

Crypto is not money

Published: January 12, 2026, 8:36 pm

Crypto is not money. It's not secure. It's not stable. It's just speculation wrapped in dogma — and a huge risk to society.

https://www.youtube.com/watch?v=-zpijANwCIQ?si=l0JGZyQmsMSDn_FL

This is the audio version:

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This is the transcript:

Cryptocurrencies are the giant economic con trick of our age.

They are based upon an ideology of hate: hate of government, hate of banks, hate of systems, and they provide nothing in exchange. There's no stability, no foundation, no proof of value, literally nothing at all. And there is no way in which you can build something of value on the basis that those who have set out to build cryptocurrencies have done.

My point is very simple. Cryptocurrencies are a thing which has absolutely no proof of value inherent within it. Just because somebody has to solve a mathematical algorithm using vast amounts of energy to create a coin, whatever it might be called, does not

prove that the consequence is something that is worth having.

Vast amounts of energy have been expended throughout history trying to do things which have turned out to be utterly pointless.

Alchemy was one of those, trying to turn things into gold. It wasn't possible. And, nor is it possible to turn a mathematical algorithm into value in the way that those who have created cryptocurrencies claim, and there are good reasons for making this suggestion.

First of all, there is no one cryptocurrency. There are lots of them, and they don't behave like money. At best, they are commodities, but commodities that we can't even describe or use. They don't even function like money. They're far too volatile in terms of value to actually be used as a medium for exchange, which is the most basic and common denominator use of money, because what the exchange might be worth today is nothing like what it might be worth tomorrow. So neither party to an exchange is actually willing to partake in it because they have either no idea whether they're getting good value today or no idea whether they will have good value tomorrow when they come to spend what they've received by way of crypto, if they're the seller.

The point is that that's because crypto has proved itself to be an utterly useless store of value over time, and this is another fundamental characteristic of what money should be. We're obsessed with inflation when it comes to currencies, whether that be the pound, the euro, the yen, the dollar or whatever. We want them to be stable. The very thing that attracts people into crypto is the fact that they are profoundly unstable, and people are therefore trying to make a gain out of them. The very quality that money requires, that it be very boringly mundane and stable as to value, is the last thing that people want in crypto, and it is, as a consequence, absolutely useless as a basis for pricing goods and services, and that means that this isn't money at all.

Now, the one thing that crypto is good for, and which we know it's good for is criminal activity.

We know that it has been used for trade in illicit drugs. Indeed, that is one of its biggest uses as far as anybody can work out.

We know that blockchain aids this. I know that advocates say that blockchain is completely auditable, until, that is, you try and prove what has happened, when nobody can prove anything, because you've got to have the codes for every participant, and because you can't work those out, you can't prove what has happened. And as a consequence, blockchain and cryptocurrencies, in combination, are amazingly useful to those who want to money launder and undertake fraud. This, therefore, appeals heavily to those who are trying to avoid laws and taxes. No wonder there's a strong link between tax havens and cryptocurrency.

And no wonder there's also a strong link between cryptocurrency and those from the far

right of politics who are anti-government, anti-regulation, and anti-the-establishment, because the establishment tries to maintain order, and that's the last thing that the proponents of cryptocurrency want. They're actually trying to undermine that order. And crypto would appear to be one of their weapons to actually destabilise our economies, our banks, and our institutions.

This is driven by so-called libertarian ideology, and as I noted at the outset, this is a philosophy of hate. A philosophy of hate cannot be the foundation of a basis of trust, and yet a basis of trust has to be inherent in any currency.

And it can't be inherent in crypto. There is no right to use it in exchange. It isn't legal tender. There is no authority to intervene in a crisis, meaning therefore, there is no lender of last resort when it comes to cryptocurrency. There is no one to bail you out if you want to find somebody who has responsibility for the currency in question, as there is in the case of a government, because they will always bail out somebody who holds their currency. And if a cryptocurrency fails, you basically are on your own.

This, then, is nothing like the financial system that most people actually want to live within. There is no national deposit insurance scheme as there is, for example, with regard to the dollar, the euro and the pound.

There is no backstop if things go wrong. And whilst we might find that some big cryptocurrency exchange operators might help out in the event of a failure, there's absolutely no guarantee that they will. There is, therefore, a massive opportunity for exploitation within the system.

And there's an absence of regulation, which clearly assists those facts. Cryptocurrencies operate in legal grey areas, and there are no consumer protection rights. What that also means, though, is that if there's no information, because there's no regulation, central banks lose control of the money supply if crypto is used instead.

And in that case, what we face is the real risk of massive inflation if crypto becomes commonplace. I don't think it will, but I think it's only appropriate to record the fact that the risk exists.

So, who carries that risk? Well, ultimately, it would be the person who owns crypto. They have no backstop. They are in a situation where they could lose all their cryptocurrency if they lose their passwords or equipment is stolen. There is no help desk, there's no refund, there's no insurance. This might be the ultimate neoliberal dream where all the risk is carried by the individual and not by an organisation, but let's be blunt about it: crypto actually provides the ultimate ripoff possibility.

And what is more, there isn't somebody you can complain to. Bank mistakes can be corrected. Cryptocurrencies that have gone through the blockchain can't be, and that, therefore, again, means that this is a system on which people should not rely.

What I'm worried about is that in practice, there is a hierarchy of power within crypto. This idea that all the risk ends up with the crypto user doesn't deny the fact that actually the crypto creator does actually hold all the power in the relationship between the user and the creator.

They create the accounts.

They could technically block users if they so wished.

They could change the rules of blockchain. These things can be divided and different forms created.

They can expand the numbers on the creation of currency and not seek anyone's consent, so what you thought was the currency limited in supply suddenly won't be. There could be price volatility as a consequence.

What I'm trying to say throughout all of this video is that play with crypto if you want, but understand what it really is. It's just a game of financial speculation. There's no more, or no less, to it than that.

This is not money.

This is not something that is ever going to meet a real-world need.

This is not something on which you should bet your house, or frankly, very much at all. I wouldn't go near it with a barge pole.

This is something that is probably facilitating illegal activity somewhere near you.

This is all about dogma, and a dogma that seeks to destroy the society that you live in, with all the protections that you enjoy.

If you really want to partake in that game, because you fully understand what's going on, then do, but in the vast majority of cases, people don't understand the risks, and in my opinion, crypto should be so heavily regulated, and so ring fenced by consumer protections, that nobody should go near it.