

Jamie Dimon is Right to Fear Cryptocurrency

When JPMorgan Chase CEO Jamie Dimon called Bitcoin a “fraud,” what ensued looked a lot like a “poop and scoop” con: The practice of driving down a thing’s price by saying bad things about it, then buying up a bunch of it before the price bounces back. After Dimon’s comments, JPMorgan briefly became one of the cryptocurrency’s biggest buyers. The company claims it was purchasing Bitcoin on behalf of clients, not as corporate policy, but it looked bad.

Now Dimon is badmouthing cryptocurrency again. And, as before, he clearly either has no idea what he’s talking about or has sinister motives.

“It’s creating something out of nothing that to me is worth nothing,” Dimon told CNBC. “It will end badly.” He also warned that as cryptocurrencies become more popular, government crackdowns will drive them into the black market (that’s happening in China right now).

The key words in Dimon’s “to me [it’s] worth nothing” are “to me.” Value is subjective. What’s a thing worth? Whatever it’s worth to you, or to me, or to Jamie Dimon. Each of us may find that thing more valuable, or less, than do the other two.

Dimon considers cryptocurrency “worth nothing” for one reason only: Because his company — the largest bank in the United States and among the largest in the world — doesn’t control it. And that’s one of several reasons why others find it very valuable indeed.

Cryptocurrencies run on blockchains, “distributed ledgers” without central authorities. Dimon prefers fiat currencies, which are created by governments, managed by central banks, and funneled through institutions like his, legally privileged choke points taking generous rake-offs from wealth created by others but forced to pass through them.

Neither crypto nor fiat currencies are backed by physical commodities like gold or silver, but the resemblance ends there. Crypto is backed by the work of maintaining its ledgers, called by the imaginative name “mining.” Fiat currency is backed only by your trust in the governments (and the Jamie Dimons) of the world.

“Creating money out of thin air without government backing is very different from money with government backing,” he says. He’s right. Money with government backing pays Jamie Dimon. Cryptocurrency threatens his business, his paycheck and his way of life.

His prediction of government crackdowns isn’t just a prediction, it’s a fervent wish. He’s desperate to see cryptocurrency crushed, unless he can find a way to force it through the JPMorgan toll booth.

Dimon should be careful what he wishes for. If cryptocurrency is forced entirely into the "black market," that market will, sooner or later, bury him. His only chance is to co-opt blockchain and cryptocurrency methods into the fiat system. Here's hoping he fails.