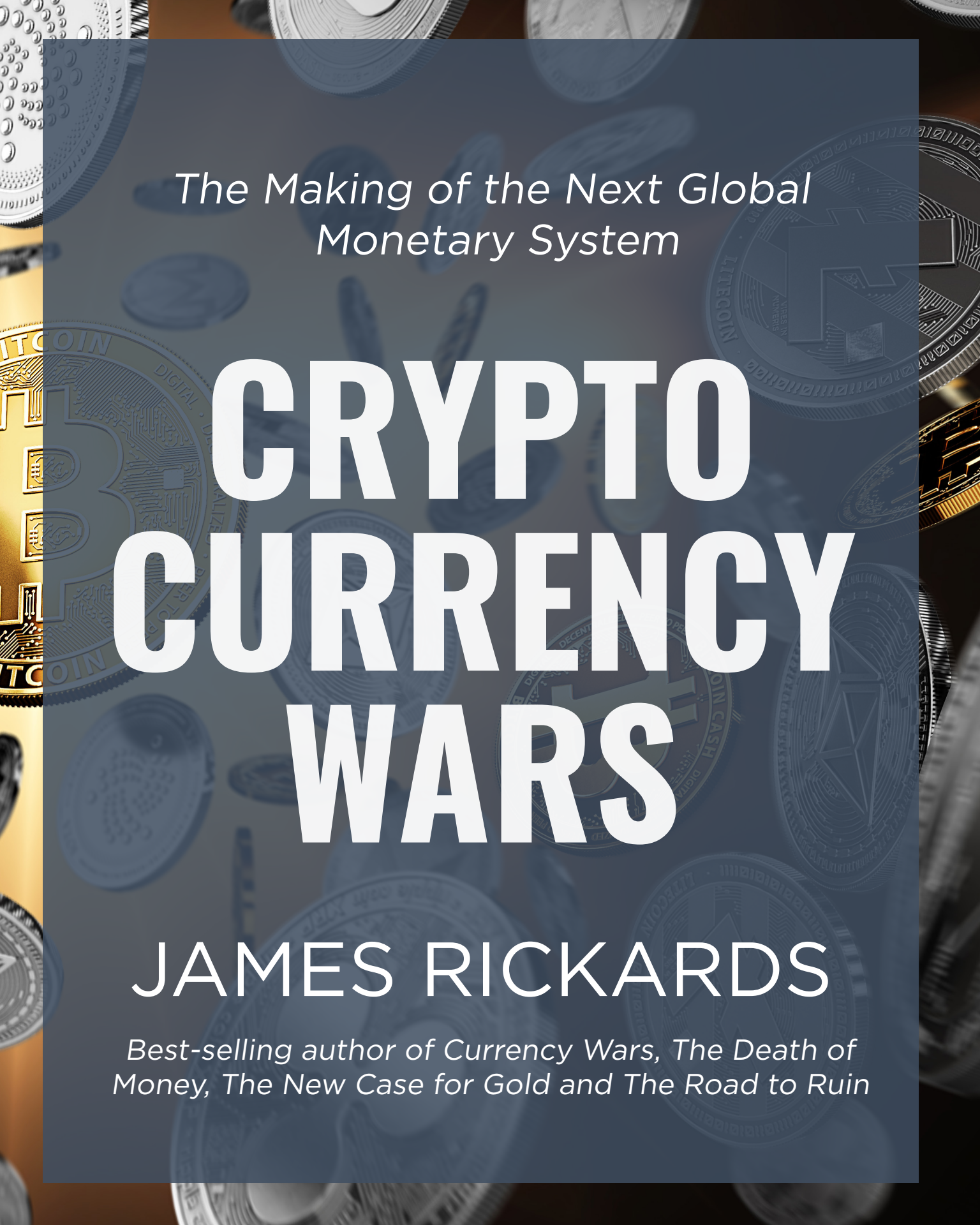

The Making of the Next Global Monetary System

CRYPTO CURRENCY WARS

JAMES RICKARDS

Best-selling author of Currency Wars, The Death of Money, The New Case for Gold and The Road to Ruin

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Foreword by Peter Coyne

For Ann

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Foreword

Cryptocurrency wars...

There's no question that digital money is coming, it's already here.

But who's really going to win the battle for crypto-supremacy?

Will it really be Bitcoin, the first kid on the blockchain?

Or will it be up-and-comer Ethereum, with its basis in smart contracts?

Or will it be another of the 1300+ cryptos...

Or "Fedcoin?"

Or something else we can't even imagine?

And in the post paper-dollar age, whose digital money will hold supreme among the new form of assets to be held by Central Banks?

Will it still be the US, with a crypto form of the dollar?

Or more likely, will it be a global cryptocurrency form of the "Special Drawing Rights" or SDR assets that the IMF is trying to push down our throats?

Already, IMF head honcho Christine Lagarde is making threats. If she carries through, watch out -- your dollar-backed savings could tank overnight.

All the risks, all the threats, and all the protective steps you'll need to take... you can read about in Jim's new book, *Cryptocurrency Wars*.

This is a private "printing". You won't find the book online through Amazon. Or in bookstores.

Please do not share it or reproduce it either.

It's solely for paying members of *Jim Rickards' Strategic Intelligence*, like you.

It's so that important that I want you to know what's coming... and how to prepare yourself.

There's so much more you *need* to know, beyond just how to deal with the bubble in bitcoin alone.

Radical change lies in waiting…

For your money, for how you work and save, for how your business will operate (if it survives at all) and even who to trust with your most private information, going forward.

This is a battle between ideologies.

On the one hand, will you live in a world that's open and free? That is, a place where anybody can bypass the controlling central forces like government and big banks...

Or will it be the powers-that-be who win out, seizing the blockchain to force closed, controllable networks... and permanent, uneditable databases of our most private information?

It's all in Jim's brand new book, *Cryptocurrency Wars*.

This isn't just about picking the right investments. That's part of it… but it's not the entire picture.

Think back to 1993.

With the Internet, there was so much more ahead than a stock market boom.

Something so simple as email transformed the way we did business. And where we did our work. It closed geographic gaps and killed the fax machine.

Online storefronts unleashed billions of dollars in untapped income. And devastated traditional retail. Streaming movies killed Blockbuster. And streaming music killed CDs.

And social media changed the face of American politics.

There's no question the "crypto-revolution" will change our world too.

If you make money on the coming boom, you'll have whole new ways to spend it, save it, store it and invest it... anonymously, more efficiently, and without banks and other obstacles.

But you'll need to watch out...

Because there will be an inevitable dark side too. The middlemen in finance and government won't go down without a fight. They'll try and might succeed in using the same tech against you.

You'll control your information. But what happens when you're coerced in sharing your permanent transaction record with the wrong people?

Every move follows you forever.

You'll need to know where the risks are, just as much as the opportunities.

That's why we're here, to give you more than just investment recommendations or information.

While Jim and our team researches the ways to make money on this massive paradigm shift, we'll also be there to guide you through the rest of the transformation on an ongoing basis.

Jim will show you the bigger picture. And give perspective and wisdom, instead of just information.

For the last four decades of his career, that's been Jim's specialty.

It's why he's been a trusted consultant to the Pentagon and the CIA…

It's why he was called in to help negotiate the release of American hostages from Iran in the 1970s…

It's why he helped negotiate the bailout of Long Term Capital Management in 1998 when the financial system was just hours away from collapsing…

It's why he sat in the Treasury warning of the 2008 crisis months before the collapse started…

It's why he has four best-selling books…

And is in demand across the world for speaking engagements

As a publishing business, we've invested a substantial amount of money in spreading Jim's message far and wide. Not just in the U.S. but in at least eight countries around the world.

His information network puts him in contact with everyone from former Fed Chairmen and foreign ministers to insiders at the White House, even a member of Trump's cabinet.

In this day and age, you don't need *more* information.

You only need *better* information.

That's what Jim's here to provide in this book.

And once you're done, the story doesn't stop.

Jim will continue sending you the "story not being told" by the mainstream in his monthly *Strategic Intelligence* newsletter issues.

He'll also send you weekly emails with the most salient articles he finds during his hours and hours of research each week. Even better, you'll have free, ongoing access to our monthly podcasts we produce as part of your newsletter subscription.

Taken together, I like to think of all of your subscriber benefits as the ongoing chapters of this book – written and sent to you in real time.

I'm proud to have you on board.

Read on…

Best regards,

Peter Coyne
Publisher, *Jim Rickards' Strategic Intelligence*

Introduction

Please, do not invest another nickel in bitcoin or any other cryptocurrency until you read this new book.

The days of easy money in bitcoin are over. Now there's a new battle brewing for dominance in the world of crypto.

Who could win?

If you're paying any kind of attention...

And you know what's truly at stake...

I'm certain you want the answer to the question that's plaguing everybody with even a nickel to invest – namely, *will the crypto market collapse to zero?*

Or is it destined to soar still higher?

Before we go a single step further, here's my short answer...

If there's any easy money still left to be made in the crypto market – and there is – you will NOT find it where most investors have looked before.

There's not a doubt in my mind, the days of pouring a few thousand into Bitcoin, Ripple, or Ether... and sitting back to pile up millions... are over.

Done.

Finished.

Does that mean you've completely missed the boat?

Absolutely not.

I'm here to tell you, after months of mostly holding my tongue, I happen to know of another way that you still *could* make a fortune on this phenomenon.

And it's not how you think.

For instance, what I'm about to show you has nothing to do with hanging on for a Bitcoin at $100,000... and nothing to do with buying "penny cryptos" either.

It's a whole different idea for getting rich, based on an "alt crypto" I'll bet you not one investor in a thousand has heard about.

And even among those that have, it's not something most of them understand.

Even though we've got a historical precedent for how much wealth it could create... in fact, one that shows how this "alt crypto" could remap the world.

What am I talking about?

It's just one of the *fundamental financial shifts* covered in this brand-new book.

You won't find this book on Amazon or available in any bookstore.

It's dawning on even the most exuberant Bitcoin fans that those easy days are *over*...

Some who were on the brink of "buying in" now worry they've missed out completely...

Well today, I'm here to tell you that you can be right on both counts and STILL make a life-changing fortune in the crypto markets. But not at all in the way you might think.

Not only will it demystify how this crypto-phenomenon took off like it did... and how we got to the place where we are now... but it shows you why this unique wealth phenomenon isn't over at all.

It's just evolving in a very unexpected way.

If you understand how that evolution will take place, yes you could still make a fortune.

On the other hand, fail to understand the conflict now taking shape -- a real battle for dominance over the technology behind crypto and over the parts of the economy it could change -- and you could lose.

Big time.

That's why I believe you must read this brand new book.

Especially if...

- You still intend to invest anything – even "mad money" – in Bitcoin, Ethereum, or one of the many emerging "penny cryptos" that have yet to grab the spotlight…

- You believe, as I do, that the REAL fundamental shift from cryptocurrency technology is just getting started, in a way that could re-map government, economics, and your way of life…

- Or you believe that it's *only a matter of time* before the crypto-revolution overtakes the world of paper money, with the potential to unseat king dollar as the world's #1 reserve…

I address every one of those themes in the following pages.

I also show you why huge risks face investors who aren't hedged for these big changes.

You'll see why Bitcoin or Ripple or Ethereum alone won't be enough in the strange times ahead.

I'll also show you why Bitcoin itself will *not* be remembered as the biggest breakthrough in the cryptocurrency market, not at all.

In fact it could easily be well on its way to becoming the Pets.com or MySpace of this revolution... *leaving thousands of American investors high and dry*... while another "alt-crypto" -- also revealed in the book – swoops in to steal all the attention.

You can still make money -- even a lot of money -- in the cryptocurrency market. But not by buying and hoarding the crypto-coins alone.

What's coming is a much bigger phenomenon.

It will go through many gyrations -- and a few inevitable phases of change -- before we get to the REAL final outcome. And there will be lots of surprising winners and losers along the way.

What you do next could easily decide where you land on either side of that divide.

You see, I believe that there are still a *few* smart individuals left... people who still have a realistic view of cryptocurrencies, what they offer, and the risks that come with those opportunities too.

If you've made it this far, there's a high chance you're one of them.

Like me, you know that Bitcoin or one of the other encrypted tokens very well *could* go to $100,000 per coin or higher... or it could plunge to zero, like we saw for so many "hot" dotcoms in the '90s.

But you also believe, as I do, that there still could be something much bigger underway.

A phenomenon that, once you understand it, not only could make you very rich... but could be the start of a *fundamental evolution* for our economy, our ideas about government, and the way we live.

You, like me, probably understand that this whole idea -- the concept of digital money that's so much harder to track, hack, steal or trace back to its origins -- isn't just a daily news item.

It's a potential pivot point in the history... of everything.

But especially for the history of money and currency wars.

Both money and the currency wars are evolving every day…

Chapter 1
A Brief History of Currency Wars

As a lawyer, economist and investment banker, I've amassed over 35 years of experience working in capital markets on Wall Street.

I've also acted as the chief strategist at West Shore Funds, worked with the CIA and spent decades in some of the country's most recognized financial institutions.

But what's kept me up at night is the U.S. dollar and its inevitable collapse.

In fact, it's my work on finance threats like the collapse of the dollar that has given me the opportunity to become a trusted advisor to the U.S. government and intelligence community.

These experiences are the basis of my work.

Currency Wars are one of the most important dynamics in the global financial system today. Of course, I started talking about this years ago in my first book, called *Currency Wars*.

My point then is the same today: The world is not always in a currency war, but when we are, they can last for five or ten, fifteen and even twenty years.

There have been three currency wars in the past one hundred years. In fact, since 2010, the world's been in one.

In a currency war, countries try to devalue their currency relative to other countries currencies… in an attempt to boost their economic growth.

Those currency fluctuations creative massive investment opportunities...

Currency wars are one of the most important dynamics in the global financial system today.

A currency war is a battle, but it's primarily economic. It's about economic policy.

The basic idea is that countries want to *cheapen their currency*.

Now, they say they want to cheapen their currency to promote exports. Maybe it makes a Boeing more competitive internationally with Airbus.

But the real reason, the one that's less talked about, is that countries actually want to import inflation.

Take the United States for example. We have a trade deficit, not a surplus. If the dollar's cheaper it may make our exports slightly more attractive.

It's going to increase the price of the goods we buy — whether it's manufactured good, textiles, electronics, etc. — and that inflation then feeds into the supply chain in the U.S.

So, currency wars are actually a way of creating monetary ease and importing inflation.

The problem is, once one country tries to cheapen their currency, another country cheapens its currency, and so on causing a race to the bottom.

Of course, I started talking about this year ago in my first book, *Currency Wars*. My point then is the same today: The world is not always in a currency war, but when we are, they can last for five or ten, fifteen and even twenty years.

They can last for a very long time.

There have been three currency wars in the past one hundred years. Currency War I covered the period from 1921 to 1936. It really started with the Weimar hyperinflation. There was period of successive currency devaluation.

In 1921, Germany destroyed its currency.

In 1925, France, Belgium and others did the same thing.

What was going on at that time prior to World War I in 1914?

For a long time before that, the world had been on what's called the classical gold standard. If you had a balance of payments, your deficit, you paid for it in gold.

If you had a balance of payment surplus, you acquired gold.

Gold was the regulator of expansion or contraction of individual economies.

You had to be productive, pursue your comparative advantage and have a good business environment to actually get some gold in the system — or at least avoid losing the gold you had. It was a very stable system that promoted enormous growth and low inflation.

That system was torn up in 1914 because countries needed to print money to fight World War I.

When World War I was over and the world entered the early 1920s, countries wanted to go back to the gold standard but they didn't quite know how to do it.

There was a conference in Genoa, Italy, in 1922 where the problem was discussed.

The world started out before World War I with the parity.

There was a certain amount of gold and a certain amount of paper money backed by gold.

Then, the paper money supply was doubled. That left only two choices if countries wanted to go back to a gold standard.

They could've doubled the price of gold -- basically cut the value of their currency in half -- or they could've cut the money supply in half.

They could've done either one but they had to get to the parity either at the new level or the old level. The French said, "This is easy. We're going to cut the value of the currency in half." They did that.

If you saw the Woody Allen movie Midnight in Paris, it shows U.S. expatriate living a very high lifestyle in France in mid-1920s.

That was true because of the hyperinflation of France. It wasn't as bad as the Weimar hyperinflation in Germany, but it was pretty bad. If you had a modest amount of dollars, you could go to France and live like a king.

The U.K. had the same decision to make but they made it differently than France did.

There, instead of doubling the price of gold, they cut their money supply in half. They went back to the pre-World War I parity.

That was a decision made by Winston Churchill who was Chancellor of Exchequer at that time. It was extremely deflationary.

The point is, when you've doubled the money supply, you might not like it but you did it and you have to own up to that and recognize that you've trashed your currency. Churchill felt duty-bound to live up to the old value.

He cut the money supply in half and that threw the U.K. into a depression three years ahead of the rest of the world.

While the rest of the world ran into the depression in 1929, the U.K. it started in 1926. I mention that story because to go back to gold at a much higher price measured in sterling

would have been the right way to do it. Choosing the wrong price was a contributor to the great depression.

