holds bitcoin but is valued at 170% of the worth of those underlying tokens.

To judge by crypto-price momentum alone, it's the bulls—like Wences Casares, who spelled out the case for bitcoin at the Fall 2015 *Grant's* Conference—who are magnificently correct. They, not we, foresaw a market that would warm to money which, like gold, is stateless but, unlike gold, is dematerialized; you make it from digital X's and O's. Anybody can issue it and, with respect to the daily debut of dubious new tokens, anybody does. "We're just a couple guys who are tech nerds in our basement," said one of the progenitors of Protostarr, which went out of business last month shortly after its initial coin offering, or ICO, drew the attention of the Securities and Exchange Commission (the first such case of a crypto-shutdown provoked by regulatory scowls).

You don't have to look far to find absurdity in the noble search for a trust-

Ethereal



source: CoinMarketCap.com

worthy denationalized standard of value. Featured in the No. 10 spot on a recent list of the "10 Most Ridiculous Cryptocurrencies" is Useless Ethereum Token, issued via the self-declared "world's first 100% honest Ethereum ICO." "You're going to give some random person on the internet money," said the promoter concerning the use he intended to make of the proceeds. "Seriously, don't buy these tokens." Someone did: UET boasts a market cap of $74,616.

Another case study for future historians of the madness of crowds is Kin, an ICO in progress from Kik Messenger, distributor of a free mobile instant-messaging app that's struggling to retain its teenage audience. A stagnant maker of "freeware" is going to need funding, as venture capitalists demand growth from the businesses into which they plow their hard-won fiat dollars. Hence the ICO, a kind of venture-capital workaround in which Kik intends to raise $75 million by selling Kin coins to the public after having presold $50 million worth of Kin to those canny hedge funds. The tokens may be used on the Kik app to pay for—well, whatever teenagers do pay for on a free mobile app. Look for Kin on the cryptocurrency exchanges; the ICO closes on Sept. 12.

The sight of unlicensed people coining free-enterprise money has put a jolt into the central bankers. "Cryptocurrencies Are New Barbarians at the Gate of Central Banks," was the headline over an Aug. 30 Bloomberg dispatch on the encroachment of craft money on the government's own paper. The People's Bank of China, said Bloomberg, is poised to become the first central bank to sponsor its own crypto-money. Monday brought a conflicting message, a PBoC edict outlawing ICOs and implying that even the holding and trading of cryptocurrency, bitcoin included, was illegal. Such monetary alternatives, said the Red central bank, are "not issued by the monetary authorities . . . do not have legal status equivalent to money, and cannot and should not be circulated as a currency in the market use."

Contrapuntally, reports the *Financial Times*, "Six of the world's biggest [commercial] banks have joined a project to create a new form of digital cash that they hope to launch next year for clearing and settling financial transactions over blockchain, the technology underpinning bitcoin." Barclays, Credit Suisse, Canadian Imperial Bank of Commerce, HSBC, MUFG and State Street constitute the venturers in this enterprise. They seek to create a "utility settlement coin" to speed up and safeguard wholesale banking transactions. So, there's *something* going on.

Trustworthiness is an essential attribute of a successful monetary unit, and bitcoin, as a nongovernmental undertaking, commends itself to a certain portion of the community on that point alone. But its libertarian bona fides do not account for the size of its market cap. The principal bitcoin selling point is rather the distributed ledger, or blockchain, on which bitcoin-denominated transactions leave a scrutinizable trail. Key is the absence of central control—every participant in the system has a copy of the ledger, rendering the record transparent and, supposedly, incorruptible (though that has not stopped hackings and defalcations at various cryptocoin exchanges and depositories). Anyone, even the IRS and NSA, can know, for instance, that Satoshi Nakamoto, the name given to the coin's inventor, owns around one million bitcoins; and now, after the techno-squabble that resulted in the creation of the bitcoin offshoot called bitcoin cash, that he owns around one million units of the forked token, too. Important to note is that the owners of bitcoin or ethereum or any of the 863 other crypto-varieties don't have any claim to the intellectual property of the blockchain. The code is open source; Nakamoto wants you to share it.

Money is a store of value and a medium of exchange. It is not a credit instrument—not a Treasury bill or a commercial note. Sterile, it yields nothing, a point on which John Locke and Aristotle and *Grant's Interest Rate Observer* are as one. By this definition, then, bitcoin, whatever else it may be, isn't money. Its rising price has imparted wealth, not stored it (its falling price erases wealth). Nor, for now, in its formative stage of development, is bitcoin handy for spending. PayPal is a cheaper medium of exchange. Credit cards give you cash back.

