

Bitcoin and all such coin-model cryptocurrencies are theft

by Paul Grignon, creator of the *Money as Debt Trilogy*

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Most of us understand the basic principles of fairness.



If four people contributed equally to making a pie, would they welcome a fifth claim on the pie from an outsider who contributed nothing? Of course not. Why should they?

But when it comes to cryptocurrency, both the authorities and the public have been fooled into believing this new invention has a legitimate use as an alternative form of money.

But not all are fooled. Bill Harris, former CEO of Intuit and founding CEO of PayPal and Personal Capital had this to say:

“In what rational universe could someone simply issue electronic scrip — or just announce that they intend to — and create, out of the blue, billions of dollars of value? It makes no sense.

All of this would be a comic sideshow if innocent people weren't at risk. But ordinary people are investing some of their life savings in cryptocurrency. One stock brokerage is encouraging its customers to purchase bitcoin for their retirement accounts!

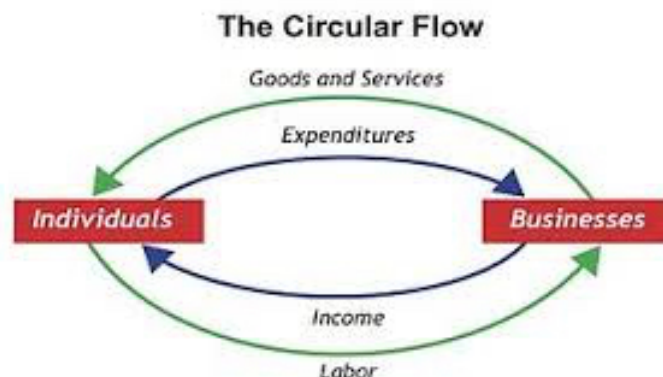
It's the job of the SEC and other regulators to protect ordinary investors from misleading and fraudulent schemes. It's time we gave them the legislative authority to do their job.”

**Obviously, we don't live in a rational universe
and regulators have failed to see through this techno-fraud.**

Add to that - very few people in general have even a rudimentary understanding of money itself.

That includes governments and economists. Given the well-verified fact that almost all money is created as someone's principal debt to a bank, one might expect the *source* of money to be central to the study of economics.

But it isn't. Just type "economics flow diagram" into Google, and choose "images". Browse through over 200 diagrams, all variations on the one below, explaining how money flows in the economy. I could not find even one of these supposedly explanatory illustrations that contains a bank, a bank loan, savings or the lending of existing money. Not one shows how money originates. That is the level of understanding of the "professional experts" who advise business and governments.



Ignorant about the current debt-money system, the "experts" in charge and the public at large both fail to understand that Bitcoin and similar coin-model cryptocurrencies are equivalent to theft by counterfeiting. Enthusiasts like to characterize "crypto" as a "liberation movement". However, the main thing being liberated from previous technological restraints is theft.



There has indeed been a revolutionary invention - "blockchain" technology. Information transfer has been liberated from the need for any "trusted 3rd party".

The banks, previously essential for providing secure information transfer services to commerce, can now be bypassed by using blockchain, a distributed ledger system over which no one has control.

Blockchain is a technology for the secure transfer of information.

Blockchain should not be confused with its uses, only *one* of which is to replicate the “coin-model” of money, a fixed quantity of something *made valuable by its own scarcity*.



This is a very old concept of money that was necessitated by the very limited technology of the past. The only way to transfer “value” conveniently over long distances was by physically transferring precious portable items that others would accept and trade on as money. Gold and silver could be purified and standardized into coins. Additionally, distant cultures valued these metals similarly in relation to property and consumable goods. These two factors made gold and silver coins the preferred world money for many centuries.



Gold and silver, the world’s coveted “precious metals” were difficult to extract from the ground. This guaranteed that these metals would forever remain scarce and therefore “precious”.

On the other hand, in the Twilight Zone of today’s financialization fantasies, there is no limit to how many of these “coin-model” cryptocurrencies that can be created, making the value due to scarcity concept a macroeconomic absurdity. - over 2300 cryptocurrencies exist as of July 2019!



How do you divide the national output by infinity to get a price level? Where is the common valuation and standardization that developed over centuries with gold and silver?

Crypto is not the “new gold” as exponents like Max Keiser claim.



It is theft.

These “coin-model” cryptocurrencies are small fires with the potential to burn down the “scarcity model” of money altogether. They are high-tech versions of a fundamental mistake.

**The scarcity model of money
is the *root* of the money problem - not the solution.**

Bitcoin is a perfect example. Bitcoin shot up from a fraction of a penny to \$20,000 US because it was first out of the gate and very successfully promoted as it continues to be. The name and logo were well chosen. The next stop is a quarter million dollars, according to the current hype.