Economists today say, "We could never have a gold standard. Don't you know that the gold standard caused the great depression?"

I do know that -- it was a contributor to the great depression, but it was not because of gold, it was because of the price. Churchill picked the wrong price and that was deflationary. The lesson of the 1920s is not that you can't have a gold standard, but that a country needs to get the price right.

They continued down that path until, finally, it was unbearable for the U.K., and they devalued in 1931. Soon after, the U.S. devalued in 1933. Then France and the U.K. devalued again in 1936. You had a period of successive currency devaluations and so-called "beggar-thy-neighbor" policies.

The result was, of course, one of the worst depressions in world history.

There was skyrocketing unemployment and crushed industrial production that created a long period of very weak to negative growth. Currency War I was not resolved until World War II and then, finally, at the Bretton Woods conference.

That's when the world was put on a new monetary standard.

Currency War II raged from 1967 to 1987. The seminal event in the middle of this war was Nixon's taking the U.S., and ultimately the world, off the gold standard on August 15, 1971.

He did this to create jobs and promote exports to help the U.S. economy. What actually happened instead? We had three recessions back to back, in 1974, 1979 and 1980.

Our stock market crashed in 1974. Unemployment skyrocketed, inflation flew out of control between 1977 and 1981 (U.S. inflation in that five-year period was 50%) and the value of the dollar was cut in half.

Again, the lesson of currency wars is that they don't produce the results you expect which are increased exports and jobs and some growth. What they produce is extreme deflation, extreme inflation, recession, depression or economic catastrophe. This brings us to Currency War Three, which began in 2010.

Notice I jumped over that whole period from 1985 to 2010, that 35-year period? What was going on then?

That was the age of what we call "King dollar" or the "strong dollar" policy. It was a period of very good growth, very good price stability and good economic performance around the world. It was not a gold standard system nor was it rules-based.

The Fed did look at the price of gold as a thermometer to see how they were doing. Basically, what the United States said to the world is, "We're not on a gold standard, we're on a dollar standard.

We, the United States, agree to maintain the purchasing power of the dollar and, you, our trading partners, can link to the dollar or plan your economies around some peg to the dollar.

That will give us a stable system." That actually worked up until 2010 when the U.S. tore up the deal and basically declared Currency War III.

President Obama did this in his State of the Union address in January 2010.

Here we are and they're still continuing. That comes as no surprise to me.

A lot of journalists will see, say, the weak yen, and they'll say, "Oh, my goodness. We're in a currency war."

And I'll say, "Well, of course we are. We've been in one for eight years. And we'll probably be in one for eight more years, even longer."

Currency wars are like a seesaw — they go back and forth and back and forth.

But it's not just fiat currencies anymore that are part of the fight…

Enter the Cryptocurrency Wars

There are 1,300 cryptocurrencies today.

All of them are in a different kind of currency war than established fiat currencies…

They're not trying to devalue to gain an advantage…

Instead, they're vying for attention… relevance… and global adoption.

They're "fighting" to become a fixture in the international monetary system.

Most of those 1,300 will not make it…

But some will.

That's why this is so tightly connected to the currency wars I described above.

The world is about to have more currency competition.

The only question for investors is…

Why cryptos will go extinct?

And which will flourish?

That's why we're publishing this book. I want to help you understand this space.

I'm not interested in recommending mania-speculations.

We won't be talking about a coin just because it's going up in price, like so many blogs online.

That's dangerous and I recommend you stay away from strategies like that.

Instead, we're going to show everything you need to know about this space and money in general so that you have peace of mind and full understanding about what's happening.

Let's start with a very important point...

Chapter 2
There is No Such Thing as “Crypto”

The Cryptocurrency Wars are a huge topic.

Bloggers and pundits throw the word "crypto" around as if everything in the crypto space is the same.

This is wrong.

For example, I consider the dollar a digital cryptocurrency.

What do I mean by "crypto?"

It just means encrypted.

It just means the message traffic surrounding payments is encrypted.

Well, guess what?

Dollar payments are encrypted.

When you pay online for your MasterCard or your Visa, or you use a Visa card at a restaurant, or you get direct deposit to your bank account from your employer, or you do a wire transfer to make an investment, all that message traffic is encrypted.

It's all digital.

No one's walking around with suitcases full of cash. Maybe some drug dealers are, but people don't.

We've got a little walking around money as we say, filled up in our wallets, fine.

People use debit cards, credit cards, direct pay, wire transfers, pay online, etc.

That's how people pay their bills.

All that message traffic is digital, and it's all encrypted, and it's all in dollars.

You can call the dollar a cryptocurrency today.

Maybe that's an important foundation to frame this whole book and get away from the pixie dust that seems to surround the word "crypto.”

Definitions and nuances are important. We need to know if we're talking about "cryptocurrencies"… "blockchain technology"…"initial coin offerings"… "safe contracts" or "smart contracts"… and more.

We might also talk about the various uses of each and legal regulatory regimes involved. I'll talk more about those in later chapters.

Each thing I just mentioned is a big topic in itself.

And, when most people talk about them, all of those terms seem to fall under the banner of "crypto."

I don't want to mush it all together, because I think there's too much of that.

People are kind of glib in the conversation, but I think it's important to make all these distinctions so we're not just throwing the word *crypto* around without a lot of content.

We should know exactly what we're talking about.

So let's get a few topics defined…

The Blockchain

For those not familiar, this all originates with a certain kind of technology, a certain protocol called the blockchain.

The Blockchain is basically a record-keeper or a ledger.

Right now, certainly for hundreds of years but still true today, if you bought a property from somebody, you'd show up at the closing (or your lawyer would) and the seller would have a deed.

They would sign it over to you, and you or more likely your lawyer or a clerk or somebody would go down to the town hall and hand that to the town clerk.

The town clerk would *literally* write the information down.

Maybe they'd type it in a ledger, a land record, and put a stamp on it.

They would give it back to you or mail it back to you so you could put it in your safe-deposit box.

That deed would be your legal document representing your title to that land.

Think about all the steps I just described…

The fact that there's paper involved and it's got to go through many hands:

The lawyer…

The clerk

The town clerk

Back to you…

The buyer, the seller, etc…

It's legally binding and recognized by the courts.

It's the way things are still done today.

These are public records. You can go to the town hall on your own and pick out a lot number and a block number. (That's usually how they're categorized, e.g., Block 22, Lot 15.)

You could look it up, find out who owns it today, and who they bought it from all the way back to whenever. Maybe as far back as the Revolutionary War for that matter.

That's an example of a ledger and a recordkeeping method to establish title.

Enter the blockchain…

The blockchain does a couple things.

First, it's completely digital, so forget the paper side of what I just described.

Second, it's heavily encrypted with what's called military-grade encryption, which is (at least as far as I know) unbreakable.

If there's any way to break it, I promise you, it is the most closely held secret of any government in the world.

People are certainly working on it all the time, but for all practical purposes – again, as far as I know – it's unbreakable unless you give away your key.

You have a certain alphanumeric code that is your key.

As long as you keep that private and don't give it away, then you're the only one who can unlock the encryption.

It's heavily encrypted; it's digital; it's virtually free to move it around.

Most importantly, it's distributed.

'Distributed' means that this ledger resides on thousands, millions, or potentially tens of millions of computers and servers all over the world.

That's a big deal, because if there were a fire in the town hall and all those paper records I just described were destroyed, you'd have a heck of a time recreating all that.

But if you literally blew up a computer that had this ledger on it, it wouldn't matter.

The same ledger exists on all these other computers.

It's the community as a whole that verifies it.

If one party says, "I own this certain asset" (it could be Bitcoin or any other asset which we'll talk about in a minute) and the whole community says, "No, you don't. We all have the same ledger, and we see that this went to a certain party from A to B, and Ms. B is the owner," that's that.

You have the benefit of digitization, encryption, and distribution.

These three very powerful tools are the blockchain technology.

Now, what can you do with blockchain technology?

One thing – and this has been done – is to create a *cryptocurrency*.

Cryptocurrencies

Bitcoin is the most famous or best known, but there are many of them out there.

I was involved with one working group, and we identified 90. That was some time ago, so I am sure there are many more than that. Some of them have larger amounts in circulation, larger followings, if you will, than others. Greater liquidity is the way I think about from an economic perspective, but they're all out there.

How do you get some of this currency?

How do you get a Bitcoin?

Well, you can sell something and accept Bitcoin payment.

I have a store on my personal website that accepts Bitcoin. You could pay me in Bitcoin for one of our goods, etc.

You can sell things for Bitcoin…

And you can go buy a Bitcoin.

You can take dollars or euros for that matter and go to a Bitcoin exchange (exchanges are popping up all over) to buy Bitcoin.

You can also mine them.

Mining

The word 'mining' obviously is a reference to, or at least an analog of, gold mining.

Of course, it's nothing at all like gold mining. I've been in gold mines, and it's one of the grittiest, most physical business you can imagine. You have to drill cores and walk around in remote areas that are either freezing, equatorial swamps, or deserts. It's a nasty business with all kinds of machines, backhoes, and all that stuff. Gold mining is a very hands-on, gritty business.

Mining Bitcoin or any cryptocurrency is quite the opposite…

It takes massive computing power. To simplify it, the Bitcoin protocol is basically solving very difficult math problems that take a lot of number crunching, a lot of computing power, and a lot of energy.

Some big Bitcoin mines are, at this point, a very large warehouse-sized facility with lots of servers and processing power going on.

Some are being put in Iceland, because it's cool in Iceland, and you generate a lot of heat with that much computing power.

Also, energy is relatively inexpensive there, because they have geothermal and a couple other things.

That's the kind of Bitcoin mining…

These math problems I described get harder. Every time somebody mines a Bitcoin, the next problem gets a little bit harder. It grows exponentially to the point where the last few Bitcoins that ever get mined, the amount of processing power that goes into it, is going to be enormous.

As a miner, if you solve the problem, you get Bitcoin. That becomes your reward. I haven't verified this myself, but I heard from third parties that today it costs about $1,000 to mine a Bitcoin. Bear in mind, we're pretty far down the road with these things. Originally, it would have been far less than that. Now the Bitcoin are selling on exchanges for between $2,000 – $3,000. It's volatile.

I suppose it's *like* gold mining. If I can mine gold for $800 an ounce and sell it for $1,200 an ounce, I can make some money.

If I can mine Bitcoin for $1,000 and sell it for $2,000 – 3,000, obviously I can make money doing it.

That's the currency part of it.

ICO's

I said there are many cryptocurrencies other than Bitcoins.

These initial coin offerings are groups of developers not unlike any Silicon Valley startup.

In San Francisco, San Jose, Silicon Valley, New York or anywhere in the world associated with Silicon Valley, you can find teams of developers.

Maybe some of them have experience at one of the big, successful startups whether it's PayPal, Uber or some of these new apps they're working.

You name it, there's an app for it, of course.

They need to fund themselves, because they have salaries, overhead, rent, equipment costs, etc. no different than any other startup.

The traditional way is to meet with venture capitalists, ask your mother or family and friends, knock on doors or do a private placement.

There are traditional ways of funding any startup.

More recently, we've seen what they call crowdsourcing or crowdfunding where you throw it out there on a certain Internet site and get people to give you money.

With original crowdfunding, they'd give you a T-shirt, a ticket to a movie if they could produce a film, whatever it might be.

These ICOs are really nothing more than crowdfunding or crowdsourcing.

Here's how it works: If I choose to subscribe to one of these, I send in hard dollars, $100 or $1,000 or whatever.

In return, I receive one of these coins. They also call them tokens or some name like Mastercoin, for example.

I'll get one of these coins or maybe a lot of them because I put a lot more money in.

What do I get for my coin?

Here's where it gets interesting.

In a normal startup, I'll sign a subscription agreement, send my money in to the promoter, and I'll get shares, units, limited partnership interest, LLC member's interest, stock, or something.

It then goes on the ledger (a capitalist will say a cap table). From then on, I'm an equity holder. If the company fails, my equity goes to zero, tough luck.

If it succeeds, maybe I just bought into the next Google at $1/share and someday it's at $1,000/share.

That's why people do it hoping for those big gains.

With the ICO, I don't really a share. I don't get any voting rights or dividends.

That's where I'm jumping ahead a little bit to the regulatory regime you talked about, Alex, and where the securities laws get tricky.

If I'm the creator, the programmer, and the developer of this, I can define the token any way I want.

It's certainly possible that a token could walk and talk like a share of stock. The minute you tie the value of the token to the success of the enterprise, it's probably a security.

For purposes of application of the '33 Act and '34 Act securities laws (the ones we're familiar with in the U.S.) and similar securities laws in Europe, the UK, and Japan, the definition of a security is a little bit technical.

It's usually tied to some stake in the success or failure of the enterprise and defined as the earnings of the enterprise.

What if my token says, "No, Jim, you don't get any stock. You get no votes. You have no equity in this thing. What you do get is to use the app for free," or "You get to sell it to somebody else," or "If the app is successful, you're going to get certain privileges," or "You can intersect something you're doing with what we're doing so these things are compatible in certain ways."

I realize I'm being a little vague right now, but the area is vague, because there are a lot of ways to do this.

I might create a token that looks just like a security, in which case, unless I follow the private-placement rules 506(b), 506(c) and some other laws, I could be breaking the securities law if I'm not careful.

On the other hand, if the token is not much more than a token and the person buying it is hoping for the best – that the token becomes more valuable because they've got a front-row seat on the next new app and can sell it to somebody else – it might not be a security.

It's some kind of property right, it's some kind of speculation, but it might not be a security.

This is a very new, very grey area.

I can imagine traditional securities lawyers pulling their hair out over this trying to figure out what it is.

I was involved in the very early days of the swaps market.

Swaps and derivatives are commonplace today, but going back to the late '70s and early '80s when these things were literally being invented, I was international tax counsel at Citibank.

We knew how to write them, but we didn't know how to treat them in terms of tax treaties.

If you paid a swap payment, was that interest? Was it a dividend? Was it insurance premium?

You could argue that it was any one of those things.

We were operating in a grey area and have a lot more clarity around that today… but it's the same grey area with these ICOs.

What are these apps you're funding used for when you buy a token in an ICO?

Safe Contracts

One of the big applications today are what are called safe contracts.

Because transfers through a distributed ledger are both encrypted and irrevocable, if not un-hackable or at least sufficiently widely distributed that they're reasonably safe, it's considered to have the potential to solve a trust problem in any transaction.

Go back to cavemen and cavewomen and imagine you just killed a mastodon.

You've got some fresh meat, and I just picked a bunch of berries.

We want to barter…

I want to give you some berries, and you're going to give me some of the mastodon meat.

Well, what if I give you the berries first and you run away or you give me the meat first, and I run away?

It might start a war…

This is the "who goes first?" problem. And it applies even in modern times.

Maybe in the 19th century one person was going to buy something someone else. He handed over the money, but the seller didn't deliver the goods. Or vice versa.

This happens on a much larger scale when you're doing multibillion-dollar corporate takeovers.

How do you handle all that?

The answer is that through centuries of law and contracts, precedent and court cases, enforcement, and other things, we have developed tried and true ways of dealing with all these problems.

If the buyer and seller are remote and not face-to-face for a simultaneous exchange, you can use an escrow agent.

You can use insurance, a third-party bank or a lot of different trust counterparties to solve that problem.

I worked on one of the biggest problems like this in history when we were obtaining the release of the Iranian hostages in 1979/1980.

Iranian militants broke into the U.S. Embassy and took a bunch of Americans hostage around the time of the Ayatollah Khomeini and the Iranian Revolution after the fall of the Shah.

Because it was sort of spontaneous, they hadn't really thought through where a lot of their money was.

It turned out that a lot of it was in U.S. banks, so all that money was immediately frozen.

After a year or so of negotiations, the U.S. obviously wanted the hostages back.

Iran had gotten enough propaganda value out of it, and they wanted their money back.

The U.S. was not going to pay ransom, but took the attitude that, "It's not really ransom; it's your own money that we've frozen. We'll just be giving it back to you if you give us back our citizens."

That was the deal, but the problem was neither the Iranians nor the United States (there were other Western banks involved, but I'll just say the United States) trusted the other enough to go first.

The U.S. said, "If we send you the money, you guys are going to take it, keep the hostages, and poke a stick in our eye."

The Iranians thought the same thing, "If we release the hostages, you Americans will never give us the money. How can we trust you?"

We solved that by saying, "The obvious way to solve it is to get an escrow agent."

You give the money to the escrow agent, he sits on it, observes the release of the hostages, and when the hostages are released, the money is forwarded to, in this case, Iran.

They're no longer trusting the United States; they're trusting the escrow agent.

Then the problem was, who in the world was trusted by both sides?

Who could the U.S. trust enough to send the money to in the first place, and who could the Iranians trust enough to know that they would get the money if they released the hostages?

It turns out, the answer was Algeria – specifically the Central Bank of Algeria.

They were sufficiently Western and sufficiently Islamic that both sides were happy.

It's a long story and an interesting one, but my point is, that's how difficult it can be to solve this "who goes first?" problem in any exchange.

