

## [I'm still trying to understand why Bitcoin won't fail](#) [1]

Written by [Tim Worstall](#) [2] | Wednesday 1 January 2014



Anything that people happily use as money is of course money. So, if you can get people to use something as money then it is money: in which sense Bitcoin is indeed money. You can buy things with it therefore it is money. And yet I still can't quite see why it's going to be successful: successful here meaning a widely accepted form of money and accepted over the long term. There's many economists writing about it now in a manner that there weren't even just a few weeks ago: it has reached at least that level of success, that people are sucking their teeth over it. [Tyler Cowen](#) [3], Paul Krugman [and friends](#) [4], there's a lot of very clever people whose opinion I respect saying that it's not going to work.

And do note that it tends to be the nerds and the computer scientists who insist that it will and the economists who are a great deal more unsure about it.

My sticking point comes from the ease with which you can create a cybercurrency. The Bitcoin source is open, so anyone can use that. And I asked a friend who knows about these things to estimate how much work it would take to launch a new such currency based upon some tweaks to that code. A couple of days of pondering later he came back with "two man months". And that's why I just don't think it's going to work: it's too easy to copy.

Assume that, as Cowen does, the entire idea of cryptocurrency does indeed work: thus there will be seignorage profits to be made from introducing a new one. Do the two man months of work, launch the new currency, reserving some portion (20% sounds nice) of all that will be issued over time for the launch partners and, because cryptocurrencies are successful this will be a workable business plan. But precisely because it is a workable business plan then many people will be doing it and thus there will be no scarcity value of cryptocurrency. With no scarcity comes no value and thus the failure of cryptocurrencies.

In the end I see it as the Golgafrinchan B Ark using leaves as money. They end up having to burn down the forest to stop the inflation. And given the ease of launching a new cryptocurrency I can't see the extant ones retaining value.

I'm entirely willing to be shown to be wrong here but I really just don't see the long term "success" here. I see the South Sea Bubble part of it, ride the wave until it's over but other than that...

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