'ALL OF HUMAN HISTORY'

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Bitcoin bulls correctly observe that the dollar has its own transactional problems. Anti-money-laundering protocols, know-your-customer rules and FATCA (Foreign Account Tax Compliance Act) make American individuals personae non gratae at foreign financial institutions—if you can't open a foreign bank account, you can hardly move your dollars. Cryptos facilitate a regulatory end-run. Once exchanged for bitcoin, your money becomes mobile. You can zip it around the world. Roger Ver, CEO of Bitcoin.com, is rhapsodic on the possibilities: "For the first time ever, anyone can send or receive any amount of money with anyone else, anywhere on the planet, conveniently and without restriction." For which reason, Ver concludes, "bitcoin is one of the most important inventions in all of human history."

Monday's news of the Chinese fatwa on crypto-transactions may push back the arrival of that projected global monetary web. A related story, which we picked off ZeroHedge (well done, Tyler Durden!), says that China is preparing a crude-oil benchmark that will be quoted in renminbi and "convertible" into gold. If so, it will be back to the future. Long before bitcoin was a gleam in Nakamoto's eye, gold was a store of value and a stateless, universal medium of exchange.

You will get an argument from the bitcoin faithful on the store-of-value point. "There will not be more than 21 million units created, and the process of creating bitcoin is likely to be completed by 2140," they assert. We ourselves would say that Nakamoto intended to cap the future supply at 21 million units, but the future is uncertain and you can't know. There have been unscripted events. Disagreement among the bitcoin cognoscenti over the maximum size of a block gave rise to that summertime fork and to the creation of 21 million possible units of the aforementioned bitcoin cash.

Steven Bregman, Murray Stahl's partner in the money-management firm of Horizon Kinetics, LLC and a confirmed bitcoin bull, kindly came to the phone to discuss the crypto on which these pages are bearish. We asked him if the creation of a potential 21 million units of bitcoin cash, in parallel with a potential 21 million units of bitcoin "classic" (let's call it) doesn't double what a layman might perceive as the overall potential supply of bitcoin—after all, they share the "bitcoin" brand.

"So that is 42 million altogether?" we asked him.

"No, it is 21 million ultimately in bitcoin cash and 21 million ultimately in bitcoin," Bregman replied. "There have been other forks before."

"But 42 million in bitcoin classic and bitcoin cash, then, right?"

"Twenty-one million in each."

"So, 42 million together?"

"Yeah, but they are different entities."

Different, certainly, in that bitcoin cash is quoted at 1/8 the price of bitcoin classic, even though the offshoot allows for eight times faster processing than the legacy coin. Why the faster token should be cheaper, we have not determined. Nor have we satisfied ourselves on why the Aug. 1 fork has not effectively doubled the ultimate supply of something which, if it is not pure bitcoin, is at least very much like bitcoin.

A BETTER BLOCKCHAIN?

A reader forwards a Morgan Stanley report of Aug. 23 which makes the case for the future disruptive power of quantum computing. QC, so the analysts say, will deliver "exponential acceleration" in computing power within a few years. The commercial consequences of this anticipated event are speculative, naturally. However, it may not be so farfetched to suppose that, as the blockchain is a superior technology to the centralized ledger, so QC may prove the inventive agent of a technology that is better than the blockchain—and of currencies that are superior to today's cryptos. Maybe some brilliant technologist will cast an eye on the periodic table of elements and rediscover the precious metals.

All this assumes that the power stays on. "What happens," asks the investor Paul J. Isaac, "if there is a cataclysm, e.g., an electromagnetic pulse attack? [Monday's *Wall Street Journal* raised the possibility in the context of the announcement of North Korea's successful test of a hydrogen bomb capable of being launched on a missile.] People tell me the widely distributed blockchain information would allow reconstruction of ownership, but what would be the governance mechanism for that process and what would be the collective incentives to participate? What would happen to effectively irrecoverable crypto-units in a cataclysm? Would they be like Viking troves lost indefinitely? Would the absent capacity be subject to 're-mining'? If so, when, at whose discretion and how?"