With Ethereum and some of the apps being developed under some of these initial coin offerings, that problem is solved through the protocol.

That is, if I pay you, there is going to be some verification that you ship the goods.

When that happens, you automatically get paid.

You're no longer relying on me to send you the money. You know the money is waiting for you once you ship the goods.

These are called safe contracts.

A lot of people are working on apps for those.

But I question whether they're trying to solve a problem that doesn't exist.

For example, when I use my credit card to buy something on Amazon, I don't really worry that I'm not going to get my merchandise.

If I don't, I know I can get the credit card charge reversed.

It would be rare if that were not true, so I don't consider there to be much of a problem.

If there's an improvement on that, maybe Amazon would buy the technology. Who knows? This is just an example.

I realize I'm going on at length here, but I'm trying to make the point that there's the blockchain technology, there are cryptocurrencies, and there are ICOs issuing coins or

tokens that could be currencies but are really property rights of some kind, hard to define, in a new app. The apps themselves are performing these kinds of ledger or safe contract role.

And the overarching point is that when you hear someone say "cryptos" you can't refer to them all as one asset class. There is a lot of important context and nuance to the discussion. Otherwise the conversation is shallow.

Chapter 3
Cryptocurrencies and the Fate of the Dollar

At various times in history, feathers have been money, shells have been money, dollars and euros are money. Gold and silver are certainly money. Bitcoin and other crypto-currencies can also be money.

People say some forms of money, such as Bitcoin or U.S. dollars, are not backed by anything.

But that's not true. They are backed by one thing: confidence.

If you and I have confidence that something is money and we agree that it's money, then it's money.

I can call something money, but if nobody else in the world wants it, then it's not money. The same applies to gold, dollars and cryptocurrencies.

Governments have an edge here because they make you pay taxes in their money. Put another way, governments essentially create an artificial use case for their own forms of paper money by threatening people with punishment if they do not pay taxes denominated in the government's own fiat currency. The dollar has a monopoly as legal tender for the payment of U.S. taxes.

According to John Maynard Keynes and many other economists, it is that ability of state power to coerce tax payments in a specified currency that gives a currency its intrinsic value. This theory of money boils down to saying we value dollars only because we must use them to pay our taxes — otherwise we go to jail.

So-called crypto-currencies such as Bitcoin have two main features in common.

The first is that they are not issued or regulated by any central bank or single regulatory authority.

They are created in accordance with certain computer algorithms and are issued and transferred through a distributed processing network using open source code.

Any particular computer server hosting a crypto-currency ledger or register could be destroyed, but the existence of the currency would continue to reside on other servers all over the world and could quickly be replicated.

It is impossible to destroy a crypto-currency by attacking any single node or group of nodes.

The second feature in common is encryption, which gives rise to the "crypto" part of the name.

It is possible to observe transactions taking place in the so-called block chain, which is a master register of all currency units and transactions.

But, the identity of the transacting parties is hidden behind what is believed to be an unbreakable code.

Only the transacting parties have the keys needed to decode the information in the block chain in such a way as to obtain use and possession of the currency.

This does not mean that crypto-currencies are fail-safe.

Large amounts of crypto-currency units have been lost by those who entrusted them to certain unregulated Bitcoin "banks" and "exchanges."

Others have been lost to old-fashioned fraud.

Some units have been lost because personal hardware holding encryption keys or "digital wallets" has been destroyed.

But on the whole, the system works reasonably well and is growing rapidly for both legitimate and illegitimate transactions.

It's worth pointing out that the U.S. dollar is also a digital cryptocurrency for all intents and purposes.

It's just that dollars are issued by a central bank, the Federal Reserve, while Bitcoin is issued privately.

While we may keep a few paper dollars in our wallets from time to time, the vast majority of dollar denominated transactions, whether in currency or securities form, are conducted digitally.

We pay bills online, pay for purchases via credit card, and receive direct deposits to our bank accounts all digitally. These transactions are all encrypted using the same coding techniques as Bitcoin.

The difference is that ownership of our digital dollars is known to certain trusted counterparties such as our banks, brokers and credit card companies, whereas ownership of Bitcoin is known only to the user and is hidden behind the blockchain code.

Bitcoin and other cryptocurrencies present certain challenges to the existing system.

One problem is that the value of a Bitcoin is not constant in terms of U.S. dollars.

In fact, that value has been quite volatile, fluctuating between $100 and $20,000 over the past few years.

It's true that dollars fluctuate in value relative to other currencies such as the euro.

But those changes are typically measured in fractions of pennies, not jumps of $1,000s per day.

That fluctuation gives rise to tax problems, which we'll look more at later on.

One potential solution to the Bitcoin volatility problem I find interesting is to link bitcoin to gold at a fixed rate.

This would require consensus in the bitcoin community and a sponsor willing to make a market in physical gold at the agreed value in bitcoin.

This kind of gold-backed bitcoin might even give the dollar a run for its money as a reserve currency, especially if it were supported by gold powers such as Russia and China who are looking for ways out of the current system of dollar hegemony.

Another problem is that Bitcoin and the other crypto-currencies have not survived a complete business and credit cycle yet.

Bitcoin, the first crypto-currency, was invented in 2009. The global economy has been in a weak expansion since then, but has not experienced a financial panic or technical recession.

Investors have some experience with how stocks, bonds, gold and other asset classes might perform in a downturn, but we have no experience with Bitcoin.

Will liquidity dry up and prices plunge?
Or will investors consider it a safe harbor, which will lead to price increases?
We don't know the answer.

I believe Bitcoin and its crypto cousins represent an opportunity.

It is still too early for investors to hold in their portfolios due to excessive volatility and unresolved tax issues.

But the time may come, sooner than later, when some Bitcoin technology companies might warrant investor interest based on their possible role in the future of payments and in other forms of wealth transfer.

Companies such as Western Union and PayPal dominate the private payments systems space today.

They may have company from cryptocurrency startups soon.

Chapter 4
The Elites' Secret Plan for Cryptocurrencies

Interest in Bitcoin is red hot at the moment.

It's impossible to open a website, listen to a podcast, or watch a video in the financial space without hearing about the meteoric rise in the price of Bitcoin.

Maybe you know a "Bitcoin millionaire" who bought five hundred Bitcoins a few years back for $50,000 and is now sitting on a Bitcoin fortune worth over $2,000,000.

It's true, those people actually do exist.

Maybe you know of someone who bought near $20,000 and now they're down 50%.

Either way, the crypto-hysteria is distracting you from a scary truth no one is talking about.

There is every indication that governments, regulators, tax authorities, and the global elite are moving in for the crypto-kill.

The future of Bitcoin may be a dystopia in which Big Brother controls what's called "the blockchain" and decides when and how you can buy or sell anything and everything.

Furthermore, cryptocurrency technology could be the very mechanism used by global elites to replace the dollar based financial system.

Of course, Bitcoin is just one of many crypto-currencies. There are hundreds in total with names like Ether, Dash, Dogecoin, Blackcoin, CryptoCarbon and Syscoin.

I know about the Bitcoin frenzy first-hand…

I'm a frequent guest on financial television and do many online interviews. I actually don't like talking about Bitcoin; it's one of my least favorite topics.

But, I can't avoid it!

Sooner or later in almost every interview, the anchorperson will turn to me and say, "Jim, I have to ask, what's your opinion on Bitcoin?" And, away we go.

My opinion is straightforward.

I don't own any Bitcoin and I don't recommend them to investors.

My reasons have to do with bubble dynamics, potential for fraud, robustness to the business cycle, and government intrusion, all of which are explained in great detail below.

That said, I am not a technophobe and I'm not a Bitcoin basher.

I understand Bitcoin very well at a technical level.

I've read the original technical papers on Bitcoin from 2009, and many commentaries since.

I even worked with a team of experts and military commanders at U.S. Special Operations Command (USSCOM) headquartered at MacDill Air Force Base in Tampa, Florida to find ways to interdict and disrupt ISIS use of crypto-currencies to fund their terrorist activities and caliphate.

You can reread that account in the following chapters.

When it comes to Bitcoin I take a laissez-faire approach.

Do your thing. If you want some Bitcoin in your portfolio as part of a diversified bundle of assets, that's up to you.

My only admonition is *caveat emptor* – buyer beware.

Please take the time to understand how it works and what the risks are.

But there's a much bigger cryptocurrency story not being told.

The future will not be the anarcho-libertarian nirvana that the inventors of Bitcoin expect.

Now let's begin our *tour d'horizon* of the world of cryptocurrencies.

By the end of this, you should have a basic understanding of cryptocurrencies and how they work.

You'll also be one of the few people who knows why cryptos may be governments favorite weapons against citizens like you, instead of giving citizens safe-harbor.

Let's start with the basics…

Bitcoin is Money, Not an Investment

A Bitcoin is a unit of account recorded in digital form.

In that sense, saying "one Bitcoin" is no different than saying "one dollar," "one euro," "one inch" or "one pound." It's just a way to count things.

A Bitcoin can also be a store of value.

If I am the owner of 100 Bitcoins recorded on a distributed digital ledger (the term "owner" can be problematic since my identity on the ledger is encrypted and the private encryption key is known only by me; property rights in this area are uncertain and still evolving), and if my Bitcoins can be sold for $4,000 per Bitcoin in a liquid market on a reliable exchange (another problematic aspect discussed below), then I have theoretically stored $400,000 of value in a secure, convenient and anonymous medium.

A Bitcoin can also be a medium of exchange.

Some merchants accept Bitcoin in payment for everyday goods and services.

Bitcoins can be transferred in fractional units for smaller transactions.

For example, if 1 Bitcoin = $4,000, then 0.001 Bitcoin = $4.00, which is about right for a cup of coffee at Starbucks.

You can see where I'm going…

If Bitcoin is a unit of account, a store of value, and a medium of exchange, then it passes the traditional three-part test for the definition of money.

Bitcoin is a form of money, just like dollars, euros, yen or pounds sterling. It may or may not be a form of money you like, but that's OK, it's still money.

That's important to bear in mind because *Bitcoin is not an investment.*

An investment is what results when you take money and convert it to something that has risk and reward such as stocks, bonds, or real estate.

You then get a profit or loss on that investment, which can take the form of interest, dividends, or rents.

You can even suffer a total loss if the underlying investment goes bad.

With money there is no yield, and no investment, just a cross-rate to other forms of money.

When buyers of Bitcoin say it "went up" from $1,000 to $4,000, that's not a return on an investment, it's just a change in the exchange rate.

It would be just as accurate to say that Bitcoin was unchanged and the dollar "fell" from 0.001 Bitcoins to 0.00025 Bitcoins; a 75% devaluation of the dollar when measured in Bitcoin.

Once you understand this cross-rate analysis you can see that the so-called "price" of Bitcoin is really just a liquidity preference by some people for one form of money over another.

That liquidity preference is not based on fundamentals in the same way that you would analyze a stock or bond based on management, prospects, or creditworthiness.

A liquidity preference is based on confidence.

The problem with confidence as the basis for determining the subjective value of money is that it is ephemeral.

It can be here today and gone tomorrow based on crowd behavior that is easy to model in theory and impossible to predict in reality.

Bitcoin is money, but money is a confidence game.

It's good to bear that in mind.

Bitcoin and the Blockchain

Where does Bitcoin come from?

Bitcoins are created according to a mathematical algorithm proposed the pseudonymous Satoshi Nakomoto (who may be an individual or a group of individuals) in a paper published in 2009.

As defined by Nakomoto, mathematicians and engineers using computers are invited to solve a math problem involving record keeping and a proof-of-work.

In exchange for performing these functions, the computer operators, known as "miners" receive a reward in the form of new unspent Bitcoins. Nakomoto completed the first proof-of-work in 2009 and received a reward of 50 Bitcoins.

The record-keeping and proof-of-work aspect of Bitcoin mining are done using open-source software, which means anyone who is familiar with the software and has sufficient computing power can join in this process.

The results of the record-keeping and proof-of-work are kept on a ledger, which is housed on a decentralized and distributed network. New Bitcoin transactions are added to the ledger in "blocks" and the ledger itself is called the "blockchain" which I explained earlier.

The distributed nature of the ledger means than the blockchain resides on thousands of individual servers. If any one node or server were destroyed, the blockchain would still exist in easily verifiable form on the other servers in the network.

Transactions and blockchain identification are encrypted using a standard 256-bit public-private key system. The public key is identifiable on the blockchain, but individual owners cannot be identified, and transfers cannot be authorized without the private key, which is held by the individual owner.

Nakomoto's algorithm makes each block of Bitcoins more difficult to mine than previous blocks because the blockchain itself is larger and the number of trial-and-error type inputs needed to complete the proof-of-work grows exponentially.

Over 200 quintillion inputs are currently needed to create a new block.

Bitcoin mining requires so much computing power, that only large, specialized server operations are able to accomplish it. These operations are mostly centered in China, which raises national security concerns about the future of Bitcoin.

Mining operations are so energy-intensive that they have come in for criticism from environmentalists. This link takes you on a video tour of one of the world's largest Bitcoin mines.

The private, encrypted, and decentralized nature of the blockchain means that no one individual or entity is "in charge" of the blockchain.

Unlike other forms of money that are issued and controlled by governments, Bitcoin is not controlled by anyone or anything except the mathematical algorithm.

This cryptocurrency ecosystem has enormous appeal to a diverse mix of libertarians, anarchists, technophiles, criminals, tax evaders, and terrorists. It's a motley crew.

Was Bitcoin a Bubble? Is it Still a Bubble?

Whether looking at one month, one year or two years, annualized or actual, Bitcoin's gains are breathtaking.

The answer to the bubble question is almost certainly, "yes" but, that tells us little about what's driving the bubble or how long it might last.

It serves no purpose to assess Bitcoin based on "intrinsic value."

Bitcoin has no intrinsic value and neither does any other form of money including dollars or gold.

Intrinsic value is an obsolete economic theory that was abandoned by economists in 1871. The phrase "intrinsic value" is bandied about frequently, but it is of no use in valuing Bitcoin.

Instead economists use subjective value as a way to consider prices.

The subjective value theory says that the price of something is what a willing buyer will pay a willing seller based on the utility of the goods and services to the buyer.

That's helpful, but "utility" can be a slippery concept.

Sometimes utility is entirely practical ("I need a car to get to work to earn my pay, so the car has some utility I can value.") But, sometimes utility is idiosyncratic, ("I get a rush from gambling so I'll spend money in Las Vegas even though I know the odds are against me").

Bitcoin certainly has some utility to some people.

It is easy and inexpensive to make payments.

It offers anonymity to those who value that (including criminals and terrorists).

It is useful as a way to evade capital controls for those trapped in closed systems such as Cuba, North Korea or China.

It can also be a lifesaver for refugees who are vulnerable to assault and confiscation as they flee from country-to-country.

Yet, there is little doubt that much of the price action in Bitcoin comes from the utility of a "get rich quick" or "something for nothing" mentality.

Greed and the thrill of gambling have utility to some, and Bitcoin can certainly satisfy those needs and wants.

We pointed out above that the rise in the dollar price of Bitcoin can also be viewed as a collapse of the dollar if Bitcoin is a stable store of value and an acceptable numeraire.

That's because Bitcoin and dollars are both forms of money and their cross-rate is just a currency swap, not an investment.

If Bitcoin is held constant, then the dollar collapsed against Bitcoin in the 2017.

What other evidence is there for a generalized collapse in the dollar? The answer is none.

Both gold and the euro rallied in 2017, but nothing at all like the annualized gains the world saw in Bitcoin recently. (If there were a generalized collapse of confidence in the dollar as evidenced by gold prices, Bitcoin would surely benefit, but for now, Bitcoin is the outlier).

In the absence of evidence from other markets that the dollar is collapsing generally, the seeming collapse of the dollar measured in Bitcoin appears detached from prosaic definitions of utility and therefore can only be explained by the utility of greed.

That's bad news for Bitcoin because the one recurring lesson from speculative markets is that greed can turn to fear overnight.

