

Cryptocrash

di Paul Krugman

I don't normally post in the evening, but I thought I'd offer three quick notes on an ... interesting day in the crypto market.

First, today's price action shouldn't change your view about Bitcoin's usefulness or lack thereof. If, like me, you consider the whole thing a delusion — BTC isn't a medium of exchange, nor is it a reliable store of value — then you already knew that and the fact that we seem to be having a Wile E. Coyote moment isn't information about the fundamentals. (There are no fundamentals.) If you have some story about why this aging financial innovation is actually useful — do tell — you should HODL through the panic.

Incidentally, some readers insisted that HODL stands for “hold on for dear life.” No, it doesn't. That's a retcon intended to make it sound more respectable. The term comes from a post on a crypto message board from an investor so panicked that he misspelled HOLD. See link in this morning's post.

And I did something similar in the title of this post as emailed out! Sigh.

Second, the fact that BTC is now lower than it was before the 2024 election is significant in two ways. It shows the limits of political favor — all the boasts about making American a crypto superpower, all the deregulatory talk and pardons for cryptocriminals, in the end couldn't defy gravity.

But it also means that everyone who bought Bitcoin in the belief that Trump would make Bitcoin greater than ever has lost money, in many cases a lot of money. So this is another case of ETTD: everything Trump touches dies.

Finally, this crash may have political consequences. At least some young men supported Trump because they believed that he would enhance their crypto

investments, and have remained favorable because he seemed to be delivering. I don't know how many bitterly disillusioned bros there will be now, but there will be some.

And in general the whole "Say what you like about Trump, but markets are up" mindset must be under severe strain.

Are we having fun yet?