You create bitcoin by "mining" it, and you mine it by solving mathematical puzzles with electricity-devouring computers. According to Digiconomist.com, the servers that mine bitcoin consume enough electricity to power 1.5 million U.S. households a year. Some 16,545,700 coins are in existence; over the past two years, the supply of bitcoin has grown by 6.5% per annum (before the bitcoin-cash spinoff). So much computing power is tied up in mining operations that Wall Street is pitching Advanced Micro Devices, Inc. as a vendor of figurative electronic shovels to the figurative blockchain 49ers.

The ultra-bullish case on bitcoin—it comes courtesy of our friends Stahl and Bregman—is that Nakamoto's creation may take its place one day as a parallel currency to the dollar. "If bitcoin were the functional equivalent of fiat money," they propose, "one might be tempted to say that it should have the same value as fiat money." Because there is $13.2 trillion worth of M-2 and $72.4 billion worth of bitcoin, equality would imply a 188-fold appreciation in the price per coin from $4,372.89 to $826,084.

At anything like that valuation, the world would be a very different place. NASA would give up space exploration to devote itself to crypto-mining. Nakamoto would very nearly be a trillionaire (before tax). Crypto-mining and crypto–support services would drive GDP. Encryption would be the one and only major offered at Harvard. Crypto-speculators would monopolize the *Forbes* Rich List and the Democratic and Republican parties' major donors' rosters. It would be Dow 36,000 come to life (and much, much more), but with cryptos instead of stocks.

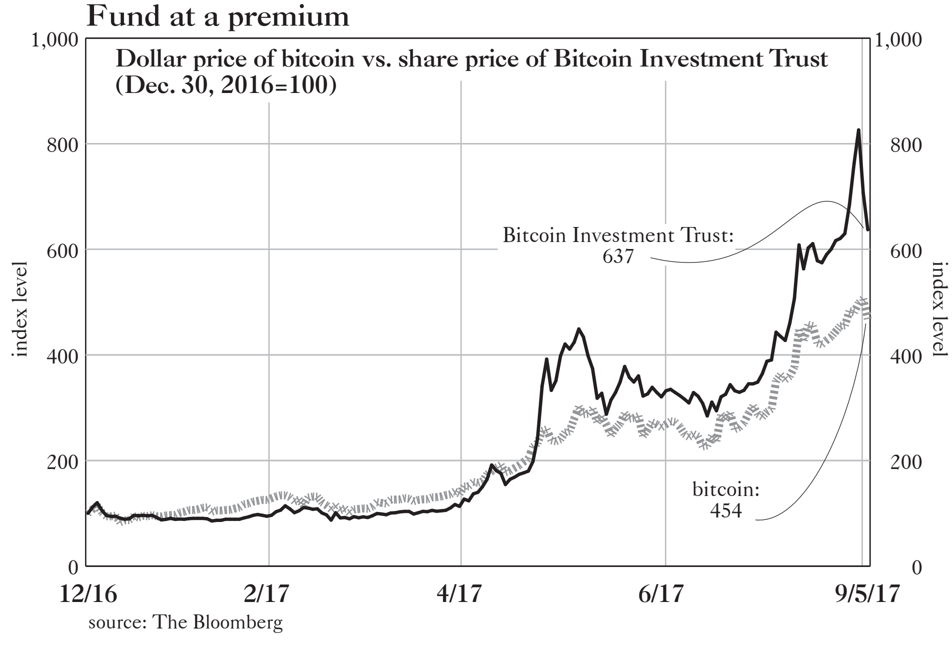
A world in which bitcoin served a parallel monetary function would likewise be a world in which bitcoin served a parallel credit function. There would be bitcoin banks, bitcoin deposits, bitcoin credit and—sooner or later—a bitcoin bank run, complete with the probable resulting political pressure to create a bitcoin-denominated lender of last resort. Then where would we be? Back at square one, probably, again confronted with the truth, often asserted here, that the trouble with money is credit and the trouble with credit is people.

Stahl and Bregman, accomplished and (as it hardly needs to be added) imaginative value investors, do not predict that bitcoin will ever reach the upper six figures, or, for that matter, any other figure. Nor do they insist that the crypto experiment will succeed. And because it might fall flat on its face, they caution against investing more in bitcoin than one can comfortably afford to lose. Still, they say, "if it is not a failure, one can now see its return potential."