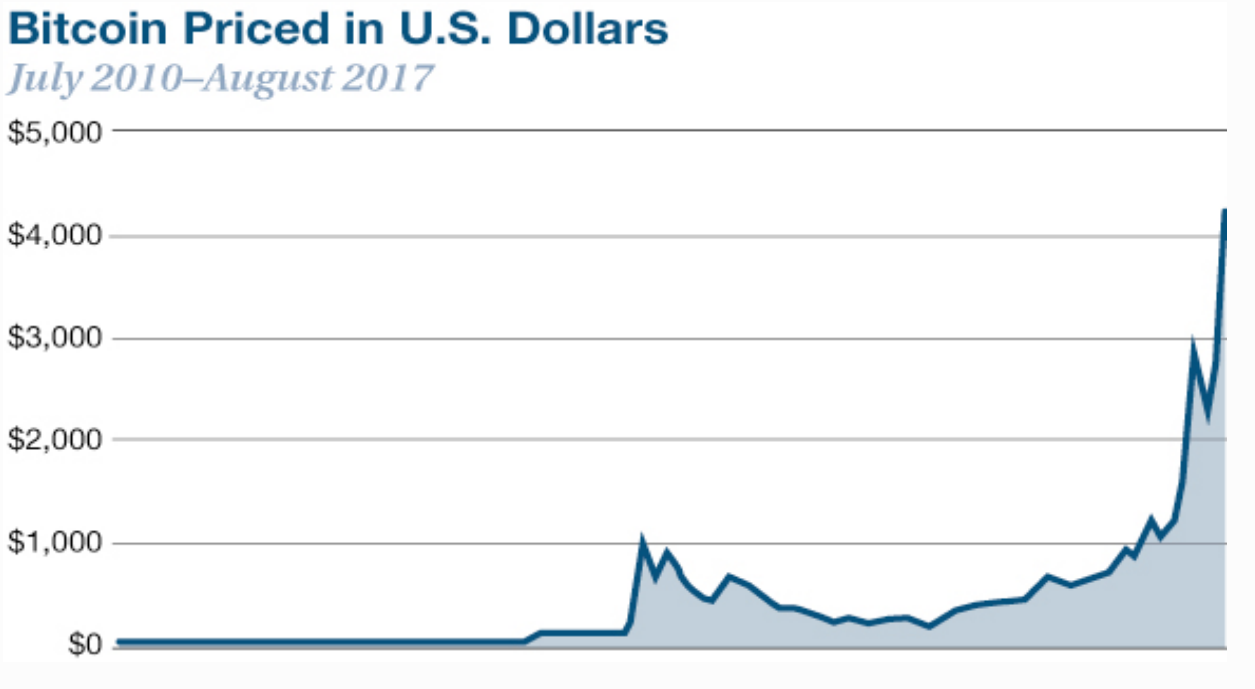
There are many examples of bubble dynamics in which hyperbolic price action in dollars, detached from other information about a dollar decline, reversed quickly in a catastrophic collapse.

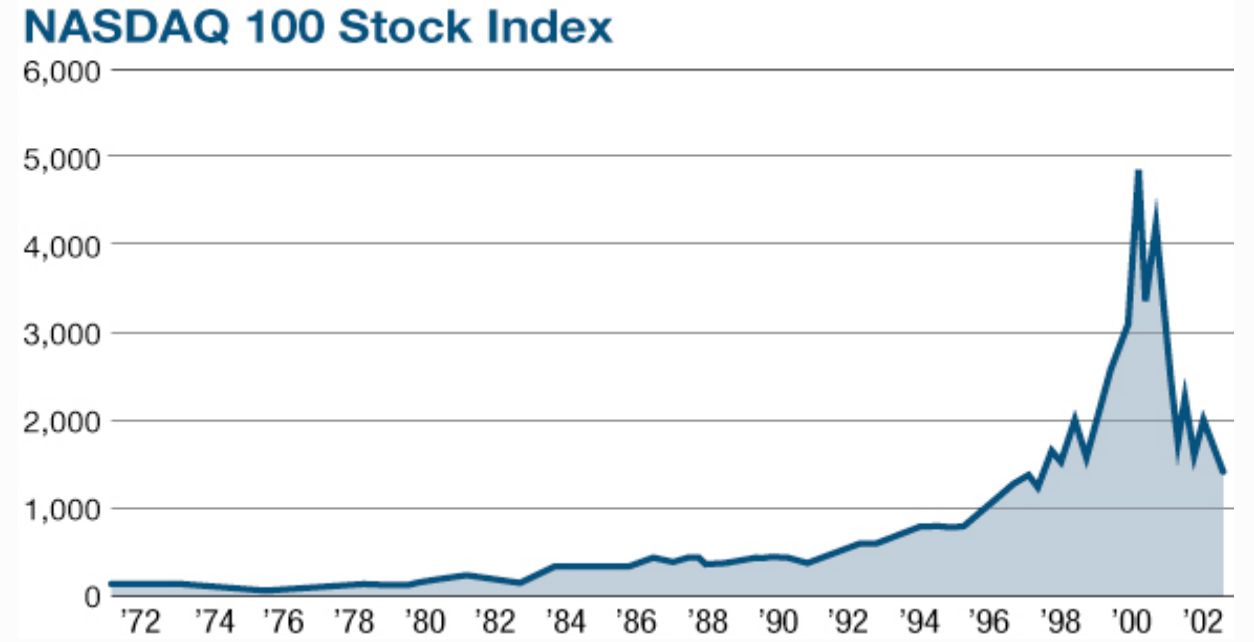
The action in the NASDAQ 100 index from 1996 to 2000 following the Netscape IPO shown in the chart below is a helpful and somewhat recent example.

The 75% decline in NASDAQ after January 2000 is a good parallel of what happened and will continue to happen to the dollar price of Bitcoin because a catalyst changed greed to fear.

Several of those catalysts are discussed below.

Bitcoin at $200 or lower (about where it was when the most recent hyperbolic stage began) seems likely in the next two years.





Another important aspect of Bitcoin valuation is that fact that Bitcoin has never experienced a full business cycle.

As discussed above, Bitcoin was invented in 2009.

That was also the year the current business cycle recovery began.

It's true that this economic recovery has been one of the weakest on record with U.S. growth averaging just about 2% per year compared to 3% or higher in previous recoveries.

But, it's a recovery nonetheless and one of the longest ever. No one knows when the next recession will occur, but after a near-record 96-month expansion, no one should be surprised if a recession occurs soon.

Recessions are not the same as financial panics.

Sometimes recessions and panic go together as in 2008.

Sometimes recessions occur without panics (1990) and sometimes panics occur without recessions (1998).

Either way, Bitcoin has never seen a recession or a panic.

Investor behavior in financial adversity can take many different forms.

Sometimes bonds sell off, sometimes stocks, sometimes commodities.

The one thing recessions and panics all have in common in that everyone wants liquidity.

When the next recession or panic happens, probably soon, will the global demand for liquidity force holders to sell Bitcoin to meet their debts and margin calls?

Will a spike in unemployment force holders to sell Bitcoin to pay their bills?

If so, will all of that forced selling and demand for liquidity cause the price of Bitcoin to collapse if it hasn't already collapsed due to the bubble dynamics described above?

We've seen how stocks, bonds, gold, real estate and other assets perform in recessions and panics in the past.

But, we have no idea how Bitcoin will perform because it has never experienced an adverse economic climate.

My estimate is that Bitcoin will suffer in a liquidity crunch as investors sell all forms of assets, including Bitcoin, for more liquid forms of money that governments and creditors are prepared to accept.

A 75% or greater collapse in the dollar price of Bitcoin therefore seems likely.

Is Bitcoin a Fraud?

Another question, which is not frequently asked is, "are the Bitcoin gains real?"

Put differently, what is the possibility that some, if not all, of the Bitcoin market is an elaborate fraud?

Mainstream media reporting on Bitcoin gains comes from websites that are either Bitcoin exchanges, Bitcoin online facilities that match buyers and sellers directly, or news aggregators that themselves rely on data feeds from the Bitcoin exchanges and facilities.

These Bitcoin exchanges and online facilities have names like BitBargain, Coinbase, Kraken, Bitstamp, and Bittylicious.

There are many others…

In order to transact, you have to register with the exchange or the facility as a seller.

The requires you to provide some personal information and verify your identity, which is not much different than opening any other bank or brokerage account.

From there, you can indicate your desire to sell your Bitcoin. The exchange or facility will notify you if a willing buyer is found at your indicated price.

Once the buyer and seller agree on a price, or once an automated "match" occurs, the transaction is confirmed, the buyer's account is reduced by the amount of cash and increased with the Bitcoin while the opposite happens in the seller's account.

Again, in all these respects, it's not much different than when you buy or sell a share of stock.

Yet, there are important differences between these transactions and what you experience with Merrill Lynch or with a NASDAQ market-maker.

The first difference is that the Bitcoin exchanges and facilities are either loosely regulated or completely unregulated.

It is true that some of these exchange and facilities have been granted licenses by banking or business regulators in certain jurisdictions.

But, those licenses are usually related to anti-money laundering concerns. They signify that the exchange or facility has agreed to comply with know-your-customer and anti-money laundering rules (KYC/AML).

But, that's all…

There are no testing requirements for registered representatives, no background checks for operators, no minimum capital requirements, no insurance funds for customer losses, no segregation requirements for customer funds, etc.

None of the customer protections which have evolved in stock and commodities exchanges over the past eighty years are in place.

It's the Wild West and caveat emptor is the law of the land.

This does not mean every exchange or facility is a fraud or is financially unsound.

No doubt some of the exchanges and facilities are highly reputable and operated in total good faith.

But some clearly are frauds, and others are run in a financially unsound manner even if they are not intentional frauds.

The point is that there is no way to tell from the outside.

There's no way to tell if you are giving personal information and access to your funds and bank account to honest intermediaries or criminal gangs.

There have already been some spectacular failures in the Bitcoin exchange space including Mt. Gox, which filed for bankruptcy in 2014.

Mt. Gox caused the loss of 750,000 customer Bitcoins and had unpaid debts of $63.5 million.

At today's prices, those missing Bitcoins would be worth over $3.1 billion to the original owners.

There are other serious potential problems that are more insidious that even bankruptcy and the loss of coins.

The first is an exchange or facility operated as a Ponzi scheme. This would be simple to execute, especially in the current frenzy to buy Bitcoin.

One easy-to-execute plan is to set up an online exchange in a lightly regulated, tax-free offshore jurisdiction. Then design an attractive, professional looking website with user friendly features.

Next you would build-out actual exchange software and apps so that real Bitcoin transactions could take place. You could run the exchange for months with actual buys and sells and report prices to legitimate Bitcoin price exchange aggregator websites.

You would also issue press releases reporting exchange growth and progress. To all outward appearances, this Ponzi would look like a legitimate Bitcoin exchange.

Behind the curtain, the exchange operators would rely on the fact that there are far more buyers than sellers of Bitcoin today. There's a frenzy around the world to buy Bitcoin, especially with the price action described above.

Every time someone wants to buy Bitcoin, they send actual cash to the exchange and receive Bitcoin in return.

The Bitcoin "sent" to the buyer could be just a credit on an exchange ledger. It would ostensibly have the encryption and place on the blockchain of any Bitcoin, but the buyer would not necessarily know that; she would be trusting the exchange. Meanwhile, the cash transfer to the exchange goes through.

In a state of the world where purchases exceed sales, the exchange could create fake Bitcoin credits and steal the cash. Some of the cash could be used to pay the relatively few buyers who do become sellers.

This would create the illusion of a smoothly functioning exchange and would, in the short run, enhance the reputation of the exchange for good service and reliability.

This situation would go unnoticed as long as there were net buyers; exactly like any Ponzi ever conducted from the eponymous Charles Ponzi to the infamous Bernie Madoff.

The fraud would only be discovered when the net buying turned to net selling when account holders demanded delivery of the Bitcoin to another address.

At the point the fraud perpetrators would close their doors, having successfully diverted the proceeds of the net sales for however long the Ponzi lasted.

Another type of fraud is "painting the tape." This is a technique in which a trading ring agrees to conduct a small quantity of tactically timed sales at inflated prices in the expectation that those inflated prices would be reported by the exchange.

In reality, many transactions could be conducted at much lower prices or many holders would sit tight because they were happy with the inflated prices they were seeing on the ticker.

For example, two fraudsters could open accounts with bogus credentials. Throughout the day they could sell a large quantity of Bitcoin back and forth to each other at $4,000 per Bitcoin.

Since they were selling the same Bitcoins back and forth, there would be no actual profit or loss on the transaction as between the two parties, so the transaction price would not matter to the fraudsters.

But, they could continue this activity multiple times at progressively higher prices to create the illusion of a rising liquid market. This illusion could suck innocent players on the sidelines into the market.

Of course, the Ponzi scheme could be combined with painting the tape in an effective effort to fleece newcomers to the market and those unfamiliar with the intricacies of cryptocurrencies and the unregulated nature of the marketplace.

Apart from the issue of whether exchanges and facilities are frauds, there is the real danger that many Bitcoin users are committing tax fraud.

If you buy a Bitcoin for $1,000 and later exchange it for $4,000 of goods are services (based on a new, higher $4,000 valuation) you are required to report a $3,000 gain on your tax return a pay up to $1,200 of income tax.

How many U.S. citizens are actually doing these computations and making the required tax payments?

How many are relying on the supposed anonymity of Bitcoin to evade paying the required taxes?

No one knows the exact number of witting or unwitting tax evaders in the Bitcoin market today, but the number is likely to be large based on the novelty of Bitcoin as a form of money.

The IRS has shown time and again, from Al Capone to UBS, that it knows how to find tax evaders when it wants to.

No doubt the IRS is studying the situation, biding its time, and preparing its legal weapons.

When they strike it will be on a massive scale and result in huge tax settlements, fines, interest, penalties and jail time for some.

This IRS attack may also serve as a catalyst to destroy the subjective valuation of Bitcoin if the other catalysts don't do it sooner.

I'm not a huge fan of regulation, but there's a reason it exists.

Any activity that involves one party trusting his money to another party promptly becomes a magnet for fraud.

Historically this has been true in banking, brokerage, commodities trading and asset management.

That's why all of those businesses are heavily regulated.

There's no reason to believe that Bitcoin is any different.

In fact, heavy regulation in other corners of financial services is likely to send the ever-present fraudsters to the unregulated regions such as Bitcoin.

It is almost certainly not the case that most Bitcoin exchanges and facilities are frauds. Most are entrepreneurial solutions to a new financial technology and are run in good faith.

But, there are certainly fraudulent operations in the Bitcoin ecosystem; we just don't know who they are yet. These frauds will certainly be revealed in good time; (they always are).

When that happens there will be a generalized loss of confidence in all exchanges, good or bad.

That loss of confidence is one of many potential catalysts that will burst the Bitcoin bubble and lead to a catastrophic collapse in the price.

The Future of the Blockchain

One point of confusion for many new to the cryptocurrency scene is the distinction between Bitcoin (or other cryptocurrencies) and the blockchain.

The distinction is a simple one. Bitcoin is a digital store of value recorded on a distributed digital ledger.

Blockchain is the mathematical algorithm through which the ledger is maintained.

If Bitcoin is like a dollar, then blockchain is like the banking system that supports the dollar.

That distinction is crucial. Bitcoin may or may not have a bright future. But, the blockchain almost certainly does.

In fact, the "blockchain" name is already somewhat passé. A more widely accepted name is "distributed ledger technology" or DLT.

The term DLT sticks to its blockchain roots by referencing the distributed ledger, but also allows for improvements and variations that are not strictly in accord with the original blockchain method.

In fact, a lot of the money pouring into this sector right now is not going to buy Bitcoins, but is going to launch new technology platforms than can perform DLT in a wide variety of applications.

Using DLT, you can not only record and track the ownership of currencies (such as the original Bitcoin), but also stocks, bonds, real estate or title to just about any financial asset.

DLT can also be used to record and verify contracts between two or more parties.

Ether is a cryptocurrency that competes with Bitcoin for buyers, but is run on a different digital platform called Ethereum.

The Ethereum platform is designed to create "smart contracts" between willing parties.

These contacts can be bought and sold with Ether, but the contracts can take many other forms customized to the property rights that the parties wish to create.

Ethereum is the preferred platform for Initial Coin Offerings (ICOs). These are used to raise seed capital for teams of developers creating new apps that use smart contracts.

In an ICO, the investor receives a "coin" or "token" that entitles her to the early use of the new app and sometimes other benefits related to the development effort.

These Ether-based tokens can be swapped or sold for other interoperable tokens.

Many ICOs raise money in Bitcoin, (the ICO buyer delivers Bitcoin and the ICO issuer gives the buyer the new token). Presumably the token developer can sell the Bitcoin for dollars to pay the bills for the development effort.

ICOs have raised billions of dollars in the past few years.

Some ICOs for small teams have raised over $100 million in a matter of hours.

ICOs are relatively easy to launch; you just need a website, a development project, an Ethereum platform for your token, and a so-called "whitepaper" describing the project.

ICOs have been compared to IPOs (initial public offerings) traditionally used to raise money for new companies.

But, the differences are significant. IPOs offer securities required to be registered with the SEC and subject to strict disclosure requirements, intermediation by a broker-dealer, and legal liability for material misrepresentations.

ICOs are completely unregulated provided the coins or tokens being offered are not "securities" as defined at law.

The Global Elites' Secret Plan for Cryptocurrencies

In 1958, Mao Zedong, the leader of the Communist Party of China and China's dictatorial leader was confronted with demoralized intellectuals and artists who were alienated by Communist rule. As a policy response, he declared a new policy of intellectual freedom.

Mao declared, "The policy of letting a hundred flowers bloom and a hundred schools of thought contend is designed to promote the flourishing of the arts and the progress of science."

This declaration is referred to as the "Hundred Flowers Campaign" (often misquoted as the "thousand flowers campaign"). The response to Mao's invitation was an enthusiastic outpouring of creative thought and artistic expression.

What came next was no surprise to those familiar with the operation of state power. Once the intellectuals and artists emerged, it was easy for Mao's secret police to round them up, kill and torture some, and send others to "reeducation camps" where they learned ideological conformity.

