The big question

Would you invest in cryptocurrencies?

Yes

Charlie Morris, the founder of Byte Tree Asset Management

Decentralised ledger technology brings together pioneering computer science from the 1970s — combining cryptography, peer-to-peer file sharing, and the need for automated payment systems. Satoshi Nakamoto used these ideas to create bitcoin. For the first time, the internet had a currency. The fact that it could be traded and was globally accessible led to huge interest. Today, bitcoin is worth $300 billion, with another $500 billion in other crypto projects — and that’s after three crashes this year. About $25 billion changes hands in the bitcoin network each week — a growth rate of 100 per cent for a decade. It has become the world’s second most liquid alternative asset, behind gold.

No

Steve H. Hanke, Professor of Applied Economics at Johns Hopkins University, USA

Not long after the birth of bitcoin in 2009, I concluded that it was not a currency, but a highly speculative asset with a fundamental value of zero. It’s becoming clearer and clearer that the crypto religion is one of the greatest con jobs in history. The most recent exhibit is FTX. That bankrupt outfit was running on fumes since day one.

So, just how innovative are cryptocurrencies? As it turns out, private digital money is nothing new. Readers with bank accounts may be tickled to learn that they have been using private, digital money for a long time. Commercial banks have the power to create new deposit money whenever they make a loan or advance. The money created by banks exists in electronic book-entry form and generally has no physical existence. Evangelical crypto fans claim that blockchain technology will decentralise the world’s financial system and be an incorruptible basis for ushering in a new era of economic life. To be sure, there are technical, theoretical, and even aesthetic reasons to be interested in blockchains, but their ability to act as a distributed ledger or clearing house for financial transactions is not one of them. Banks have been reliable keepers of ledgers for centuries.

Ultimately, crypto’s value proposition does not rest on speed, digitalisation, network effects, interoperability, or product variety. Regulated financial systems already offer all these things. Crypto’s value and its claims to innovation rest overwhelmingly on its ability to provide end-runs around the law. Clearly, this is not the sort of innovation one wants to protect, let alone invest in. For those with a penchant for the roulette wheel, cryptos might be just the ticket.