100:1 LEVERAGE IS YOURS

As they concede the experiment might fail, so we allow that it might succeed. The crypto-world is already developing its own infrastructure. Bitcoin Mercantile Exchange (BitMEX), which claims to have traded $26.5 billion worth

Fund at a premium



source: The Bloomberg

of bitcoin since November 2014, offers up to 100:1 leverage on bitcoin derivative contracts (though whether 100:1 leverage constitutes a mile-marker on the road to progress is debatable). "I receive LinkedIn messages daily from newly minted fund managers on the crypto haj through Asia," Arthur Hayes, CEO of BitMEX, writes in an August commentary. "Many of these newbies come from legacy financial institutions. In most cases they have commitments for $5 million to $25 million. One thing many managers convey to me is how much easier it is to raise money for a digital- currency hedge fund."

The bitcoin competitors—"alts," they're called—share a common business model, or, at least, impetus. "They're like bitcoin but better," Piotr Piasecki, a senior developer at Factom, a company based in Austin, Texas, that is using the blockchain technology in non-currency-related applications, tells Deputy Editor Evan Lorenz. "Litecoin is 'like bitcoin but faster', ethereum is 'like bitcoin but with scripting', etc. The overall idea is that if bitcoin can get X valuation, something better than bitcoin should get a better valuation."

Exio Coin, which began its two-week ICO on Sept. 7 (two days after this issue went to press), makes a further leap. Exio represents itself to be the "world's first self-evolving cryptographic currency officially endorsed by a sovereign nation." Which sovereign nation? Mum's the word till the ICO has closed. "With no one central bank maintaining control, Exio Coin will retain its decentralized characteristics," Exio co-founder Sunny Johnson told Bloomberg last week. "The sovereign endorser shares our vision for the future." As of Monday, we can apparently rule out China.

"Ethereum," Lorenz relates, "is bitcoin's closest challenger. It's the token of choice for buying ICOs. After a cool 3,799% year-to-date jump (vs. a more sedate 354% rise in bitcoin), ethereum boasts a $29.4 billion market cap. Ethereum's innovation is to allow smart contracts to run directly on its blockchain. What's a smart contract? Lines of software that transfer ethereum from one party to another when certain conditions are met, e.g. interest payments on a repo transaction (*Grant's*, Aug. 11) or the closing out of the purchase of the latest new ICO. The code runs in the sunshine of blockchain contracts, which supposedly forestalls fraud.

"Unfortunately," Lorenz goes on, "smart contracts can be written by dumb, or at least inattentive, people. An executive at a crypto-exchange tells me that $20 million worth of a client's ethereum got stuck in permanent limbo on the blockchain after a software update rendered an existing contract un-executable. It's thus the part of caution to pay for periodic software audits—at up to $30,000–$40,000 each. The executive to whom I spoke said that you have to think of ethereum as being in a beta phase. 'We constantly struggle with the ethereum network all day long,' he says. 'It just doesn't work very well.'"

BUBBLE ON A BUBBLE

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Entities under the management of Stahl and Bregman own 2.9% of the aforementioned Bitcoin Investment Trust, an open-ended fund that invests in bitcoin and nothing else. From the first trading day of the year through last Friday, GBTC shares appreciated by 537%, outpacing the 354% gain of the underlying asset. In consequence, GBTC traded at a 70% premium to net asset value. If bitcoin is a bubble, GBTC is a bubble on a bubble.

We asked Bregman why Stahl and he don't sell their shares in GBTC, monetize the premium, pay the taxes and buy the bitcoin outright. A few reasons, Bregman replied. To start with, if you believe, as he does, that bitcoin might be in for additional stupendous appreciation, a 35% (after tax) or 70% (pretax) premium to NAV isn't so important. Then, too, there are risks in owning bitcoin, as distinct from a fund that holds it for you. The loot could get hacked and stolen. You might bungle the process of consigning it to cold storage. So they do not now intend to sell the shares.

On Aug. 28 the U.S. Securities and Exchange Commission issued an investor alert on "Public Companies Making ICO-Related Claims." Said the text:

> Fraudsters often try to use the lure of new and emerging technologies to convince potential victims to invest their money in scams. These frauds include 'pump-and-dump' and market-manipulation schemes involving publicly traded companies that claim to provide exposure to these new technologies.

The agency said it suspended trading in First Bitcoin Capital Corp., a Canadian-based cryptocurrency outfit that held few, if any, bitcoin. Prior to Feb. 27, 2014, First Bitcoin traded under the name of Grand Pacaraima Gold Corp., a penny stock that found little, if any, gold. In a shareholder letter following the suspension, First Bitcoin reassured its investors: "We have been very busy generating more than 100 unique cryptocurrencies ranging from disrupting the air-miles-loyalty industry to providing solutions to the cannabis industry."