The Hundred Flowers Movement was a trap for those who placed their trust in the state. It was also a taste of things to come in the form of the much more violent and comprehensive Cultural Revolution of 1964–1974 in which all traces of Chinese bourgeoisie culture and much of China's historical legacy were eradicated.

Something similar is going on with Bitcoin and the DLT today. Governments have been patiently watching blockchain technology develop and grow outside their control for the past eight years.

Libertarian supporters of blockchain celebrate this lack of government control.

Yet, their celebration is premature, and their belief in the sustainability of powerful systems outside government control is naïve.

Governments don't like competition especially when it comes to money.

Governments know they cannot stop blockchain, in fact they don't want to.

What they want is to control it using powers of regulation, taxation, and investigation and ultimately more coercive powers including arrest and imprisonment of individuals who refuse to obey government mandates with regard to blockchain.

Blockchain does not exist in the ether (despite the name of one cryptocurrency) and it does not reside on Mars.

Blockchain depends on critical infrastructure including servers, telecommunications networks, the banking system, and the power grid, all of which are subject to government control.

A group of major companies, all regulated by government, have announced a joint effort to develop an open-source blockchain as a uniform standard for all blockchain applications.

The group includes JPMorgan, Wells Fargo, State Street, SWIFT, Cisco, Accenture, the London Stock Exchange and Mitsubishi UFJ Financial.

That's not exactly five guys in hoodies working in a garage. That's a sign of the corporate-state consortium taking over.

An elite U.S. legal institution called the Uniform Law Commission, that proposes model laws intended for adoption in all fifty states, has released its latest proposal called the "Uniform Regulation of Virtual Currency Businesses Act."

This new law will not only provide a regulatory scheme for state regulators, but will also be a platform for litigation by private plaintiffs and class action lawyers seeking recourse against real or imagined abuses by digital coin exchanges and facilities. Once litigation begins, anonymity is the first casualty.

Consider the following additional developments:

- On August 1, 2017, the SEC announced "Guidance on Regulation of Initial Coin Offerings," the first step toward requiring fundraising through blockchain-based tokens to register with the government.
- On August 1, 2017, the World Economic Forum, host body to the Davos conference of global super-elites, published a paper entitled "Four reasons to question the hype around blockchain."
- On August 7, 2017, China announced they will begin using blockchain to collect taxes and issue "electronic invoices" to citizens there.

Perhaps most portentously, the International Monetary Fund (IMF) has weighed in. In a special report dated June 2017, the IMF had this to say about blockchain:

"Distributed ledger technology (DLT), in particular, could spur change in the financial sector. …. DLT can be categorized as "permissionless" or "permissioned" depending on who can participate in the consensus-driven

validation process. Permissionless DLTs allow anyone to read, transact on, and participate in the validation process. ***These open schemes (that underlie Bitcoin, for instance) could be very disruptive if successfully implemented****. By contrast, in permissioned DLTs,* ***the validation process is controlled by a pre-selected group of participants ("consortium") or managed by one organization*** *("fully-private"), and thus serve more as a common communications platform." (emphasis added).*

IMF releases require expert translation because they are never written in plain English, and the real meaning is always hidden between the lines.

But, the thrust of this report language is clear.

The IMF favors "permissioned" systems over "open schemes."

The IMF also favors control by a "pre-selected group of participants" or "one organization," rather than allowing "anyone" to participate.

This paper should be viewed as the first step in the IMF's plan to migrate its existing form of world money, the special drawing right or SDR, onto a DLT platform controlled by the IMF.

In time, all other forms of money would be banned.

These and other developments all point toward an elite group including the IMF, JPMorgan, the Davos crowd, the IRS, SEC, and other agencies converging to shut down the existing free-wheeling blockchain ecosphere, and replace it with a "permissioned" system under "consortium" control.

Big Brother is coming to the blockchain.

Cryptocurrencies and You

As I mentioned at the outset, I don't own Bitcoin or other cryptocurrencies, and I don't recommend them. These reasons, as explained, include bubble behavior, lack of performance through an entire a business cycle, possible fraud in the trading infrastructure, and government intervention in ways that are adverse to liquidity and confidence.

With that said, this doesn't mean there aren't ways to make money in the current Bitcoin and DLT euphoria. The key is to find great companies that are innovating in DLT without relying on Bitcoin itself.

My favorite recommendation that meets these criteria is IBM (NYSE: IBM). While IBM may be a large, mature company with lagging earnings in recent years, it is an emerging beneficiary in the high-potential market for blockchain technology. For years, IBM has struggled to sustain its revenue base. Declines in IBM's legacy businesses have more than offset its fast-growing divisions.

IBM now has an enormous opportunity to provide blockchain-based and other DLT solutions. The revenue potential is so large that investors may start anticipating a turnaround in IBM's sagging top line by early 2018.

IBM's new z14 mainframe will start shipping in September 2017. It can handle 12 billion encrypted transactions per day, which will appeal to financial institutions interested in DLT technology. IBM will also sell access to the z14 mainframe on the IBM Cloud as part of its IBM Blockchain services business.

IBM is also leading the way in development of the Hyperledger, the next generation of DLT and the more robust, open-source successor to the blockchain.

If IBM can gain revenue traction in blockchain and DLT-based markets, its stock will rally from a depressed base. IBM trades at a low multiple of earnings and free cash flow, and it pays a dividend yield north of 4%. That's a great base on which to form a new surge.

Investor sentiment toward IBM is low, which is reflected in its low valuation. We expect blockchain and DLT-based opportunities to be an important part of brightening investor sentiment, and expect returns of 30% or more in IBM over the next year.

Chapter 5
Forget Bitcoin. The Future is Hyperledger!

The biggest gains on bitcoin are likely behind us, but this new technology offers similar gain potential if you invest now…

One of the most famous stories of the Wall Street stock market crash of 1929 is told about Joseph P. Kennedy, a wealthy bootlegger turned stock manipulator (and father of a future president, John F. Kennedy).

The elder Kennedy stopped for a shoeshine on his way to the office. His regular shoeshine attendant looked up at him and said, "Mr. Kennedy, I've got a great stock tip for you…"

Kennedy immediately thought that if the shoeshine people were getting into stocks, it was time for him to get out. The top was in. Kennedy sold his stocks, avoided the crash of 1929, and lived a glamorous life as one of the richest men in America in the 1930s.

I had a similar experience a few days ago. I walked into a coffee shop in my hometown of Darien, Connecticut. I took a seat at a common table near three retired residents, one of whom I knew, so I joined their conversation.

Darien is a typical well-to-do New England small town; about as conservative as they come. It has a "AAA" bond rating because it almost never borrows money. There's not a tech company in sight.

Darien is definitely old school and tight with a buck. It's the last place you'd expect to find an animated conversation about an investment bubble, let alone one with a tech pedigree.

You can probably guess what happened next. After some introductory small-talk, one of the wealthy, silver-haired doyennes of the town leaned toward me and said, "So, Jim, tell us what you think about bitcoin."

I told her what I tell everyone who asks, which is that bitcoin is a bubble that will crash and burn, probably finding a bottom around $200 as a utility token for criminals on the dark web.

Having said that, there's no reason bitcoin can't go higher before the crash. That's how manias and bubbles go. They last longer than you expect, and they go higher than you can believe before they crash. Yet, they always crash in the end.

How can I be so sure bitcoin is heading for a fall?

Why can't bitcoin go higher and stay there as a lasting store of value as 21st century digital money?

There are many answers to this, but two in particular make the case for the ultimate demise of bitcoin.

These two answers relate to the two claims that bitcoin makes for itself — that it's a superior technology *and* a superior form of money.

Bitcoin Will Go Extinct

As for bitcoin's role as money, it has a fatal flaw.

Bitcoin is not elastic.

Money supply needs to expand in line with economic growth to support trade, commerce, and wealth preservation. This is what economists mean by an "elastic" money supply.

Of course, money supply can be too elastic, in which case inflation may emerge.

That's what happens when central banks print money excessively to the point that citizens lose confidence in it.

Citizens then begin to dump the money in exchange for goods, especially tangibles. Velocity of money spikes, and in extreme cases hyperinflation can result.

This is why gold is an ideal form of money.

The total global gold supply increases about 1.6% per year. That's slightly slower than world growth, but not much.

More to the point, central banks can increase the official gold supply as much as they like (to a point) by conducting open market operations to buy gold from the private sector and move it to the official sector.

Despite its scarcity, gold supply can still grow to support economic growth. Gold qualifies as elastic money.

Right now the supply of bitcoins is growing, but that will soon stop.

Under the applicable code, the maximum number of bitcoins that can be produced is 21 million.

To date, about 17 million bitcoins have actually been "mined" or created.

However, bitcoin production will grind to a halt before the 21 million ceiling is reached. This is because the degree of difficulty in mining bitcoins increases every two weeks.

The difficulty is surmounted only by massive computing power, which in turn requires massive amounts of electricity.

Bitcoin mining today uses more electricity in a year than the entire nation of Ecuador, about 23 terawatt hours.

The computing power needed, the electricity consumed, and the wasted heat generated will all grow exponentially as bitcoin mining continues to solve more difficult problems (called "proof-of-work") to validate transactions on the blockchain, a distributed record of all prior transactions.

The electricity usage in bitcoin mining is so extreme that many miners locate in China, where electricity is cheap due to government subsidies, or to Iceland, where the near-Arctic climate reduces the cost of cooling the computers.

Whether bitcoin production stops at 21 million because of the algorithm or around 19 million because of the electricity and computing constraints, it will stop. That's when the monetary problems begin.

If bitcoin production stops while economic growth continues, the price of bitcoin as denominated in other currencies will initially continue to rise.

Bitcoin will have a natural deflationary bias.

But in order to be a widely used store of value (part of the standard definition of money), holders need a place to invest the bitcoins, such as bitcoin-denominated bonds or bitcoin bank deposits.

With existing major reserve currencies, large liquid bond markets offer holders a place to park their currency pending other usage.

The credit system of notes and bonds exists side-by-side with the money system of bank deposits to facilitate commerce and store value.

Today, there is no bitcoin bond market.

Such a market is unlikely ever to arise precisely because of bitcoin's deflationary bias. Why would you borrow money in a currency if that currency were going to be more expensive when it came time to pay back the debt?

Deflation may be a friend to the lender, but it's the debtor's worst enemy.

In short, bitcoin is incapable of growing to support commerce. It cannot grow by creating a credit market because of its deflationary bias. It cannot grow beyond a set number of bitcoins (unless miners amend the code, which will destroy confidence).

Without an elastic supply or a credit market, bitcoin cannot perform the roles of a medium of exchange or store of value beyond a few trivial use cases.

Bitcoin exists as a form of money today, but it will soon wither because it cannot evolve into anything more than a novelty.

Present day humans are the result of millions of years of evolution.

Along the way, most pre-human hominids died out, while only one strand, homo sapiens, survives today.

Other hominid species such as the Neanderthal and homo erectus went extinct.

Bitcoin is best understood as an evolutionary strand that will die out because of its inability to adapt. Bitcoin is the Neanderthal man of money.

But What About the Technology?

The other challenge to bitcoin is technological.

We've already mentioned the computational and electricity usage constraints on bitcoin processing.

But, there's a bigger threat on the horizon. That threat is quantum computing.

The entire bitcoin ecosystem relies on encryption to maintain the confidentiality and anonymity of its transactions.

That anonymity is a huge part of the appeal of bitcoin because it shields drug dealers, tax evaders, money launderers, terrorists and worse from scrutiny and prosecution by governments.

The encryption takes two forms. The first is standard 256-bit military grade encryption using the RSA public-private key protocol. This is used to send message traffic involving bitcoin transactions over the internet, and to maintain the blockchain.

The 256-bit standard is virtually unbreakable, requiring 256 unique combinations to break one encrypted message. This is computationally almost impossible using the fastest available machines today.

The second form of encryption is elliptical curve cryptography, ECC, based on the degree of difficulty of computing the angle of incidence and reflection of a vector moving inside an ellipse beyond the first few "bounces."

Think of it as the old Atari pong video game on steroids.

ECC is used for digital signatures to verify that the sender of a bitcoin transaction to the blockchain approves of that transaction.

ECC, like 256-bit encryption, relies on the fact that the ways of cracking the code are theoretically possible but practically impossible given the amount of processing power and time required unlock the hidden private key.

Yet, according to a new report by MIT, "The elliptic curve signature scheme used by Bitcoin… could be completely broken by a quantum computer as early as 2027."

This is because quantum computers have exponentially greater processing power than existing computers.

Problems that are nearly impossible with existing computers will be relatively easy to solve in the not too distant future using quantum computing.

This means that the entire rationale behind bitcoin -- privacy, anonymity, freedom from government control, etc. -- will be completely gone by the time most of today's bitcoin "investors" are ready to retire, if not sooner.

This is one more reason why bitcoin is best understood as the Neanderthal of money -- a subspecies that had its day but is rapidly going extinct.

These specific problems with bitcoin, related to utility as money and technological sustainability, are not the only problems with the crypto-currency. We discussed many of the other problems, above.

As these limitations on scalability, sustainability, and anonymity become more apparent (they already are apparent to some) the utility, and therefore the subjective value of bitcoin will revert to near zero.

This will be a worse collapse than tulip mania. At least with tulip mania, you got to keep the tulip. Bitcoin holders will end up with nothing.

Does this mean that the technology behind bitcoin is worthless or a waste of time?

Not at all.

Bitcoin may be an evolutionary dead-end but the technology has a bright future.

The Lasting Potential from Bitcoin Mania

Bitcoin, and other crypto-currencies, rest on a technological foundation called the blockchain.

As we've explained, the blockchain is a digital record of prior transactions used to verify the ownership of specific bitcoins.

That record is decentralized meaning that it exists on thousands of computers all over the world, not just on any one system or clearinghouse. As a result, there is no trust required of any single institution such as a government, bank or exchange.

Instead you are "trusting" the algorithm and the encryption. As the saying goes, "In Math We Trust."

The problem, as noted above, is that the math is so time-consuming, difficult, and wasteful that bitcoin itself and the early versions of the blockchain are not efficient or scalable.

Those early versions and currencies will die on the vine like floppy discs and Betamax (remember those?).

Instead a new generation of technologies is rising as part of the Cryptocurrency Wars to capture the best of blockchain while solving the problems described above.

The new name for blockchain is DLT, which stands for distributed ledger technology.

As the name implies, DLT is a "ledger" (or record) that is maintained widely by a large number of market participants. This obviates a single intermediary such as a bank or exchange. The early leader in DLT is the Linux Foundation's open source project called the Hyperledger, and supported by IBM among others.

"Open source" means that the computer code is shared among all participants in the project and is not kept secret.

Developers can use the open source code to make improvements in exchange for contributing their own code to the project. Some specific applications may remain proprietary, but the source code is widely shared.

Open source projects may be controlled by a single entity or distributed among as many entities as wish to join the project. IBM favors that latter model.

The Linux Foundation, a non-profit entity, acts as a global facilitator and repository but does not own the software. The software is essentially free.

One of the solutions to the scalability problems of bitcoin and the early blockchain is a migration from "permissionless" systems to "permissioned" systems.

Permissionless systems (such as bitcoin) are open to anyone, and require extensive "proof-of-work" to verify transactions. This gives rise to the extensive math and processing noted above.

In contrast, a permissioned system is only open to approved counterparties.

The DLT ecosystem for a specific use case is still distributed, fast, and cheap, but not anyone can play.

You need to be admitted to the ecosystem, something like joining a club.

The vetting required to join the club, and the dual-level authentication needed to transact once inside, substitute for blockchain proof-of-work and eliminate a lot of the wasteful math and processing currently needed.

In effect, the new DLT systems offer the best of both worlds.

You combine the efficiencies of blockchain transactions with the efficiencies of trusted counterparties. The result is an ecosystem of digital payments and smart contracts without the clunky proof-of-work.

For a quick tutorial on how the new DLT ecosystem of permissioned smart contracts works, you can visit this link: **http://bit.ly/2p45uvu**.

The Linux Foundation recently released v1.0 of its Hyperledger Fabric, a collaboration of 159 engineers from 28 separate organizations that advances open source blockchain technology.

If you want to download the code and start developing your own business application, you can find it at this link along with another excellent short video tutorial: https://www.hyperledger.org/projects/fabric.

The ultimate application of permissioned DLT will be world money that will end the U.S. dollar's role as the benchmark global reserve currency.

The IMF is developing a permissioned DLT for executing transactions in special drawing rights, SDRs, the only existing form of world money other than gold bullion.

Permission to use this hyperledger would be granted only to the 189 countries that are members of the IMF, plus select multilateral organizations such as the United Nations, and the World Bank.

Within the hyperledger, members could settle balance of payments including bilateral trade surpluses and deficits arising from the import and export of oil. This points to the end of the petrodollar.

At that point, the U.S. dollar would be just another local currency like the Mexican peso and the Turkish lira.

We would still use dollars to take our friends out to dinner, but the world at large, including central banks, will settle cross-border balances and ultimately hold reserves denominated in SDRs on the IMF hyperledger.

None of this will happen overnight, but it's all happening now faster than most realize.