But what is the basis of its “value”? Crypto enthusiasts claim that its value derives primarily from its independence from government, banking or any other third party, and the strict limit of 21 million Bitcoins that will enforce perpetual “scarcity”.

But clearly, if you have read any of the promotion for any of these cryptocurrencies, the only value they have is derived from widely-shared hopes of *getting something for nothing*.

Make that a LOT of something for nothing. Bitcoin rose 60,000% at its peak in late 2017.

Predictions typically tout multi-thousand percent gains. In this chart from 2014, each vertical unit is a price rise of 10X. The green line is the price of Bitcoin in USD. The first green dot is the real peak value in late 2017, the second dot, the price of Bitcoin as of Oct 24, 2019.



Crypto-revolutionaries often speak of banks creating “money from nothing” so “why can’t we?”

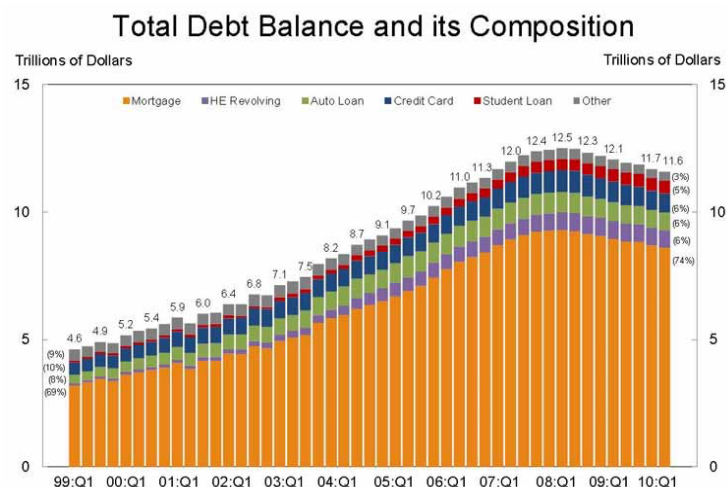
I detest that phrase. The truth is that bank credit is “money from our lifeblood”. Coin-model cryptocurrencies are fraud and theft for the same essential reason that counterfeiting is fraud and theft. They are designed to take without giving.



Bank Credit is NOT created out of nothing. Bank Credit is someone's **PRINCIPAL DEBT** to a bank. Which is really to say that bank credit is the borrower's debt to the society that accepted the borrower's evidence of that debt (bank credit money) in exchange for things of value.

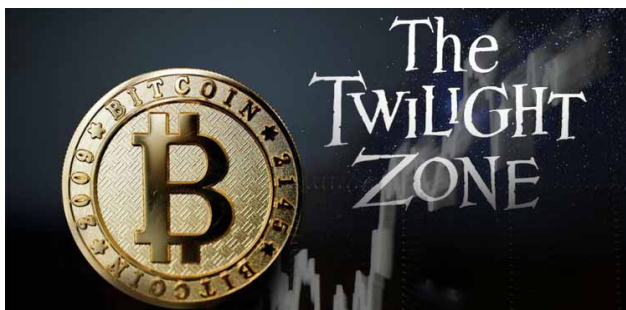
What creates “money” is a borrower's signature on a promise to repay to a bank the full principal amount plus interest, usually on a strict time schedule.

Bank credit money represents the borrower's commitment to produce something in demand by fellow humans in order to repay the “loan”. Because the majority of bank credit is created as mortgages, most money is a borrower's promise to society of up to 30 years worth of productivity - from managing a corporation to growing food to emptying our trash - all of it very **REAL**, useful and necessary to creating the real wealth of the society.



The current banking system is problematic, fraudulent and even ecocidal in its design as I have no hesitation in pointing out. But the basis of bank credit money is something that could not be any more *real* - the lifeblood of borrowers - mostly home buyers and business owners.

This is most definitely not the case with the coin-model cryptocurrencies. Having produced nothing, the early Bitcoin gamblers have acquired enormous real world purchasing power. New gamblers are salivating over predictions like the one above. Twenty-one million Bitcoins multiplied by \$250,000 each is \$5.25 trillion.



