

Funding the Future

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I published [this video this morning](#). In it, I argue that cryptocurrencies are nothing of that sort because almost none are ever used to facilitate trade – for which they are wholly unsuited because of their uncertain values. They might just be highly volatile assets. Alternatively, they might best be seen as mechanisms to undermine the state.



The [video is available here](#).

The [audio version of this video is here](#).

The transcript is:

Cryptocurrencies aren't currencies. That needs explanation, of course.

I'm worried about crypto. I don't believe in it. I should lay my cards straight on the table because the whole of the crypto market seems to me to be devoid of any meaning, content, purpose, or value. But let me explain why these things are most definitely not currencies.

A currency is used as a medium of exchange between willing participants in a marketplace. I suspect the amount of crypto so-called currency that has been used for this purpose in proportion to the total crypto, whatever you call it, that exists is absolutely minute. Cryptocurrencies are not used for trading.

What I can say for certain, though, are two things. One is that they are not created by a government. And the only way that you can be sure that what you offer in exchange for something else has value is if it is offered by a government who has backed it up with a promise to pay, as is true of almost all the world's major currencies.

And secondly, this money cannot be used to pay tax in almost any country in the world, and therefore it lacks that aspect of being a currency as well.

So, in the sense that these assets, if that is what they are, are anything, it's not currency.

And in fact, anybody who thought they were going to use them for currency would be most incredibly unwise, because the value of crypto goes up and down like a yo-yo. More often than a yo-yo, it in fact seems, because most yo-yos sit lying redundant on toy shelves around the world, whereas crypto is moving all the time, and in entirely volatile ways.

So, this supposed currency has, in fact, got the most incredible rates of inflation and deflation built into it, when compared to the value of other goods and services, to make it wholly unsuited for the task of actually being used for the purpose for which it is given a name.

It's not a currency then, but is it a store of value?

Well, again, I genuinely don't know the answer to that because of course that trading volatility that exists around crypto suggests that this is a speculative asset at best, but a speculative asset that frankly most people don't really understand.

It's created as a consequence of a computer solving a mathematical algorithm - the so-called mining process, which absorbs vast amounts of electricity.

No one knows who does this mining. There are no quoted companies who admit to making profit from this. There are no known companies who in fact engage in this activity. And yet it takes place, we are told.

Who gets that profit? How do they profit? Where do those profits go? That is an enormous mystery.

Is it even an asset? Because is there double entry surrounding its production? If we end up with an asset, a debit, who's got the credit? If we can't answer that question, I'm not even sure that this is as such a meaningful asset in the context of the double-entry bookkeeping that defines all the terms of trade the world over.

But worse than that, there's something more sinister about this still, because we know that this supposed asset is traded through the blockchain. Now, ignore the fact that we know that people lose their blockchain passwords and so on, and therefore are locked

out of accounts which supposedly have millions of pounds in them, or they throw their computer away and their purse of crypto assets was on that computer, which is now in a rubbish skip somewhere that they can't find.

Ignore all that dimension, and just say, is it there at all? Because we've seen crypto exchanges fail, and with those failures, well, these assets have disappeared as well.

So, my question is, why are there some people, most especially on the far right of American politics who are so desperately keen to promote crypto as if it is something of immense value? And, my answer is that I can only find one political explanation for crypto, and that is that it undermines the role of the state.

The state is defined by its ability to create money and its consequent ability to impose tax because the two are intimately related, as I have explained in other videos. If you take away the power of the state to create money, and therefore you deny it the right to tax because it can't find the money that somebody else has created or supposedly transacted in, or made profit in, or whatever else, if you take that power away from the state, then does the state continue to function?

We know full well that there are many people on the American far right who have no faith in democracy, no faith in the power of the US Constitution, no faith in the right of, well, government to govern. Are they promoting crypto as the way to undermine the state, just as they're trying to deny funds to the American Internal Revenue Service, its equivalent of HM Revenue and Customs, so that it can't tax?

My belief is that that is possible, and their investment in crypto assets is driven by this desire to create something beyond the state, which they believe will undermine the state, and therefore leave them with power. If that's the reason for crypto, a great many people are being hooked into a ghastly scheme from which we will all lose. And that is my concern about the whole of the crypto bubble.