If you really want independence from government control and hacking, forget bitcoin. Try physical gold in secure non-bank storage.

Gold is still the only form of money that does not rely on anyone or anything for its value.

If you want to participate in the most exciting and potentially profitable investment opportunities of the 21st century, you should leave bitcoin and clunky versions of the blockchain in the rearview mirror.

Instead, have a look at companies like Gem and Soramitsu, among others. You can find a list of early contributors to the Linux Foundation's Hyperledger project: https://www.hyperledger.org/resources/vendor-directory

Technology is exciting, but it's also a graveyard for companies and systems that become victim to what Joseph Schumpeter called "creative destruction." Steam automobiles once looked like a promising technology. Yet, they were displaced by the internal combustion gasoline engine, which may soon be displaced by electric vehicles.

Bitcoin is both a financial bubble and a Stanley Steamer in terms of platform technology. The future is DLT on Hyperledger Fabric.

The time to invest is now. IBM (NYSE: IBM), which we recommended in late August of 2017, is leading the way in development of the Hyperledger and blockchain applications. IBM is also currently benefiting from a positive mainframe cycle. We expect IBM shares to rise as investors' expectations for future revenues improve.

Chapter 6
A Team to Fight Cryptocurrency Wars

On Jan. 12, 2015, I traveled to Washington, D.C., to meet with an elite group of intelligence, counterterrorism and national security experts.

It was the launch of a new think tank called the Center on Sanctions and Illicit Finance, CSIF.

After checking in at the Ritz-Carlton in the West End, my home away from home in D.C., I journeyed a few miles to a side street in Georgetown where our group gathered in a private dining room for our first joint session.

Included were several former officials of the White House National Security Council and advisers to the U.S. Treasury and U.S. Special Operations Command.

It was an intriguing mix of seasoned professionals with roots in the military, intelligence and finance.

It was exactly the kind of team needed to fight 21st-century financial wars.

Financial threats come in many forms.

Some relate to criminal activities including money laundering related to drug smuggling and arms sales and hackers who steal credit card and other personal financial information. Other threats include efforts to end run economic sanctions. These threats involve countries such as North Korea and organizations such as Hamas that are the targets of U.S. and allied imposed sanctions.

The most serious threats, however, are strategic in nature.

These involve rival states such as Iran, Russia and China that engage in clandestine financial warfare using everything from front companies in tax haven jurisdictions to cyberattacks that threaten to shut down stock exchanges and banks.

All of these financial actors — from criminal gangs to strategic rivals — are within the scope of our group's efforts to help the United States understand and defeat their threats.

Since the 1980s, the key to military planning and warfighting has been the concept of "jointness." Prior to the 1980s, the Army, Navy, Marines and Air Force were not only

separate branches of the military, but they utilized their own communications channels, equipment requirements and warfighting doctrine, among other attributes.

The result was a lack of coordination and effectiveness.

These deficiencies came to a head in the darkly comical blunders surrounding "Operation Urgent Fury."

That was the invasion of the tiny Caribbean island nation of Grenada in 1983. This was the first major combat operation conducted by the United States since the end of the Vietnam War, in 1975.

Intelligence was highly deficient to the point that invading forces were handed tourist maps of the island without military grid lines.

U.S. Navy forces fired on and killed U.S. ground forces by mistake. Some invasion force members received maps on which the landing zone had to be drawn in by hand.

Communications between the military branches broke down.

As a result, the Congress passed the Goldwater-Nichols Act in 1986, which enshrined the concept of joint operations and joint command.

Today, it is not unusual to find an Army major general reporting to a Navy admiral who happens to be a combatant commander in one of the major commands such as Centcom.

These reforms have made the U.S. military a far more effective and lethal force than it was in the 1980s.

A similar method is being used today in financial warfare.
Major-threat finance initiatives typically involve participants from the Pentagon, CIA, U.S. Treasury, Federal Reserve and private-sector experts from Wall Street, major banks and the hedge fund community, all working together.

Our CSIF team is using exactly such an approach to confront future financial threats.

Even as the United States and its allies are refining their ability to counteract financial threats, the bad guys and rival state actors are not standing still.

New technologies such as cryptocurrencies, Bitcoin being the best known, are being used by the Islamic State and other enemies to buy weapons and pay troops without interdiction by global bank regulators.

Large Russian and Chinese cyberbrigades have been mustered to put those countries on the leading edge of cyberfinancial warfare. Wealth can also be moved around the world undetected using accounting games such as inflated transfer prices in the sale of mundane goods and services. Forensic expertise in law, accounting and taxation is needed to counter those threats.

Ironically, the most ancient financial techniques can be just as effective at avoiding sanctions as the most modern. Classic stores of wealth such as gold, silver, jewels, fine art and land are effective ways to transfer and hide wealth without moving assets through modern digital payments systems.

Gold is scarce and valuable at about $1,300 per ounce. But a Picasso painting, carefully rolled up and stashed in the lining of a suitcase, can be worth $500,000 per ounce. Better yet, a painting does not set off metal detectors in airports. Paintings are the best way to move wealth without detection.

In fact, enemies of the United States are using both the newest cyber techniques and the oldest wealth transfer techniques — such as gold and art — to bypass the major banking channels and payments systems.

Meanwhile, conventional financial channels, such as stock exchanges and banks, are completely vulnerable to cyberattack, which can close venues and wipe out account balances with a few keystrokes.

These types of cyberattacks are one of the 30 snowflakes that could cause the next financial avalanche.

My takeaway from the meeting with the CSIF financial threat team was that it is critical for you to keep at least part of your wealth in nondigital form.

This can mean physical cash, physical gold, fine art or land. These are the assets than cannot be wiped out by digital warfare or attacks on the power grid.

When it comes to stocks, it is also useful to identify companies that have physical assets behind them.

Even if banks and exchanges come under cyberattack, these stocks will retain value because they have tangible income-producing properties.

Chapter 7
Risks, Frauds, and Other Crypto Warnings

The 800 Pound Gorilla in the Room: The IRS

We've touched on securities law, counterterrorism, any money laundering, the Financial Crimes Enforcement Network (FinCEN), and all the things you mentioned, but there's another 500-pound gorilla in the room, which is our friends at the IRS.

A lot of people don't realize that if you could go out and buy a Bitcoin for $200 – it's shot up so much, but it wasn't long ago you could get one for $200 – and today it's worth $2,000, you can use it to buy something.

You don't even have to cash it in for dollars. You can buy a plane ticket or just about anything with Bitcoin.

In my example, you just had an $1,800 gain you have to put on your 1040 income tax return.

Bitcoin is some kind of property.

I query whether it's a capital asset or not, but it doesn't matter.

It could be an ordinary account or capital gains, but you have a $200 basis, $2,000 of value of proceeds, and an $1,800 gain.

You must put it on your tax return and pay the tax.

How many Bitcoin users are actually doing that?

I don't know the answer, but I'm guessing it's not that many.

All those who are not are tax evaders, at least if you're U.S. citizens.

If you're a citizen of another country, that may be different, but for U.S. citizens at least, it's got to go on your tax return.

That's the law.

If you don't do it, it's intentional, willful, and possibly a felony.

They didn't get Al Capone for murder or bootlegging but for tax evasion.

Now, is there enforcement?

I haven't heard of much, but the IRS is a funny organization.

They'll see things like this and lie in wait.

They'll sit there and say, "Why chase after a couple of little guys? It's all new. Why don't we just wait and let it build up for years. Let the amounts involved get into the billions and then go scoop them all up at once."

They'd need a test case or some probable cause, but they'd serve a subpoena on the major Bitcoin exchanges and demand all their books, records, and identities of all counterparties.

It would be resisted and end up in court where they'd probably get a court order enforcing that.

Well, suddenly the exchanges are giving up all this information.

The Bitcoin fans might say, "So what? I've got a digital wallet. All they're going to do is get a code they can't crack."

Maybe, maybe not.

The point is, you can kind of go from there.

They can start to find purchases or they can subpoena the sellers.

If it happens to be Amazon, they're not a rogue organization, so they're certainly going to comply with a subpoena. On and on it goes.

I'm not saying this is easy or happening tomorrow morning, but I'm saying we've seen this before.

I was a tax lawyer, and one of my favorite cases in law school was when the IRS tried to impute the income of a house of ill repute, but the brothel didn't keep any books and records.

Their defense was, "You can't prove how much income we had, so you can't assess us."

The IRS got the laundry bill, looked at how many times the sheets were cleaned, figured out the going rate, and came up with an income.

The judge said, "That's good enough for me in the absence of anything else."

The IRS does not let the absence of information stop them.

They will come up with the worst set of facts for you and put the burden of proof on you to prove otherwise.

They're pretty resourceful in that way.

That's another pitfall for the young crypto community to bear in mind.

More Evidence Bitcoin is a Gigantic Fraud.

I've said for years that bitcoin is a fraud, a Ponzi and a bubble all at the same time. I based this on analysis of price activity and certain other technical analyses and some anecdotal evidence.

Critics have always demanded "proof" that bitcoin was a fraud with smoking-gun-type evidence.

That was difficult at first because of the secretive nature of bitcoin trading.

Yet now the evidence is arriving almost every day.

New hacks are reported, millions of dollars of bitcoin routinely go missing and exchanges are closing with no recourse for investors.

What may be one of the biggest frauds in history, this one involving bitcoin, is now coming to light.

One cryptocurrency exchange called Bitfinex owes customers hundreds of millions of dollars in bitcoin held in their accounts.

Bitfinex is nontransparent about the funds it actually has on hand and whether its customer funds are really safe.

Bitfinex sponsored another cryptocurrency called tether, which is tied to the U.S. dollar at a one-to-one fixed exchange rate.

Customers give tether $1 (or the equivalent in another crypto) and receive one tether in return. The amounts paid for the tether are supposed to be held in reserve to back up the one-for-one promise.

No one knows if tether has the funds or not.

Tether recently parted ways with an auditor who was supposed to answer that question, so there is still no transparency.

It also seems that every time the price of bitcoin plunged, millions of tethers were issued out of thin air to prop up bitcoin on the Bitfinex exchange.

All of this has raised suspicions that Bitfinex and tether are Ponzi schemes.

The U.S. government sprang into action by hitting Bitfinex and tether with subpoenas demanding information about reserves and the safety of customer funds.

If it turns out the suspicions of fraud are correct, it could start a run on the bank in all cryptocurrency as holders and investors lose confidence in the crypto space generally.

That would be bad enough but the greater fear is that panic in cryptocurrencies could spill over into regulated stock and bond markets and mark the beginning of another global financial panic.
If that happens, the only safe haven will be physical gold.

Bitcoin Can Run But It Can't Hide. Regulators Are Tightening the Noose

The bad news just keeps coming for the bitcoin ecosphere.

China has ordered its banks to stop providing financial services for any cryptocurrency related transactions.

This is important because customers wishing to buy or sell cryptocurrencies have to start by funding their crypto accounts from conventional banking sources.

Also, when customers are ready to cash out of cryptos, they need to move their account balances back to traditional banks.

Without the ability of crypto-exchanges and banks to interact, the crypto-exchanges are basically roach motels – you can put your money in, but you can't get it out. Now you can't even put it in to begin with.

Crypto-exchanges also need banking services to pay vendors, employees, electricity companies and others who want to get paid in yuan rather than crypto.

Those transactions will no longer be possible. This is all part of a broader crackdown on cryptos by China, which sees them as a threat to the Peoples' Bank of China's control of the money supply and capital account.

Some crypto enthusiasts shrugged off the news and said, in effect, "No big deal, the business will just move to Taiwan."
The problem is other jurisdictions are taking a hard look also. South Korea has considered a ban on cryptos, although there's a popular backlash to this because so many everyday South Korean citizens bought into the hype and bet their life's savings on bitcoin at prices of $15,000 per coin or higher.

Many of them are now facing financial ruin and want the government to prop up bitcoin so they can recover their losses.

Recently Germany and the IMF have issued calls for global regulation of bitcoin.

This is likely to be a topic of the G20's meeting.

The bottom line is jurisdictions around the world see that bitcoin in particular and many cryptos more broadly are a threat to independent monetary policy and a part of a fraud that can damage their citizens and possibly their economies.

The noose is tightening on bitcoin.

In Initial Coin Offerings, The Money is Stolen Almost as Fast as It's Raised

Every financial market is vulnerable to some sort of financial fraud.

Most of the regulatory systems in place today were designed as a policy response to abuse or fraud.

FDIC bank insurance was a response to bank runs and insolvent banks of the 1930s and earlier.

The SEC was a response to stock manipulations of the 1920s.

More recently, the Consumer Financial Protection Bureau was created in 2010 in response to consumer mortgage fraud in the early 2000s.

So, there's no reason to be shocked that there's some fraud going on in the world of cryptocurrencies.

What is shocking is the size of the fraud!

Reuters reported that over 10% of all proceeds of initial coin offerings (ICOs) were stolen, often within hours or days of the ICO itself.

The numbers are staggering.

The article reports on a study conducted by accounting firm Ernst & Young.

The E&Y study looked at 372 ICOs, which raised a total of $3.7 billion in proceeds.
Of that amount, over $400 million was stolen through hacks and fishing scams of various kinds.

Imagine if 10% of all the proceeds of new ETFs last year went missing through fraud.

The problem with ICOs and cryptocurrencies in general is that the lack of regulation not only creates opportunities for fraud; it acts as a magnet for the fraudsters.

There are always unethical and sleazy market participants who will use markets to separate investors from their money.

If you're a criminal, why attack in regulated markets like stocks and bonds when you can attack unregulated markets like cryptos?

The work is easier and chances of getting caught are much less.

When investors discover they've been defrauded, they certainly don't like it, but what recourse do they have?

There's no SEC to call and no bank to give you your money back.

Some people just say caveat emptor.

Maybe better advice is *nihil emptor* – no buyer – or buyer keep out.

This Is Bitcoin's Worst Nightmare. Big Banks Are Taming the Blockchain

Remember the days when bitcoin was going to revolutionize banking and disintermediate the mean nasty "banksters?"

Well, a funny thing happened on the way to the revolution.

Bitcoin itself has hit an air pocket with a 50% price drop. Meanwhile, *Investopedia* reported that the banks are taking over the blockchain.

This is not surprising.

Disruptive technology does come along from time to time, but established franchises have a way of either fighting back or co-opting the new technology just by buying it.

Uber is disruptive, but London taxi drivers (the best in the world, by the way) have organized to get Uber's license there revoked.

In the same spirit, it was naïve to expect that banks would just sit there and let blockchain technology eat their lunch.
All of the major banks have blockchain research and development projects underway.
Japan is the first major economy to declare bitcoin "legal tender" in payment for goods and services.

This does not fix a value for bitcoin, and it does not force anyone to use bitcoin, it just keeps bitcoin transactions safe from counterfeiting charges.

The Japanese banks are taking that opening and driving an armored car through it.
Investopedia reported that Japan's largest bank is creating its own crypto-currency.

Valuation won't be an issue because each coin will be worth exactly one yen.

It's really just an alternative payment system like PayPal.

What it does is allow bank customers to make and receive payments on the blockchain with a yen equivalent, but with much lower costs.

Also, because this is a "permissioned" system (customers only may participate with bank approval) verification does not require the clunky proof-of-work of the original bitcoin blockchain.

Distributed ledgers and blockchain are here to stay, but bitcoin is not.

The banks will see to that.

Don't Look Now, But the U.S. Treasury is Keeping an Eye on Your Bitcoin

About 15 years ago, a Swiss banker loaded all of the confidential information on Americans with Swiss bank accounts that he could find onto a CD-ROM.

He flew to the United States and handed the information over to the U.S. Treasury and the FBI.

The banker was in trouble for helping Americans evade taxes and this was his play to avoid prosecution. He blew the whistle on his clients.

What ensued was a 10-year manhunt by U.S. tax authorities to find the tax evaders and many more whose information was not included on the original CD.

The U.S. played rough not by chasing the individuals, but by putting pressure on the Swiss banks themselves.

The big Swiss banks like UBS, and Credit Suisse have huge capital markets and wealth management operations in the U.S.

The U.S. told those banks they could either hand over the information or we would shut down their U.S. operations.
They handed it over. Some of the tax evaders got lawyers, turned themselves in and paid their taxes (plus interest and penalties) to avoid jail time.

Others waited and ended up in jail.

Today, if you go to Switzerland and try to open a bank account they will turn you away; they have zero interest in taking on U.S. clients.

Now something similar is happening in crypto-currencies.

The U.S. Treasury is concerned that cryptos are the "new Switzerland" where Americans are hiding income and avoiding taxes.

The Treasury is probably right about that.

Treasury will use the same hardball tactics against the crypto-currency exchanges they used against the Swiss banks.

The IRS is already demanding all records of crypto-currency transactions from these exchanges including name, address, social security number and bank account information about their clients.

The bitcoin fans who mock the government and play "catch me if you can" will find out the hard way that the U.S. government has the resources to track them to the ends of the earth.

Even the Criminals Are Ditching Bitcoin. Soon the Pyramid Will Collapse

My views on bitcoin are fairly well-known by now. It's a fraud because proponents misrepresent the benefits by blurring the difference between the coin itself and the technology on which a blockchain is based.