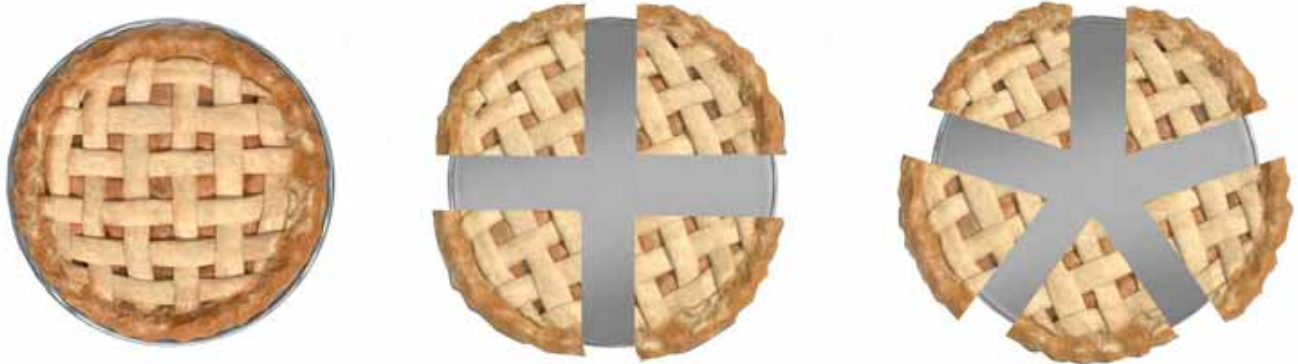
This is taking without giving on an unprecedented scale! These people are picking our pockets now and are eagerly intent on picking them at higher orders of magnitude in the near future - all the while sanctimoniously justifying this theft as a "revolt" against the bank and government monopoly on money.

Meanwhile, the greatest growth in hacking is hijacking other people's computers to mine Bitcoins.



Coin-model cryptocurrencies like Bitcoin are outright frauds - not productive investments. That should be obvious, but apparently, most people are dazzled or confused by the technology and too many can't wait to jump on the magic money greed-wagon themselves.

The simple and unavoidable truth is that such cryptocurrencies lay their claims on limited real world production in with the claims in conventional money of those who actually produced it. This is dividing the same pie into more pieces, the fifth piece being unearned, i.e. stolen.



Self-styled crypto-revolutionaries like to brag that governments can't shut down Bitcoin or any other "liberating" cryptocurrency because the distributed ledger technology is global, permanent, out of governmental reach and consists of text only, making it "free speech".

But none of those characteristics are what makes something "money". It is always *acceptance for value* that actually makes something "money". For instance, I could print a million dollars in counterfeit \$100 bills. They only become "money" for me if I can spend them to acquire something else, which *requires someone else to accept them as "money"*.



**Knowingly accepting and spending counterfeit money
makes the acceptor an accomplice in fraud.**

To shut down coin-model cryptocurrencies, governments need to pass legislation declaring their use *as money* to be fraud. This would make anyone accepting coin-model cryptocurrencies for value an accomplice in fraud. To post the sign above would be an admission of guilt.

Lacking such decisive action, we all stand to have our pockets picked until eternity by the creation and acceptance for value of an unlimited number of worthless "coin model" crypto-fraud currencies.

For politicians, economists and bankers who should know better and have a professional duty to the public, failure to outlaw these scams constitutes incompetence, dereliction of duty, and, once properly informed as you have now been if you've read this far, *an accessory to fraud*.

Now hold on, you might say. All kinds of things can and have had their value artificially driven up by speculative greed. The Dutch Tulip Mania happened more than 300 years ago. Are all such speculative bubbles “theft”?

If the proceeds of greed-driven speculation are spent on real things, it is also taking without giving. That is why productive people who work and produce for a living generally despise speculators. The more appropriate term might be “parasites”.

However, making profits from the price variability of real things is a fundamental freedom essential to any competitive market economy. Note the term “price variability of *real things*”.

In the Dutch Tulip mania, there was an investment goal - to own the most prized of several new varieties, and make a fortune from selling the public’s new favourite tulips. The resulting speculative frenzy was the result of an irrational bidding war, an unexpected consequence.

In the dotcom bubble it was stock in new technologies that inflated in value then crashed. The investment goal was to own a piece of the next big thing and make a lasting fortune from the sale or licensing of the technology. Again, the speculative frenzy was a consequence of an investment goal.

In 2008 it was real estate. The prices of people’s homes (usually their biggest investment) went through the roof and ended up in the basement. When the value of real things is inflated, the bubble always bursts eventually, returning prices to real-use values.

What are the real-use values of cryptocurrencies? Legitimate money transfer services are already so secure and convenient that one can just wave one’s cellphone over a sales terminal to pay a bill.

The main use for crypto that has real value due to the blockchain innovation has been crime, such as hiding income from the taxman, smuggling money in and out of countries and kidnapping people’s computers for ransom.

But these are all pocket change in comparison with the real “hidden in plain sight” crime, the widely publicized goal of driving just Bitcoin alone to a quarter million dollars ***in order to steal \$5.25 Trillion in real value from the rest of us.***