Every techno-savvy schoolchild knows about ICOs. An ICO of an ICO is more recondite. It's a company selling one variety of digital coins in order to fund the sale of different kinds of digital coins. Still not clear? P.H. Madore, a researcher at Hacked.com, discusses one such ICO of an ICO in his Aug. 30 analysis of ICOBOX.

"ICOBOX," Madore begins, "as you may know, is an Eastern European shop which will set up a company with an ICO from start to finish for between one and two hundred thousand dollars at current prices of bitcoin. They say they have successfully created 10 ICOs so far. For obvious reasons [or not-so-obvious reasons—*ed.*], they don't list the ICOs they have worked on to date, but we happen to know that the Paragon ICO associates itself with ICOBOX for some reason.

"The purpose of the ICOS token is to democratize and crowdify the selection of ICO projects at ICOBOX," Madore continues. "Basically what they're offering is the opportunity to vote on start-ups which will be launched through the ICOBOX platform. The other major benefit is that you will be able to exchange [at a discount] the ICOS token for tokens generated in ICOs offered on ICOBOX."

ICOBOX's own ICO will close on Sept. 15. Buyers are entitled to exchange their ICOBOX coins at a 75% discount for any ICO launched on ICOBOX's platform. ICOBOX promises it can launch new ICOs in six weeks: two weeks to prepare a new coin launch and a month for a public-relations campaign.

The public-relations drive to promote a pending ICO from LydianCoin Pte. Ltd. features Paris Hilton. One can, indeed, imagine that Hilton herself took pen in hand to draft the corporate white paper, e.g., "iteratively enhance the value of the Lydian tokens to consumers in the cryptocurrency space who want to focus their advertising and marketing messaging to those within the cryptocurrency space, and others who may be target consumers for crypto-industry services and products." The company seeks to raise $100 million.

TETHERED TO WHAT?

To judge by the cumulation of taxpayer complaints at the Consumer Financial Protection Bureau, cryptocurrency exchanges struggle to deliver a satisfactory customer experience. Without the support of American banking services, a satisfactory standard would be hard or impossible to reach. On March 31, Wells Fargo & Co. curtailed its correspondent relationship with Bitfinex, leaving the American customers of the No. 1 bitcoin emporium without the means to wire money in and out of the exchange. Unable to find a new U.S. correspondent bank, and under increasing regulatory pressure from the SEC, Bitfinex announced that it would accept no new individual American customer accounts, although American corporations are still welcome.

Which brings us to tether, the 19th-largest cryptocurrency listed by CoinMarketCap.com and the one and only alt coin that purports to be as sound as a dollar. Tether might as well be the dollar, its promoters contend (they do not choose to divulge their names), because every tether token is supported by one deposited greenback. USDT is the crypto's ticker, and such is the level of acceptance of tether that some exchanges, e.g., Poloniex, quote other alt coins in terms of USDT rather than dollars.

In April, Tether Ltd. and Bitfinex brought suit against Wells Fargo for denying them banking services (six days later, the plaintiffs issued a "notice of voluntary dismissal"). On April 22, Tether issued the following statement: "Since April 18, 2017, all incoming international wires to Tether have been blocked and refused by our Taiwanese banks [Tether is headquartered in Hong Kong and keeps offices in Taiwan]. As such, we do not expect the supply of tethers to increase substantially until these constraints have been lifted."

On April 22, the market cap of tether stood at $53.9 million. By Sept. 1, that value had grown to $320.8 million—and by Monday, Sept. 4 it had vaulted to $364.9 million. As it takes a dollar to make a USDT, the group that manages tether must have received $44.1 million in wires over a holiday weekend. Whatever happened to bankers' hours?

The seeming oddity of the Labor Day influx of dollars did not go unnoticed on the internet, and on Tuesday, Tether's management released a broadside to dispel "outlandish conspiracy theories suggesting that tether is not backed 1:1 by currency on deposit with banking institutions." Filling the banking void have been "other payment avenues and channels, including third-party payment processors and banking relationships in countries with friendlier correspondent banking connections," the statement said. Just who these friends might be, Tether didn't say.

"To date," Lorenz points out, "Tether Ltd. has issued no audited reports. The Sept. 5 announcement says that the group has hired an auditor (Friedman LLP of New York) and that, in the interim, tether-holders must rely on a single scanned page from what purports to be a summary of its Taiwanese bank accounts stamped by a Taiwanese auditor showing dollar assets footing to $44.8 million. Tether, however, no longer does business with Taiwanese banks. Then, too, according to CoinMarketCap.com, there were $55 million worth of tether outstanding on March 31."