It's a Ponzi because at least some of the unregulated exchanges that transact in bitcoin are pocketing investor dollars and crediting them with bitcoin that don't actually exist in reliance on new buyers to provide liquidity to sellers.

And it's a bubble because there's nothing to sustain the price except greater fools willing to pay more than the last fool, and because there are no bitcoin use cases other than criminal enterprise.

All of this will be exposed for what it is sooner than later. But the wheels are already starting to come off the bitcoin bandwagon.

Right now even the criminals are abandoning bitcoin. Because of the price explosion, regulators around the world are demanding records, closing exchanges and shutting down bitcoin mining operations. Criminals and terrorists don't like that kind of heat.

They're selling bitcoin and moving to monero, another overhyped cryptocurrency, and using monero to conduct transactions on the dark web.

You know your bitcoin is in trouble when even the criminals won't touch it!

Ya Can't Make It Up! Major Bitcoin Conference Refuses to Accept Bitcoin

Sometimes an article is so funny there's not a lot to say about it; the headline speaks for itself.

I've warned my readers for over a year that the bitcoin craze is unsustainable for a number of technical reasons.

The limit on total bitcoin issuance makes it unsuitable for money; a useful form of money needs to have some elasticity in order to grow with an economy and support healthy bond and credit markets.

Of course, too much elasticity is also bad as we can see with central bank money printing.

That's why I like gold as a form of money, because the aboveground supply grows naturally at about the rate of population and economic growth and is outside the control of central banks.

The other problems with bitcoin have to do with high costs for transactions due to the clunky blockchain size and unsustainable electricity usage for mining and blockchain validation.

The critics tell me I'm all wrong and continue to tout the virtues of bitcoin.

But reality has a way of catching up with bogus cheerleaders.

A major bitcoin conference called The North American Bitcoin Conference, which was held Jan. 18–19, 2018, had planned to accept bitcoin in payment for conference attendance fees as a demonstration of the versatility of bitcoin.

Guess what?

The conference sponsors announced shortly before the event they would stop the acceptance of bitcoin.

Why? `

Because of high costs and system congestion, exactly the limitations I have been pointing out.

The conference was in Miami Beach, a lovely venue this time of year.

I hope the conference attendees had a great time in Miami as they used MasterCard and Visa to pay in dollars to discuss the future of bitcoin.

The Big Money Is Bailing out of Bitcoin. This Is Not the Time to Jump In

I've said for a while that bitcoin is a Ponzi, a fraud and a bubble all at the same time.

Yet that's not my view of blockchain technology as a whole.

The technology is sound and has a bright future.
New improvements are being made all the time. Some new cryptocurrencies are emerging that have radically different governance models and security protections than bitcoin.

Those new cryptocurrencies are worth a look. But not bitcoin.

Bitcoin is a technological dead end that has no use cases other than crime, terrorism and tax evasion.

What about the "bitcoin billionaires"?

These are the 1,000 or so people who own 40% of all bitcoin.

They have had huge paper profits (measured in dollars), but if they all sell at once, those profits will disappear as the price plunges.

How can they cash out without trashing the price even further?

There are several ways to do this.

One is to short bitcoin futures on CME and then dump coins on exchanges.

The coin sales will trash the price, but the price decline will result in profits on the short futures positions.

Being long bitcoin and short bitcoin futures is a hedged position that leaves you indifferent to price.

The small loyal "holders" get trashed, but the big money does fine.

Another technique, is to write call options on physical bitcoin.

The writer keeps the bitcoin, but collects the premium.

If the price rises and the bitcoin gets called away, the option writer still gets the option strike price in dollars.

You give up some upside but you lock in gains.

It's a simple covered call strategy.

Whatever strategy you choose, it's clear the big money is now taking their gains and getting out when they can.

This is exactly the wrong time for new investors to get involved.

Even the Most Gullible Cryptocurrency Holders Won't Touch This Crypto

In every market bubble, there's a telltale sign of a top.

On Wall Street in 1929, it was shoeshine people giving stock tips to shrewd manipulators like Joe Kennedy.

At the height of the dot-com bubble in early 2000, it was startup companies with no profits buying multimillion-dollar TV ads on the Super Bowl broadcast.

Remember the Pets.com sock puppet? Now comes the latest sign of a bubble top in bitcoin and other cryptocurrencies.

Venezuela is a major oil exporter and potentially rich country that is on the verge of complete collapse due to corruption, theft and incompetence.

Venezuela's currency is worthless, it has begun to default on its bonds and there are riots in the streets.

Supermarket shelves are bare and political dissent is being squashed, sometimes with violence.

What plan does the government of Nicolás Maduro have to save the day?

Launch a cryptocurrency!

Back in December 2017, it was reported that Maduro announced that Venezuela would launch a new cryptocurrency called the "petro," backed by Venezuela's oil reserves.

The use of blockchain technology makes sense for Venezuela as a way to avoid U.S. sanctions through U.S. control of the dollar payments system.

But the rest of the plan was ridiculous. Legitimate oil buyers will not participate in a scheme that's illegal under U.S. law because they could become subject to sanctions and penalties themselves.

Once Venezuela defaults on its external debts, its oil will be seized on the high seas by creditors, which will remove the collateral behind the new cryptocurrency.

The problems are too numerous to explain in detail here. But as the sign of a bitcoin market top, the launch of the "petro" told investors all they needed to know.

The War on Cash Turns to Bitcoin

New EU regulations require greater transparency and reporting of transactions in cryptocurrencies.

As usual, the regulators claim this is necessary to prevent terrorist and criminal activities.

In reality, terrorism is frequently used as an all-purpose excuse to regulate any form of money, be it cash, gold or crypto, that allows savers to stay safe from the clutches of the digital banking system.

Developed economies are engaged in a long-term global effort to force all savers into digital accounts at one of a small number of megabanks.

This process resembles herding pigs into a pen before they are slaughtered. Savers will get slaughtered with negative interest rates, fees, taxes, confiscation and account freezes when the time comes.

The use case for cryptocurrencies is that they offer anonymity to transacting parties. The problem is that digital currencies are not quite as free of government control as their users like to imagine.

Most crypto account holders use exchanges such as Coinbase to acquire and store their cryptocurrencies.

Those exchanges have numerous points of contact with the regulated banking system to exchange cryptocurrencies for dollars, euros or yen when customers want to buy and sell.

Regulators can shut off those portals if necessary to force compliance by the exchanges. Tax authorities can do the same.

Exchanges that do not comply with requests for customer information will find all of their assets frozen and it will be up to the customers to come forward and make a proof of claim.

Of course, the tax authorities will be waiting for you when you do.

If bitcoin and other cryptocurrencies cannot practically offer the kind of anonymity their users expect, then the use case for bitcoin disappears and the value of cryptocurrency will soon disappear also.

The "Shark Tank" for Bitcoin Trading Is Infested With Killer Whales

Bloomberg gave a fascinating look behind the curtain of bitcoin trading back in December of 2017.

The author, Olga Kharif, and several experts estimate that perhaps about 1,000 people control 40% of all the bitcoin in existence.

The market capitalization of bitcoin was $322 billion as of Dec. 17 using a price of $19,210 per bitcoin.

Using the $322 billion figure, these 1,000 people control about $130 billion in bitcoin, or an average of $130 million each.

With those kind of holdings, it's easy to see why these 1,000 people are referred to as the "whales."

Although the exact names of the whales are not known (except for certain individuals, such as Roger Ver, who voluntarily come forward to discuss their holdings), it is possible to identify their activity on the blockchain by spotting and aggregating the unique digital addresses that all bitcoin holders use to prove ownership or transfer their bitcoin.

Obviously, the whales are highly motivated to make sure the price of bitcoin does not crash.

There is good evidence that the whales know each other and actively collude to prop up the price.

This can be done through "wash sales" (basically two whales trading back and forth at higher prices to "paint the tape" and induce suckers to come in from the sidelines to buy bitcoin at the manipulated price).

They can also take turns dumping their bitcoin so not too many whale offers hit the market at the once.

Another technique is to short bitcoin futures and dump actual bitcoin on the exchanges.

If the price goes down due to the dumping, the whale is hedged because he makes money on his futures contract.

Only the suckers get hurt in these scenarios.

When investors ask if it's safe to go in the water, they are usually thinking about Wall Street sharks.

But when it comes to bitcoin, investors should be more concerned about killer whales.

Bitcoin Bandits Take the Money and Run

The history of bitcoin thefts, hacks and simple disappearances (because holders lose the "private key" needed to use the bitcoin) is long and getting longer.

We've seen the collapse of the Mt. Gox bitcoin exchange in Japan and heard many other horror stories about missing or stolen bitcoins.

Bitcoins are created by so-called "miners" (not real miners, but large-scale computing operations that solve increasingly difficult math problems both to validate existing bitcoin transactions and to earn new bitcoins as a "reward" for doing the math).

The amount of computing power needed and the electricity needed to run and cool the computers is immense.

It is estimated that bitcoin mining today uses electricity at an annual rate equivalent to the total electricity consumption of Nigeria, a nation of over 90 million people.

That usage will soon exceed the annual usage of Japan, the world's third-largest economy. (Of course, things will never be allowed to get that far, but that's another story.)

Large computer farms are springing up in China (because of cheap electricity) and Iceland (because it's cold, which helps to cool the computers).

A company called NiceHash had an idea to connect miners to people with spare computing capacity that they could make available to the miners.

It was something like the mainframe "time sharing" from the early days of computing in the 1960s and early 1970s. (My early days as a programmer were spent using mainframe timeshares, which we had to reserve in advance by the hour.)

Not a bad idea, but the system security was not up to the task.

According to Bloomberg $60 million of bitcoin stored by NiceHash have gone missing. The $60 million loss estimate was based on a $10,000 bitcoin price at the time of theft.

In these conditions, it's difficult to regard bitcoin as a reliable "store of value," part of the basic definition of money.

Founders Raise $232 Million for Cryptocurrency, but Can't Get the Money!

I love English English much more than American English. The English seem to have just the right turn of phrase for every situation.

One of my favorite English English expressions is "too clever by half."

It describes a situation in which smart people, in an effort to show how smart they are, take things too far and end up ruining whatever they set out to fix.

That phrase aptly describes the situation of Arthur and Kathleen Breitman.

The Breitmans are talented computer developers and marketers.

They invented a new cryptocurrency called the "tezzie," with distributed ledger and smart contract features that offered an improvement over bitcoin and blockchain in terms of efficiency of verification.

So far, so good…

They created an initial coin offering to raise money to fund the development. The ICO raised $232 million last July. Nice! (By the way, the $232 million last July was mostly paid in bitcoin and ether.)

Now for the sad part.

For unspecified reasons (probably related to taxes, regulation or liability management), the Breitmans and their VC investors put the ICO proceeds in a Swiss trust with an independent Swiss trustee.

You can guess what happened next.

The Swiss trustee won't give them the money!

The whole mess is tied up in litigation, according to Reuters.

At this point the Breitmans are suing the trustee to get money to pay for litigation against the trustee!

My advice: Next time use the Cayman Islands; people there are much easier to deal with than the Swiss.

A Swiss trust was definitely too clever by half.

The Tax Man Cometh, and This Time He Has Bitcoin in the Crosshairs.

I've warned for years that bitcoin enthusiasts were living in a La-La Land when it comes to taxes and regulations.

Now the substance of those warnings is becoming the new reality for bitcoiners.

Originally bitcoin was embraced by tekkies, libertarians, and anarcho-capitalists as a way to escape regulation, and other forms of government control.

Their mantra was that ownership of bitcoin through the blockchain was distributed and encrypted and did not require any regulated financial intermediary to keep records or engender trust.

The motto of the bitcoin crowd was, "In Math We Trust."

There are many flaws in this view, but the most obvious, and the one I pointed to repeatedly, has to do with taxes.

When you buy a bitcoin for $1,000, and sell or exchange it at a time when the value has increased to, say, $10,000, you are required to report a $9,000 gain on your U.S. tax return.

It's no different than buying and selling IBM or Citigroup stocks.

Just because the bitcoin is digital and encrypted does not make it tax exempt.

It's impossible to know how many bitcoin transactions were properly reported for tax purposes, but my estimate is that the number is quite low.

Bitcoiners had a "catch me if you can" attitude toward tax compliance and the IRS.

Now an article on The Verge, the empire has struck back.

The IRS was successful in getting a Federal court to order one of the largest bitcoin exchanges to hand over certain customer information including names, addresses, social security numbers, and more.

If the exchanges don't keep this information, they're guilty of anti-money laundering violations and all of the accounts can be frozen.

If the exchanges do have the information, they'll hand it over and the IRS will come knocking on the customers' doors.

The IRS won't stop there. They'll play hardball to get the bitcoin customers to reveal names of counterparties or face jail time.

This is just the beginning of an all-out assault on bitcoin from the IRS, SEC, FBI, and bank regulators. The best advice to investors is keep away from bitcoin to avoid getting caught in the dragnet.

Even Blockchain CEOs Believe Blockchain "Coin" Offerings Are Frauds

With so much talk about bitcoin, observers can be forgiven for not knowing that the blockchain is a lot bigger than just bitcoin.

In fact, bitcoin is just one of hundreds of "coins" and "tokens" issued and traded on blockchain platforms.

Even blockchain itself is not homogenous.

There are basic blockchain applications such as bitcoin, and newer innovations such as ethereum and ripple, which are more efficient than bitcoin, but still have serious limitations in terms of scalability and sustainability.

Problems with blockchain (as described in more detail below) are the target of criticism by many experts from both a technical and monetary perspective.

The criticisms are not coming just from outsiders, but are coming from insiders themselves.

The CEO of Ripple, and the co-founder of Ethereum both say that most "ICOs" issued on the blockchain are frauds.

An ICO (initial coin offering) is an issuance of new coins or tokens for cash intended to be used for development of new blockchain applications.

The token allows the buyer to have early access to the application or other benefits.

The ICO coin can be held for future appreciation or traded for other tokens on crypto-currency exchanges. ICOs have been likened to IPOs (initial public offerings) that companies use to raise debt in public markets. But, there's really no resemblance between ICOs and IPOs.

The latter are heavily regulated with transparent disclosure and severe penalties for misrepresentations. ICOs are not subject to any rules at all.

They're a "trust me" market in which the basis for trust is non-existent.

Any market like that immediately becomes a magnet for fraud as naïve buyers scoop up new tokens with a get-rich-quick mentality that will end in tears.

It's Not Guesswork. Here's Some Scientific Evidence That Bitcoin is a Fraud

The debate about whether bitcoin is a bubble, a fraud, or the greatest financial innovation since the ATM too often degenerates into shouting and name-calling.

The bitcoin detractors say bitcoin buyers are relying on the "greater fool" theory of investing.

That's when you pay a high price for something of little value in the hope that some greater fool comes along and takes it off your hands at an even more ridiculous price.

Bitcoin supporters shoot back by saying the critics are technophobes and Neanderthals who don't understand the brilliance of the blockchain and how it is the wave of the future. (By the way, it's typical for bitcoin boosters to pivot away from the currency to the technology. In fact, they're two very different things. The blockchain has a future; bitcoin does not).

Such tendentious sparring is unproductive and unenlightening.

What's needed is a more scientific basis for judging bitcoin.

A Bloomberg article entitled *Bitcoin Has an Unusual Relationship with Volatility* that kind of scientific analysis. It's a bit longer and more technical that the articles we usually recommend, but it's well worth your time.

The article begins with the observation that increasing volatility along with increasing price is a good bubble indicator in any market and suggests an underlying instrument will soon be worth zero.

But, the author observes declining volatility with higher prices in bitcoin suggesting it's not a bubble and there is real money in the market.

Yet, these real money reduced volatility episodes seem interspersed with hot money inflows and periodic higher volatility.

This suggests a tug-of-war between real money and hot money that go could either way.

That's a valid observation, but there's another possibility the author does not consider.

The continual reduction in volatility in response to price increases suggests autoserial correlation (a kind of "smoothing" in which the futures resembles the past only more so).

Autoserial correlation appeared in LTCM (a sign of excessive leverage to achieve smoothing), and in the Bernie Madoff case (a sign of accounting fraud to lull investors into complacency). The appearance of autoserial correlation says bitcoin may be in for a dramatic crash or be revealed as a massive fraud — perhaps both.

Even The Preppers Are Dumping Gold For Bitcoin

Most observers have an image of preppers as living in a remote area with water, freeze-dried food (enough to last for several years), guns, ammo, gold, silver and some artisanal skills.

They also have an image of bitcoin boosters as young, tech-savvy and fully-invested in a future that is onward, upward and more digital by the day.
One Bloomberg article published in November of 2017 stands those images on their head.

The article covers a trend among preppers to dump gold coins and load up on bitcoins in preparation for the unspecified apocalypse that awaits.

The article is interesting, but it says more about muddled libertarian thinking than it does about the best way to prepare for civilizational chaos.

The kind of crisis the preppers are preparing for is unlikely to have a functioning power grid, something the author points out repeatedly. Without power bitcoin is worthless.

