



Cryptocurrencies: speculative bubble or huge opportunity?

In the last days, Wall Street has concluded yet another maxi-IPO. Coinbase, a platform for the exchange of virtual currencies, has been listed on the Nasdaq to the tune of 100 million dollars.

In fact, this company has numbers (and not only, as is often the case, expectations). Revenues in the last quarter amounted to 1.8 billion dollars, with an estimated net profit of between 730 and 800 million.

Everything, however, rests on the assumption that these cryptocurrencies are here to stay and, indeed, to spread more and more as a payment instrument and not just as a financial asset, given that they lack a real underlying asset, if not precisely the potential to establish themselves as a payment instrument.

This leads to deeper reflections on the presence or absence of a real underlying for the constantly increasing value that these currencies are registering, synonymous with a continuously growing demand compared to supply.

In addition, there would be other considerations, regarding the interest of mining companies, which are always looking for places able to offer cheap and cold energy (the servers in fact produce large amounts of heat and constantly need low temperatures to operate), to continue, in the medium to long term, their activity. In fact, their margins would seem to be destined to continually shrink and, given that cryptocurrencies are expected to be finite in number, sooner or later, which is difficult to predict at the moment, the convenience of continuing this activity should cease.

Now, if the basic assumption of the blockchain, the technology on which cryptocurrencies are based, is that each transaction carries with it information about all previous exchanges (and to what end if the various actors in the network are anonymous?), is it not the case that this infrastructure, which is currently supported by servers provided by miners, who receive cryptocurrencies in return, will require an ever-increasing computational capacity to keep track of all the information relating to previous transactions, and will therefore consume more and more energy, thus clashing not only with non-economicity, but also with the more urgent issue of environmental sustainability?

Today, the most plausible answer I have found to this question is that the economic viability of the system will be based on the commissions generated by transactions, and the Coinbase case mentioned above would seem to confirm this thesis. Thus, it could be that there will simply be a shift in ownership of the servers from the miners to the trading platforms. One unknown factor, however, is the growth in computational capacity needed to validate increasingly 'heavy' transactions, given the ever-increasing amount of information they carry.

Obviously, at the moment, there are no answers, nor should one have the presumption to 'dismantle' a gigantic phenomenon that seems, for the moment, to be working. The fate, which I personally see, at least in the long term, is twofold: the total collapse of this system, with the

consequence that the last people to bet on it could be those who pay the bill, or, the greatest opportunity to create a universally accepted payment system, completely transparent (if the States were to intervene in terms of regulation) and which would act not only as a means of exchange, but also as a store of value, which is one of the main functions of currencies today.

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