

Opinion **Lex**

Bitcoin: a poxy currency

Thinking in terms of hyper-deflation makes the mania easier to treat

NOVEMBER 29, 2017

What is to be done about a financial mania, an infectious disease of the mind? Greed and curiosity spread crypto-enthusiasm like unwashed hands in cold and flu season. Step one is to reduce transmission: tell friends and family that [bitcoin's price explosion](#) since March, from \$1,000 to \$11,000, is no reason to put their wealth at risk.

Comparing this infection to previous strains shows its virulence. Far beyond any modern stock market mania, history offers only the South Sea bubble and [Dutch tulipmania](#) as comparable outbreaks. But such pestilent comparisons do little to cure the afflicted, due to the pleasant side effect of ephemeral riches. Focusing on the rise in price can feed the hysteria, legitimising the impression it is normal, expected — and sustainable.

Instead, try administering the internal logic of the mania with an example those in its grip might recognise: Zimbabwe. The country became an economic basket case due to hyperinflation. Money printing made existing currency worthless, so ever more was needed to purchase everyday items. Prices rose so fast the incentive was to spend as fast as possible, further pushing up demand for goods and their prices.

Such cautionary tales of printing press misuse are what attracted some to cryptocurrency in the first place. Only 21m bitcoins can ever be created, placing control in the hands of software and the community which supports it.

Yet the experience of recent months is a mirror image of what happened to the Zimbabwean dollar. Bitcoin is experiencing hyper-deflation; the cost of everyday goods (in bitcoin terms) is getting ever cheaper. This creates the reverse incentive: the hoarding of currency, pushing its value higher.

Neither situation suggests [a currency useful to business](#) or consumers. But the power of such facts in 2017 is not encouraging. It may take the inevitable crash for the mind's self-repair mechanism — raw, painful, expensive regret — to kick in.

The Lex team is interested in hearing more from readers. Do you know someone displaying symptoms of bitcoin-itis? Please tell us what you think in the comments section below.

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