

## Twitter Thread by Patrick McKenzie



**Patrick McKenzie**

@patio11



**So the cryptocurrency industry has basically two products, one which is relatively benign and doesn't have product market fit, and one which is malignant and does. The industry has a weird superposition of understanding this fact and (strategically?) not understanding it.**

If everyone was holding bitcoin on the old x86 in their parents basement, we would be finding a price bottom. The problem is the risk is all pooled at a few brokerages and a network of rotten exchanges with counter party risk that makes AIG circa 2008 look like a good credit.

— Greg Wester (@gwestr) November 25, 2018

The benign product is sovereign programmable money, which is historically a niche interest of folks with a relatively clustered set of beliefs about the state, the literary merit of Snow Crash, and the utility of gold to the modern economy.

This product has narrow appeal and, accordingly, is worth about as much as everything else on a 486 sitting in someone's basement is worth.

The other product is investment scams, which have approximately the best product market fit of anything produced by humans. In no age, in no country, in no city, at no level of sophistication do people consistently say "Actually I would prefer not to get money for nothing."

This product needs the exchanges like they need oxygen, because the value of it is directly tied to having payment rails to move real currency into the ecosystem and some jurisdictional and regulatory legerdemain to stay one step ahead of the banhammer.

Pause here to acknowledge that product two has learned exactly which words to emphasize to product one's audience to borrow their credibility, networks, and talents to facilitate the building of their payment rails and legal entity shellgames. ("It's censorship resistance!")

"Why are Bitcoin exchanges hives of scum and villainy?"

Because if they weren't Bitcoin would be valued at its use value, not its speculative value.

"Why don't we find a bottom in the market?"

Because the use value is, to a reasonably accurate approximation, zero.

Oh to be a character in a Michael Lewis book, seeing the world around him gone utterly mad and being virtually unable to stop it or profitably trade it because of market microstructure. \*sigh\* Hey narrator, make this book more like the Big Short and less like Flash Boys, please.