BIG BEER PERIL

As to the arc of growth and decline in the craft-money business, look no further than the rise and fall of the craft-brewing business. "In fact," relates Richard Schmidt and Alex Walsh, analysts at Harding Loevner, L.P.,

> the growth of craft beer in the U.S. over the last decade has been nothing short of extraordinary—in a $100-plus billion industry that had been consolidating for decades, craft breweries rose from a paltry 3.4% market share (by volume) in 2006 to 12.3% in 2016. The surge was so pronounced that, in 2016, a new craft brewery opened in the U.S. on average every 11 hours. There are now around 5,500 craft breweries in the U.S. and, though some of their names flout beer-branding convention—Cellar Rats, Evil Twin, Rogue Ales, Dogfish Head, Against the Grain, Brew Cult, Hopping Gnome and Wooden Robot are a few examples—they mean business.

And so do the colorful crypto-brands GameCredits, FunFair, NoLimitCoin and Byteball mean business. Intentions are admirable, but prosperity can throw a curveball. Thus, new craft breweries have cannibalized market share from existing craft brands. "You don't say you're a Fat Tire drinker, you say you're a craft-beer drinker" Schmidt writes. "That's a problem for Fat Tire. So while market share of the craft-beer category has grown, the share of most individual craft-beer brands has been capped as that growth is shared among a larger pool of competitors."

Success has presented optical problems, too. There is no such thing as a powerful underdog; the bigger the craft breweries became, the less like upstarts they appear to the beer buyers. Boston Beer Co., Inc., maker of Sam Adams and, now, the second-largest craft brewer in the United States (after D. G. Yuengling & Son, Inc.), has shown year-over-year declines in revenue in five of the past seven quarters.

"While it may not be apparent to the casual beer drinker," Schmidt and Walsh go on, "many craft-beer brands of the last decade have now been acquired by the Big Beer giants, adding some of the movement's most recognizable names to their shelves (Ballast Point, Blue Point, and Breckenridge come to mind—and those are just the B's)."

Probably, the Fed will never buy Bitfinex, which makes the proliferation of craft currencies that much more problematical for the artisanal coin minters. "After all," as Lorenz wonders, "what exactly can cryptocurrency No. 866 offer that the existing 865 coins don't already do? If new coins continue to enter the market, might they come at the expense of lower prices for existing coins? Will ICOs that get too big begin to appear like the very establishment that cryptocurrency investors rebel against?"

The incumbent issuers of fiat money pose the bigger risk to digital wampum. AB InBev S.A. is a formidable competitor, but it doesn't have the A-bomb. Neither does it compile the Federal Register. In July, the SEC ruled that ICOs may constitute securities offerings. Presumably this means coin issuers might have to conform to the standards of the securities markets in issuing prospectuses and disseminating audited quarterly reports. On May 25, Sen. Chuck Grassley (R., Iowa) introduced a bill to require travelers crossing the U.S. border to declare their cryptocurrency holdings; the measure enjoys bipartisan support. Canadian securities regulators are similarly preparing to drop the hammer. Most unwelcome for ICO promoters was news last week that the Israeli Securities Authority may take a sterner look at new offerings. Cryptocurrency businesses have favored incorporating in Israel for the very reason that regulation in the Jewish state has been, as the saying goes, "light touch."

Monday's news from China therefore fits a worldwide pattern. The famous speculative proclivities of the Chinese people constitute only one source of support for the home-brew money movement. China's subsidized electricity costs are another pillar of strength; an estimated 58% of all cryptocurrency mining occurs in the People's Republic. Seeming to anticipate the announcement of Monday's regulatory crackdown, ICOINFO, a Chinese platform for ICOs, shut down on Aug. 31—temporarily, management said, until the authorities' intentions became clearer. To take the government's Monday blast at its face value, ICOINFO might be a long time returning.

One force in the crypto-money movement is the Friedrich Hayek–inspired vision of competitive currencies. Thoughtful bitcoin bulls want to create an alternative to governmental monopoly money—to invent and perfect a monetary system undistorted by state-directed manipulation. What an observant bull is coming to see is that the QE-infected fiat system has turned their imagined monetary Elysium into a speculative pinball game. The winners will be the sellers.

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