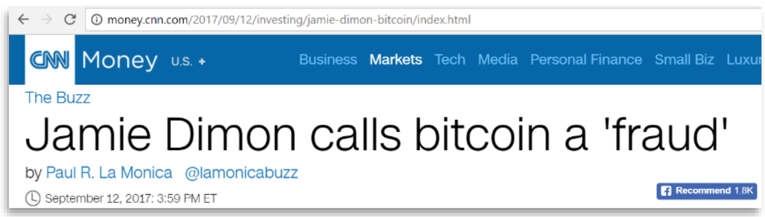
HORIZON KINETICS

Cryptocurrency Musings
(December 4, 2017 - An [Ongoing Cryptocurrency Series](#))

If Some News Falls in the Forest, and No One Hears It, Is it Still News?

After September 12th, pretty much everyone read or heard an off-hand remark about bitcoin by the CEO of one of the country's largest banks. It brought bitcoin into the public discussion. That awareness centered largely around whether bitcoin is a fraud or not, since that was the emotive and operative term used. Coupled with the dizzying price appreciation and dizzying price swings, Jamie Dimon no doubt influenced at least one person who might been considering whether to buy – or hold, for that matter.


money.cnn.com/2017/09/12/investing/jamie-dimon-bitcoin/index.html

CNN Money U.S. Business Markets Tech Media Personal Finance Small Biz Luxu

The Buzz

Jamie Dimon calls bitcoin a 'fraud'

by Paul R. La Monica @lamonicabuzz

September 12, 2017: 3:59 PM ET

Recommend 1.8K

Four weeks later, on October 13th, upon questioning and before saying he would no longer speak about bitcoin, he averred that people who buy bitcoin are stupid. One can be forgiven, if that is the most available, recognizable and authoritative voice on the matter, for being swayed by its weight.


Web Results

Jamie Dimon says people who buy **bitcoin** are 'stupid' - CNBC.com

https://www.cnbc.com/2017/10/13/jamie-dimon-says-people-who-buy-bitcoin-are-stupid.html

Oct 13, 2017 ... JPMorgan Chase Chairman and CEO **Jamie Dimon** can't stop talking about **bitcoin**.

On September 29th, sandwiched almost precisely between those two widely disseminated and highly abbreviated remarks was a more lengthy and detailed consideration of bitcoin. This was by someone with, arguably, a higher rank in the world of banking and finance, and speaking to a more erudite audience. Christine Lagarde, former Finance and Economy Minister of France, and the present Managing Director of the International Monetary Fund, was addressing a Bank of England conference in London, marking the 20th anniversary of its being granted operational independence over monetary policy. A major section of her speech dealt with bitcoin. Very clearly, this was not news in the U.S. and therefore could not much affect people's decisions about bitcoin. I was able to find mention of it in The Denver Post. That headline was: "IMF Chief tells central bankers: Ignore Bitcoin at your peril". That portion of her speech is appended to this letter, in case it might have its own impact.[1]


www.denverpost.com/2017/09/29/imf-chief-warns-bankers-bitcoin/

THE DENVER POST

IMF chief tells central bankers: Ignore Bitcoin at your peril

Lagarde argues tech innovation could iron out risk, volatility of virtual currencies

By THE ASSOCIATED PRESS

September 29, 2017 at 7:47 am

---

[1] https://www.imf.org/en/News/Articles/2017/09/28/sp092917-central-banking-and-fintech-a-brave-new-world

HORIZON KINETICS

SPEECH

Resources

русский 中文 español العربية 日本語 français

Central Banking and Fintech—A Brave New World?

By Christine Lagarde, IMF Managing Director
Bank of England conference, London

September 29, 2017

Governor, Distinguished Guests, Ladies and Gentlemen—Good morning!

Thank you, Mark [Carney], for that kind introduction, and thank you to the Bank of England for inviting me to this wonderful event.

Let us start with **virtual currencies**. To be clear, this is not about digital payments in *existing* currencies—through Paypal and other "e-money" providers such as Alipay in China, or M-Pesa in Kenya.

Virtual currencies are in a different category, because they provide their own unit of account and payment systems. These systems allow for peer-to-peer transactions *without* central clearing houses, *without* central banks.

For now, virtual currencies such as Bitcoin pose little or no challenge to the existing order of *fiat* currencies and central banks. Why? Because they are too volatile, too risky, too energy intensive, and because the underlying technologies are not yet scalable. Many are too opaque for regulators; and some have been hacked.

But many of these are *technological* challenges that could be addressed over time. Not so long ago, some experts argued that personal computers would never be adopted, and that tablets would only be used as expensive coffee trays. So we think it may not be wise to dismiss virtual currencies.

Better value for money?

For instance, think of countries with weak institutions and unstable national currencies. Instead of adopting the currency of another country—such as the U.S. dollar—some of these economies might see a growing use of virtual currencies. Call it dollarization 2.0.

IMF experience shows that there is a tipping point beyond which coordination around a new currency is exponential. In the Seychelles, for example, dollarization jumped from **20 percent** in 2006 to **60 percent** in 2008.

And yet, why might citizens hold virtual currencies rather than physical dollars, euros, or sterling? Because it may one day be *easier* and *safer* than obtaining paper bills, especially in remote regions. And because virtual currencies could actually become *more stable*.

For instance, they could be issued one-for-one for dollars, or a stable basket of currencies. Issuance could be fully transparent, governed by a credible, pre-defined rule, an algorithm that can be monitored…or even a "smart rule" that might reflect changing macroeconomic circumstances.

So in many ways, virtual currencies might just give existing currencies and monetary policy a run for their money. The best response by central bankers is to continue running *effective* monetary policy, while being open to fresh ideas and new demands, as economies evolve.

Better payment services?

For example, consider the growing demand for **new payment services** in countries where the shared, decentralized service economy is taking off.

This is an economy rooted in peer-to-peer transactions, in frequent, small-value payments, often across borders.

Four dollars for gardening tips from a lady in New Zealand, three euros for an expert translation of a Japanese poem, and 80 pence for a virtual rendering of historic Fleet Street: these payments *can* be made with credit cards and other forms of e-money. But the charges are relatively high for small-value transactions, especially across borders.

Instead, citizens may one day prefer virtual currencies, since they potentially offer the same cost and convenience as cash—no settlement risks, no clearing delays, no central registration, no intermediary to check accounts and identities. If privately issued virtual currencies remain risky and unstable, citizens may even **call on central banks** to provide digital forms of legal tender.

So, when the new service economy comes knocking on the Bank of England's door, will you welcome it inside? Offer it tea—and *financial* liquidity?