VIEWPOINT

The Ticking Bomb of Crypto Fascism

The crypto market's inevitable crash will pull America's politics in an even scarier direction.

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The last thing you see before you die.

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Making predictions about looming social and political catastrophes is a dicey business, because most of the exciting things in history did not happen predictably. You can try to draw historic parallels based on broad economic or cultural trends. In America, in 2022, we have a vicious and spiraling culture war combined with an enormous asset price bubble fueled by two years of stimulus money, all resting atop an incredibly tenuous pandemic-wracked real economy. If you think the Angry White Men were scary during the Trump years, just wait until the crypto bubble pops.

Let's think this through. The foundation of everything happening now is a sort of late capitalist nihilistic politics fueled purely by culture wars—an almost primitive flight from rationality driven by a half century of rising inequality and crumbling faith in ineffective public institutions. The American dream is dead: Children no longer do reliably better than their parents. The dream of a one-income supported household is over. In its place have sprouted the gig economy, crushing student debt, the death of unions and generalized precarity. The rich are unimaginably richer, and everyone else is spinning their wheels. The Republican response has been the culture wars, in lieu of actually redistributing wealth. This has been effective, ironically, because the sort of healthy institutions that would prevent culture war politics from being so powerful are the very institutions that are withering away. Technological changes and the atomization of mainstream media have intensified our division into warring political camps, identity-based tribes that further radicalize electoral politics, and are in turn radicalized by it in a non-virtuous cycle.

That is the soil of America today. And sprouting from that, in the spring of 2020, was the pandemic. The economy briefly shut down, and there was a panic, and then there was a ton of government stimulus money, which has successfully staved off another Great Depression. That is good. An effect of that, however, is that there is simply a lot more money in America than there was before. That money has flowed into every sort of asset—stocks, real estate, you name it. Its enormity is fueling weird bubbles, the kind of bubbles that happen when people are searching desperately for salvation. Booming "meme stocks" like GameStop soared then fell, their up-and-down stock charts standing as stark illustrations of the fact that it is impossible for pump-and-dump schemes to replace a functional social safety net. Even more significant is the rise of cryptocurrency (and, to a lesser degree, NFTs, the ephemeral online artworks whose value is now approaching that of the entire traditional U.S. art market). Crypto is now worth trillions of dollars. All of that value is premised not on some fundamental utility, but rather on the idea that there will always be someone else who will come along and pay you more than you spent on your crypto. This is going to end badly.

They are called crypto "currencies," but clearly they are not currencies. Their value fluctuates far too much to be a useful medium of exchange. So what are they? They are collectibles, pure speculative objects with zero intrinsic value. If you buy a stock, you own a portion of a business; if you buy a house, even if the price goes down, you still have a house. If you buy a Bitcoin, you have nothing but the title to a piece of computer code that can do absolutely nothing for you except to the extent that someone else can be induced to pay you money for it. In the midst of a mania, as we are now in, the price of these imaginary assets tends to rise, because the collective public sentiment is that the prices will rise. When that sentiment changes—whether due to fear, or some event that causes crypto holders to need to cash out—the price will plummet. This basic dynamic has been demonstrated a zillion times in financial history, often by assets with far more substance than crypto.

Crypto, like meme stocks, is a poor replacement for the American dream. A functional nation would end gerrymandering, pass campaign finance reform, end the filibuster, abolish the undemocratic U.S. Senate, tax great wealth, institute public healthcare and build a social safety net to ensure that no one in our very wealthy country slipped all the way through the financial cracks of life and was ruined. But that's not the American way. The American way is to cheer on the few lucky ultra-rich people, and fete them as heroes, and look for a way to emulate them, although such a thing is mathematically impossible. Instead of socialism, we have given people crypto. They buy crypto, for the most part, not because of lofty beliefs in techno-futurism, but because they think it is a way to get rich quick for a low entry price. Crypto is just a modern lottery ticket. But whereas lottery tickets only cost you a little at a time, crypto will inflate to the moon and then crash into the gutter in a far more devastating way. The bitterest irony, perhaps, is that while the regular folks flock to crypto because they think it's a utopian land of opportunity for the little guy to make a buck, it is, in fact, largely controlled by a small cartel of rich investors. Just like everything else.

The crash of crypto is bound to happen for the same reason that all Ponzi schemes eventually crumble: There is not an infinite supply of new people willing to pay ever-increasing prices for the stuff that you currently own. The more interesting question is not whether many small-time investors will lose a lot of money on their crypto investments, but what will happen when they do?

Here is what will happen when hundreds of thousands of younger investors are smashed by the crypto crash: They will be radicalized. This will not be experienced as simply a decline in prices, because crypto represents much more than a simple investment to its most fervent adherents—it represents a way out of the American trap. It represents the existence of opportunity, the possibility of economic mobility, the validation of the idea that you, a regular, hard working person without connections, can go from the bottom to the top, thanks to nothing but your own savvy choices. When that myth is shattered, disillusionment with the American system will follow. Unfortunately, given the realities of the moment, these newly disillusioned and radicalized and angry and broke people are far more likely to turn to fascism than to socialism.

Crypto, a portfolio of inherently worthless online tokens, is already sustained almost entirely by myth. Its value proposition is so inscrutable that when it melts down, almost any narrative could be crafted to plausibly explain it. It was the Fed! The government! The leftists who hate entrepreneurialism! It was the dark and devious forces of the shadowy deep state! Anything will do. It will enforce the priors of those who placed their faith in crypto as a good substitute for the American dream—a crowd of Barstool Sports readers and tech libertarians and the types of people who used to buy silver bars from Alex Jones before they turned to Bitcoin. The crypto-evangelist population skews heavily towards a sort of New Age libertarian, anti-government right wing-ism, and when they see their financial dreams evaporate, they will likely set their sights for revenge on the things they already despise. The broad effect will lead to a large number of newly angry, bitter, disillusioned, hopeless people who are too steeped in the culture wars to turn towards working class solidarity, and instead turn towards hate.

So, if you want to amuse yourself during these end times, think about how much the timing of the crypto crash might end up affecting the basic existence of American democracy itself. If the crash strikes, say, six months before the 2024 presidential elections, it could be sufficient fuel to propel Donald Trump or one of his acolytes back into the White House and to further poison the national dialogue with rage and a spirit of vengeance. A fun thing to speculate on.

The specifics of these changes, of course, are unpredictable. But I feel safe saying that, when history looks back in hindsight, it will see crypto as a gargantuan bubble that—as capitalism always does—wiped out the finances of tons of small people who could not afford to be wiped out, and left the rich mostly intact, all because it was able to convince regular people to believe that this time was different. The delusion that salvation from capitalism can be found in new, more clever capitalism is incredibly seductive, and always wrong. Let's hope that we snap out of it before it's too late.

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