

AOTW: The Case Against Bitcoin

May 21, 2021

Good morning readers.

A nice touch of summer we've had this week, and we got news on Thursday that Uncle Doug is bending to allow people to enjoy the outdoors in a more fulsome way.

In a few more weeks it appears we may be able to reacquaint with family and friends via backyard BBQ. Things are getting better, even if it sometimes feels like molasses running uphill.

A zig-zag week in the markets (apologies for the technical term), but by week's end the major markets were basically flat.

Certainly not without its share of volatility, but by the end of the week "nothing to see here".

Inflation, Middle East unrest, cryptocurrency wobbles. And probably a few other things I missed as I tended to my lawn.

I got my lawn slice-seeded a few weeks back, not the cheapest option, but the lawn needed some help. Slice seeding is basically cutting 3-4 inches deep all over the lawn and seeds are planted down deep. A steady dose of watering for a few weeks and I was told my lawn would be much improved. Not one piece of new grass has appeared on the surface. C'mon man. Well I guess I'm back to square one with a few less dollars in my pocket.

If anyone has truly figured out lawncare please let me know. Happy to compensate in wine and/or other.

Cryptocurrency was in the spotlight this week as mentioned above. Some wild volatility. Seems like social media is a big part of the driving force of some of this volatility. Most notable the actions or comments of Tesla's Elon Musk. He likes it, he doesn't like it, he likes it. He's even been very active in promoting a cryptocurrency called Dogecoin. For dog lovers there is often a picture of a dog attached to its logo (I don't think that should impact its value, but since I don't really understand how its valued maybe it does).

Dogecoin was actually started as a joke (anyone else know of good businesses that were started as a joke? I'll await for any good responses), and Elon certainly got in on its act. It even made its way to Saturday Night Live which he hosted last Saturday and referenced Dogecoin while doing it.

Reminder, I repeat, Dogecoin was started as a joke. In April it was trading at around \$0.05, then in May it reached \$0.70, now its \$0.36.

Scary currency to own if you actually think that cryptocurrency is a valid currency. Far too volatile. Bitcoin is certainly the better known cryptocurrency, and in past missives we bemoaned some of its issues. From being used by unsavory characters to its massive electricity needs to just name a few. There are many a Bitcoin believer out there, however we still struggle with it. As an aside it was over \$63,000 in early May and is now trading at \$38,000. Again it's hard to understand how valid a currency is when it exhibits that type of volatility.

With traditional currencies we may lament 5-10% moves over the course of a year. With many cryptocurrencies those types of moves can occur daily.

I'm not here to try and persuade people that Bitcoin is inherently bad, people can make up their own minds on that topic.

However I think it's important people make decisions based on well-reasoned logic.

The article this week offers up some thoughts on Bitcoin. It's entitled "The Case Against Bitcoin", however if you click through some of the links you'll be able to find commentary from others who are more supportive of it. Bit-heads if I may.

Here it [is](#).

Some highlights, or lowlights, if you will:

China, Iran and Russia are playing the dominant role in the world of cryptocurrency. In the last week of April, mining pools based in China accounted for roughly 90% of the processing power ("hash rate") in the Bitcoin network. Roughly three weeks ago, a [power outage](#) in the Xinjiang region of China resulted in a plunge in global Bitcoin processing. Bitcoin mining — the process of record keeping for the "immutable" chain of record on which the Bitcoin network depends — is dominated by entities in countries with the stated objective to harm the interests of the United States. Bitcoin proponents continuously assure us that this is "[just about to change](#)," but the data has not shifted in a meaningful manner in the last five years. This is not a decentralized system. It is centralized in the countries that seek our destruction.

Just because the price of something is going up does not mean there it has an underlying value. Nothing makes that case clearer than the story of Dogecoin, the latest crypto sensation. Dogecoin exposes both the current mania and the irrelevance of many of Bitcoin's claimed attributes: It is not scarce, nor secure, nor limited. Elon Musk admitted on "Saturday Night Live" that it's a "hustle." And yet the price of Dogecoin has risen far more rapidly in recent months than Bitcoin.

Enjoy the read.

Have a great long weekend.

Sincerely,

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