

Crypto or AI — which bubble bursts first?

<https://www.taxresearch.org.uk/Blog/2025/10/15/crypto-or-ai-which-bubble-bursts-first/>

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AI doesn't think. Crypto isn't money.

Both claim to be revolutionary, but both are built on fantasy.

In this video, I unpack the shared myth that code can replace care, that hype can replace real value, and that speculation can replace society.

From the greed driving crypto to the fear driving AI, I argue that both reflect a deeper crisis in capitalism itself.

https://www.youtube.com/watch?v=9oP9HPhB-VI?si=qBFLzj0xl_mY7H7y

This is the audio version:

https://www.podbean.com/player-v2/?i=drdit-1992ee5-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What is going to cause the next crash? Is it crypto with its promise to replace money, or is it AI with its promise to replace thinking?

Both are hailed by their proponents and fans as revolutionary breakthroughs that are

going to change the world as we know it. But frankly, each of them depends more on belief and hype than it does on any form of substance, at least so far.

So the question is not whether the bubbles of hype that now surround both of them will burst, but which one of them will go first?

Crypto was sold as digital democracy. It is a promise of money without the involvement of states or banks. The rhetoric was wholly libertarian. There was going to be an escape from regulation, an escape from tax, an escape from accountability. This was freedom without the state to constrain it, and yet none of that has been delivered , well, almost none of it.

The unaccountability does exist.

The fraud does exist.

The crime does exist.

And the escape from regulation does exist because the blockchain permits that, despite everything that is said about it by its proponents.

But the truth is that crypto has not become a currency. There's lots of activity in crypto, I fully admit it. Vast quantities of real money valued in dollars, or pounds, or yen, or euros, or whatever are thrown at this market. But none of it is really being used for exchange. This is about investment in hype. There is no substance to any of the cryptocurrencies created in the world. Even those which are supposedly called stablecoins are uncertain as to their value and whether they really have the true exchangeability that is implicit in their name.

All that has been created by crypto is volatility and not value, and that has concentrated power in a few new hands in the market, but has it actually delivered a new way of trading? A new way of exchanging? No, not at all.

Crypto's value depends almost entirely on finding new buyers for crypto. The bigger fool keeps on coming in to follow the price hike that has been created by the last new entrants into this market. That, of course, is the definition of a Ponzi scheme. And on the way, vast amounts of real energy is used, and frauds have destroyed its moral credibility over time because, let's be clear, everything that I'm saying about the fact that frauds happened with crypto is based on fact. Whole exchanges and individual currencies have failed because there is no backing to them. And I stress, I believe that this even extends as far as stablecoins.

Mania has dressed itself up as innovation in the case of crypto, but the truth is, there is no more to this than there was to the Tulip mania of the 17th century.

AI involves a different form of hype. AI has been marketed as a new form of industrial

revolution, one that takes over the requirement that people think. The claim is that AI can automate everything from the law to love, and I have seen articles on the last point. Behind the rhetoric, however, there are massive corporate monopolies. They are controlling data and all the computing power that really is driving AI, and we're seeing that concentration grow in US stock markets, where all the seven largest companies who have driven most of the rise in the value of those markets over the last couple of years are AI-based in some way.

The claim is that there is going to be a productivity miracle as a consequence of the use of AI, and that is why these firms are so highly valued. But as yet, nobody knows where the productivity miracle is. Nobody knows that we won't actually all be spending a lot of time in the future correcting the mistakes that AI has made. And the hype hides enormous costs, costs of energy, and of surveillance and of labour displacement.

AI does not think. All AI does is recognise patterns in behaviour. The promise of intelligence is simply false. The name is misleading. It can't actually create something new. All it can do is take what is and manipulate it. And the consequence is that AI is not going to be the next stage in the industrial revolution because a revolution requires innovation, and that's not what AI can do. So AI's bubble is not only financial, it is moral and existential as well.

The fact is both crypto and AI present themselves as emancipatory technologies. In practice, both concentrate wealth, energy, and control in very few hands.

And both rely on stories of freedom from government or freedom from labour to attract investment.

And both are converting social energy into speculative profit, leaving the real economy starved of the resources it needs to tackle the real problems that we know we face in everything from housing to the environment, to flood defences and everything else.

The crypto bubble has been driven by greed, and it is already deflating. We've seen a recent crash, a fall of 30% in the value of some of these so-called assets in the space of a day. That bubble could deflate even further very soon. There is no value behind anything in the crypto market.

In contrast to greed in the crypto market, the AI bubble is driven by fear. The fear of missing out, and of falling behind. Large companies are throwing billions of dollars, pounds, euros, and yen into the AI sector, all because they are worried about being left behind. But they don't know what they're worried about being left behind from.

They don't know what their competitors are going to find, and it's that paranoia, that the competitor might find a use for AI, which they don't know about, that is driving their fear, and so they're spending. But just like crypto, when the money stops going in, as it will do, because at some point people are going to realise there is going to be no rate of

return on the money being spent on AI, then this market will collapse because its promise of productivity is not going to happen, at least in the short term. It might in 20 or 25 years' time. We might see real gains by then, but over the timescales that those in the market now think are relevant to determine the rate of return they require on their investment, there is no chance at all that they will see the productivity gains that they want.

We need, therefore, to stand back. The future cannot be built on hype or crypto coins, or code alone. Real progress means investing in people, in care and sustainable production. We need technology that serves society, not speculation that extracts from it. The only truly intelligent system is one that is grounded in human cooperation and not ultimately in AI or crypto or even tech.

We have to work together. And the trouble we have is, we may have a crash before we realise this. That is my big fear. One or both of these two sources of hype that are now underpinning most of the value of the stock markets and financial markets, and indeed the growth in GDP around the world on which politicians are hanging their hopes, might fail. And what we need to do is realise that could happen and we need to go back to fundamentals. And fundamentals are all about you and me, and not the machine that comes between us.

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