Crypto Crap and Economic Crises

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Overproduction, which under capitalism has nothing to do with production continuing after a need has been fulfilled, led to the movement of capital from the real economy into wildly speculative investments in which profit arises within the realm of financial transactions and thus has no natural limitations. When things went bust as they eventually must, the central bank raised interest rates to stifle the outflow of bullion and maintain liquidity. For the same purpose it also stopped the renewal of outstanding loans and demanded payment when notes were due.

The crisis in the UK that peaked in 1847 was more severe then any other that century and spread to the continent where it wreaked havoc on economies that were much weaker than that of Britain. That led to continental speculators seeking a safe haven for their capital in Britain, replenishing that country's stock and, along with a good wheat harvest, resulted in a general prosperity and social peace throughout the land. Meanwhile the continent was about to live through the famous year of 1848 when the misery of workers and peasants caused by the commercial collapse led to revolutions across the continent which in many cases overthrew governments, and for the first time threatened capitalism itself as many of the angry workers were also communists.

Because money in all its forms is such an elemental feature of capitalism its degree of availability and use is often thought to be the cause of economic crises, and its controlled use can either prevent future crises, or if one should occur, help an economy return to normality. But that Keynesian approach is contradicted by the Hayekian which states that if only people in power will let money alone it would keep the economy in perfect equilibrium.

In an essay, Choice in Currency, a Way to Stop Inflation, Hayek longs for the days of the gold standard when the international standard prevented political leaders from simply making more of it for social or private investment, thus, no inflation. But the gold standard is gone and probably cannot be revived, so Hayek proposes a novel approach toward the same end. Multiple currencies from which individuals can choose. Money from various nations and other sources would be freely interchangeable. Individuals would choose whichever they determined is most sound in payment for their labor, etc., and cheap electronic devices will quickly calculate costs in many different currencies for purchases. This would be a reverse Gresham's Law; individuals will certainty select the most stable currencies for their means of exchange and drive out the weak ones, leaving governmental entities no choice but to restrain themselves or devastate their economic connections to the rest of the world.

And so, monetary nuttiness did not begin with cryptocurrencies. Yet the latter does exist and many think it the monetary system of the future while others are certain it is a scam that will eventually collapse and disappear. Bitcoin appeared in 2009 right out of the trough of the slump; grew slowly and then dramatically, appreciating 1700% in 2017 to a trading value of $20,000 which has since fallen off to under $7000. It's claim to monetary value is that it's rare because of cost and difficulty to manufacture, and that inscribed in its encrypted architecture is the absolute number of tokens that will be produced.

The gist of it is that a *miner* using powerful electronic equipment and energy will manufacture cryptocurrency and present it to an exchange for which he will be paid in bitcurrency. This currency is traded within its own milieu securely unless a hack or technical problem obliterates ones wealth, but how does one make real money from it? The crypto people have come up with Initial Coin Offerings for such a purpose. Those buying them with real money may hold them if they think they may appreciate in value, or to save time by simply forgetting the whole thing because a Satis Group study found that 81% of he ICO's were scams.

Krugman thinks cryptocurrency will fail. Roubini thinks it's a scam. Shiller describes other means from the past, like time, being used as a substitute for conventional money. He also says some dumb things about Marx describing a future system without the need for money, and then cites the USSR and other Stalinist regimes as proof that Marx was wrong. Not only have the Stalinist "communists" led their own ongoing and completed conversion to capitalism (doesn't that negate them as communists by definition?), but Marx proposed the abolition for a future advanced and universal communist system. Such is the brilliance of the Nobel Laureate Shiller.

What is certain is that whatever the form a medium of exchange takes, it's up to no good. When used in payment for labor power, it's a way for the exploiter to keep for himself much of the use value as exchange value that was created by the worker. It can also be used as gambling chips in the huge market of untethered loot representative of all that unpaid surplus value left out of the worker's paycheck.

The Fed this week raised the discount rate once again. That's seven or so since 2015. The rest of the world have kept their rates steady because they still think the economy weak, but the Fed is confident that we are in take off and must presently restrain the threat of inflation. With the number one industrial power in the world raising rates that means liquidity will flow towards it, thus Hong Kong and a number of nations have been forced, against their own national interests, to also raise their rates to conserve their capital. It also means a stronger dollar which has caused the currencies, of Argentina, Brazil and Turkey to collapse in value, and their debts to rise. The Fed policy has worsened the downward spiral of much of the rest of the capitalist world while appearing to strengthen America as it vegetates in stagnation. What's happening now is pretty much the same old thing, just much bigger, more complex and infused with confusion -- a possible 1848 for the 21st century.

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