The preppers say, "No worries!" While the power grid may be out for months or years, it will eventually be restored and their bitcoin will be waiting for them in the cloud of a newly formed libertarian nirvana. That's nonsense.

If and when the power comes back on, history says it will be restored through martial law and neo-fascism; not exactly what the libertarians had in mind.

The preppers also say that an ounce of gold is impractical for small transactions.

Of course it is; that's a reason to have silver right next to your gold.

The gold preserves long-term wealth, and the silver serves for daily transactions. That's why gold and silver have always co-existed as forms of money.

In the end, the preppers described in the article are probably just drawn in by the get-rich-quick mentality that seems to affect everyone chasing the bitcoin bubble.

A libertarian gloss won't save them in the end. Gold and silver will.

Crypto-Currency "Smart Contracts" Are Sending Billions Up in Smoke

As noted earlier, bitcoin is not the only form of digital crypto-currency.

There are many others…

One of the most popular is called ether (the name gives it away), based on the Ethereum platform.

Ethereum is intended as much more than a crypto-currency protocol. It allows a user to program a so-called "smart contract" that will automatically execute financial transfers upon the satisfaction of specified conditions.

You can use Ethereum to automatically pay your rent, record a transfer of property such as real estate, stocks or bonds, or even pay your children's' allowance if they make their beds and cleanup their rooms (good luck with that).
This sounds efficient because it's faster, cheaper and easier than using traditional financial intermediaries such as banks, lawyers or exchanges.

There's only one problem…

The protocol is full of bugs that hackers are using to steal the ether!

There is a litany of horror stories including one Canadian exchange that locked itself out of $13 million in a broken smart contract with no way ever crack the code and recover the money. It's just lost in cyber-space — forever. Stories like these are sobering reminders of the great attraction of gold, silver, and or other hard assets such as land, fine art or natural resources.

Hard assets are non-digital and can't be hacked, erased or trapped behind an encrypted firewall. Gold and silver are always there when you need them.

This Look Behind the Bitcoin Curtain Confirms Our Worst Fears

We've written before about how the bitcoin market is populated by drug dealers, money launderers, terrorists and worse.

We've also written about how users buy, sell and store their bitcoins on "exchanges" that are really unregulated and unvetted computer networks that occasionally disappear or crash, taking their customers' bitcoins with them.

Tax authorities, securities regulators and law enforcement are now converging on these exchanges. Users may be unpleasantly surprised when some of the exchanges are shut down and bitcoins are frozen or they start receiving tax assessments for paper gains on prior transactions.

But take an even deeper look at the underbelly of the bitcoin ecosystem…

Most bitcoin "mining" is done in China because mining depends on massive computing power and the enormous amounts of electricity needed to run and cool the machines.

Electricity is cheap in China because it is subsidized by the government though a huge network of coal-burning plants (one reason why the air is black and unfit to breathe).

The miners are in a "club" (described in the article) that has ambitions beyond bitcoin. The Chinese miners are trying to dominate distributed ledger technology not in competition with the government but in cooperation with it.

It's a play to disrupt and ultimately destroy existing payments systems, including those based on the U.S. dollar. Meanwhile, the typical bitcoin purchaser has no faith in the enduring value of bitcoin — he merely considers it a speculation that looks favorable compared with the limited investment options of most Chinese investors (basically stocks and real estate that are both already inflated).

The Chinese know bitcoin will crash; it's just that they believe they'll be able to dump their bitcoin on another sucker before the crash comes.

This May Be the Biggest Crypto-Currency Scam Yet.

For all of the hoopla about the rising price of bitcoin, there's a dark side that is just now being investigated thoroughly.

Most market participants know that bitcoin is used for a long list of reprehensible activities including money laundering, tax evasion, arms dealing, terrorist finance, drug dealing and child pornography.

But, the story gets worse. Even aside from illegal transactions, the bitcoin exchange market is rife with fraud.

Almost 1,000,000 bitcoins — worth over $5.5 billion at the time of the report — had been stolen.

Even larger amounts are locked up in unregulated and disreputable exchanges where they cannot easily be converted back into hard currencies such as U.S. dollars.

When you look behind the curtain at the "hundreds of millions of dollars" supposedly raised in initial coin offerings (ICOs) you discover that a lot of the ICO proceeds are paid in other crypto-currencies (for example, I can buy a token in one ICO using another token acquired in an earlier transaction).

The huge dollar amounts touted are just conversions using "market" prices (although the markets themselves are manipulated). There are no actual dollars, euros or yen in sight. Just went you think the story can't get worse, it does.

And article from Reuters entitled *Backroom Battle Imperils $230 Million Cryptocurrency Venture* describes an international legal shootout between two tech entrepreneurs and the head of a Swiss foundation they established to conduct their ICO.

The ICO famously raised "$232 million," (but not really because what they actually got was 66,000 bitcoins and 361,000 ethers worth….well, whatever they're "worth" today). You get the idea.

This ICO and the development project are a complete mess, but there's a pony in there somewhere.

Check out the complete article for all of the gory details.

There's greed, backstabbing, and technology all in one place. A great read.

In the Gold Versus Bitcoin Debate, Goldman Goes for the Gold!

I write and speak a lot on gold. In contrast, bitcoin is my least favorite topic…

I'm made my views known many times. Bitcoin is a bubble and will crash and burn, probably to the $200 level sooner than later.

It's worse than a bubble because it's shot through with bad actors, criminals, market manipulators, fraudulent intermediaries and every species of scam even invented.

But, I continually get dragged into discussing bitcoin in interviews, on TV, radio and the internet. So, I discuss it whether I want to or not.

By the way, I'm not a technophobe…

I use advanced technology every day. Some of my best performing personal investments are fintech start-ups. I'm working with IBM and the Watson supercomputer on a third-wave AI project to bring new paradigm predictive analytics to capital markets.

I've read many bitcoin and blockchain technical papers.

I "get it" when it comes to the technology.

But, unlike my technologist friends, I also "get it" when it comes to market behavior.

I know a bubble or a scam when I see one. Still, interviewers love to get into the "gold v. bitcoin" debate.

From my perspective, you might as well discuss gold v. watermelons or bicycles v. bitcoin. In other words, it's a phony debate.

I agree that gold and bitcoin are both forms of money, but they go their own ways.

There's no natural relationship between the two, (what traders call a "basis.")

The gold/bitcoin basis trade does not exist.

But, people love to discuss it and I guess Goldman Sachs is no different.

Bloomberg published an article in October 2017 entitled, *Goldman Says is Better than Bitcoin.*

It details a new research report issued by Goldman Sachs that comes down squarely on the side of gold as a reliable store of wealth rather than bitcoin, which is untested in market turndowns. Goldman's research department has not been notable as a friend to gold, so the fact that they favor gold over bitcoin is highly revealing in more ways than one.

Insiders and Hedge Funds are Playing Retail Crypto Buyers for Suckers

Every market in the history of the world has been subject to some type of fraud at some stage of its development.

The oldest trick in the book is for a dealer to put his thumb on the scales while weighing goods for sale or payment in gold or silver.

Scams get more sophisticated from there.

The entire structure of modern financial regulation is basically a response to the ingenious ways dealers have discovered to defraud customers over the centuries.

Is there any reason why the bitcoin market should be immune from fraud?

Obviously the answer is, "no."

In fact, one Bloomberg article entitled *Hedge Funds Flip ICOs, Leaving Other Investors Holding the Bag*, shows how the bitcoin market is a magnet for fraud precisely because it's new and is not regulated at all.

The schemes investors have seen in other markets such as fraudulent misrepresentations, front-running, insider trading, ramps, and pump-and-dump rings have all now found a home in the bitcoin market.

This article describes how insiders, such as computer developers and crypto-coin sponsors, have joined hands with big hedge funds to pump up the price of initial coin offerings and then dump these on unsuspecting retail investors.

The particular scam described in this article combines several different frauds including insider trading and pump-and-dump. This activity resembles the "dot.com" scams and IPOs that were ramped up in the late 1990s and then crashed and burned in the early 2000s.

At least the dot.coms had a regulator to chase down the worst offenders. No such regulator even exists in the bitcoin or crypto-currency space although the SEC has issued releases lately that indicate it will begin looking into the area.

If something is too good to be true, it usually is. The too good to be true gains on initial coin offerings are likely to end up in the same trash heap as the dot.com stocks of the late 1990s.

Global Elites Start Their Own Crypto-Currencies. Bitcoin Will be Roadkill

Just because the crypto-currency market is full of fraud today does not mean that crypto-currencies won't still be around in the future.

In all likelihood, crypto-currencies are here to stay.

It's just that the market will evolve from the fraudulent Wild West show we have today into a government controlled monopoly. Distributed ledger technology and digital coins can be used to advance the neo-fascist agenda of the global power elite.

There's nothing unusual about elites co-opting the latest financial technology for their own ends. In the 19th century, banks were private, and bank notes were issued by individual banks, not the government. Holders of paper bank notes relied on the soundness of individual banks for the value of the money.

Many others preferred the safety of gold and silver coins, although coins posed their own risks due to outright theft and robbery. Gradually the elites took over the banking system, de-monetized gold and silver, and created a monopoly on paper currency issuance called the Federal Reserve.

So-called private banks today are heavily regulated quasi-public utilities that can only deal in Fed approved notes. If you tried to open your own bank today and issue your own "money" you would quickly be arrested for counterfeiting or fraud.

One article by Reuters entitled *"IMF's Lagarde says Digital Currencies Could Boost its own SDR"* shows something similar is happening in the world of crypto-currencies today.
Elites have awakened to the power of fully-digital encrypted currencies recorded using a distributed ledger.

This technology disintermediates banks, bypasses existing payments systems, lowers costs, and forces consumers to abandon "paper" money if they want to participate in the payments system.

Think of it as mandatory PayPal on steroids. In particular, the International Monetary Fund, which is already the central bank of the world, wants to extend its reach by becoming the global clearinghouse for international crypto-currency initiatives.

Of course, this means the private cryptos like bitcoin are roadkill, just as private bank notes were eliminated 150 years ago.

Elites hate competition.

Chinese Capital Flight Continues. Crypto-Currencies are One Way Out

In late 2014, China had by far the largest hard currency reserve position the world had ever seen — over $4 trillion in dollars, euros, yen, gold and other valuable assets. (I exclude the U.S. from this comparison because 60% of global reserves are held in U.S. dollars, and since the U.S. can print dollars at will, it has no particular need to hold them in reserve. Most readers are surprised to learn that 70% of U.S. reserves are held in gold.)

Yet, in China there was always less there than meets the eye. For one thing, there's the oldest joke in banking: if you owe the bank a million dollars, you have a problem, but if you owe the bank a billion dollars, the bank has a problem.

That's how Donald Trump escaped personal bankruptcy in the late 1980s and early 1990s commercial real estate collapse. Trump owed the banks so much money they kept him in business to help them collect.

The rest is history!

So, when I saw the U.S. owed China $1.5 trillion (that's how much Treasury debt China held in reserve), I knew China had a problem.

After 2014, with the threat of yuan devaluation looming and a clear credit and real estate bubble, China lost $1 trillion in reserves, knocking their position down to $3 trillion. Of that, $1 trillion was illiquid, and $1 trillion was needed in reserve to bail out the Chinese banking system.

That left China with only $1 trillion to defend the currency, and it was losing reserves at $50 billion per month in 2016. China was on its way to going broke!

They took extreme action in late 2016 and 2017: China partially closed its capital account, raised interest rates, and cracked-down hard on money transfers. This worked in the short-run. China's capital account stabilized at around $3 trillion.

But, the victory was temporary.

The capital outflows are starting up again.

Flight capital is using every trick in the book including over-invoicing, casino money laundering schemes, and good old-fashioned cash smuggling.

One of the favorite techniques of those trying to get money out is the use of bitcoin and other cryptocurrencies using laptops and brain wallets.

That's why China closed all of its bitcoin exchanges a few months ago.

It's a losing battle for China. Eventually the only solution is an extreme 20% or 30% devaluation of the yuan.

That will remove the reason for capital flight in the first place.

War with North Korea is Coming. Bitcoin Won't Save You or Your Wealth

Advocates of bitcoin and other crypto-currencies have a naïve belief that their digital assets are "beyond the reach of governments," "cannot be traced," and "cannot be frozen or seized." Nothing could be further from the truth.

On September 12, 2017, China announced that it was banning the launch of initial coin offerings (ICOs) in China, and closing all Chinese bitcoin exchanges.

The next day, it was reported that China demanded the books and records of those exchange customers and all transactions.

From there it's just a short step to arresting customers for violating foreign exchange and tax regulations in China.

But the attack on bitcoin does not stop with China.

North Korea's cyber-brigades have hacked into South Korean bitcoin exchanges both to steal customer bitcoins and demand bitcoin ransom to cease the attacks.

North Korea is building up a bitcoin stash to pay for weapons and food as the U.S. ramps up sanctions on conventional banking channels.

This operation reflects the fact that using bitcoin on the dark web is a haven for criminals, arms dealers, tax evaders, and state enemies of the U.S.

How long will it be before the U.S. joins the effort to shut down, interdict, and disrupt bitcoin message traffic on the dark web, and the bitcoin exchanges themselves?

Bitcoin prices have fallen 40% in response to these and other developments.

It remains to be seen which will collapse first, bitcoin prices or North Korea. We should expect both in the not-too-distant future.

Chapter 8
Platforms, Applications and the Future

Go back to the period 1996-2000. That was the dot-com boom or the dot-com bubble in which the NASDAQ went from 1,000 to over 5,000 in a matter of couple of years — a 400% gain.

Then, a crash began almost New Year's Day, the first business day of 2000 — on January 2.

The crash began almost like clockwork, and then the market went all the way back down to 2000.

It was 60% loss.

That was a classic bubble. You can look at it on a chart. You look at a NASDAQ chart for that period. Narrow it to 1998 to 2002 and you'll see it goes straight up, and then it goes straight down again. A classic bubble.

Whenever I look at the Bitcoin chart, I see part of that NASDAQ chart. I see the part going straight up, and it doesn't take a lot of imagination to see the part going straight down, but we'll talk about that in a minute.

The point is, 1996 was really the beginning of the internet.

Now, the internet goes all the way back to the 1970s, even the late 60s. It was something called ARPANET. It was actually a government research project to enable university scientists to exchange information with each other in a more efficient way.

Some professor wrote a journal article and published it in a peer-reviewed journal, and maybe a couple of people read it. It was a very inefficient system. The government said, "We need good ideas to go flying around faster." So, they made ARPANET, which was just really mainframe computers talking to each other at universities. That then spread to the internet.

The problem with the internet was that it was like having a phone system and you didn't know anybody's phone number. Imagine you didn't know who had a phone, who didn't, or what their phone number was. In that case a phone system wouldn't do you very much good.

It was in 1996 that the first really efficient web browser came into being, that was Netscape. We all remember that pretty well. It's been replaced since then. We have Safari and Firefox,

and Explorer, and Google, and a lot of other search engines, but that was the first. That started a huge boom.

All of a sudden everybody was jumping on the internet selling something. A lot of these companies went public. It created a stock bubble, while these stocks went to the moon and they went from $2 to $200 in short period of time.

One of the most famous that crashed and burned was something called Pets.com.

The concept was pretty simple, which was they were selling pet food, chew bones for dogs, and animal toys.
They famously spent all their money on one commercial in a Super Bowl based around a sock puppet. It was the most popular sock puppet of all time.

It was as famous as Bert and Ernie on Sesame Street, but unfortunately the company filed for bankruptcy a few months later and that stock went to zero.

That's what happened to a lot of these dot-com stocks.

They soared, and they crashed.

It turns out that it's really expensive to ship. You buy a 50-pound bag of dog food, it costs more to ship than just to drive down to the local stores; so there were problems there.

That specific case aside, the problem were these individual stocks and business models, it wasn't the internet. There was nothing wrong with the internet.

The internet just got bigger…and bigger… and of course today we live by it.

The internet and the search engine were platforms.

These individual companies are what you might call the applications or apps if you want to use today's language.

A lot of the apps failed but the platform didn't.

Of course, we know the ones who succeeded, which were of course Google, and Amazon, and a few others. As we say, the rest is history. We have social media and so forth.

Individual applications can fail but platforms can thrive. That's a case study.

Now, it's important to bear that in mind because that's exactly where we are today in the blockchain DLT.

We're in the same place right now in the Cryptocurrency Wars.

We have a platform, which is not going away. Blockchain was the original name for it. The new name when you talk to scientists and developers today, they prefer DLT, Distributed Ledger Technology. Think of that as the internet.

That's very useful, very efficient. It's the future. It's not going away.

Bitcoin, on the other hand, is like Pets.com. It's a particular usage, a particular app if you will on the platform, on the DLT platform that is going to hit a dead end and that's going to be a mess for a lot of people; but that's not our problem because I'm NOT recommending you buy Bitcoin.

We're here saying buy DLT, buy companies that have a future, put a stake in the ground on this technology.

With that as by way of introduction, let's talk a little bit about where DLT is going.

I want to spend a few minutes on Bitcoin because you have to understand why Bitcoin will fail in order to see why DLT has a future, because a lot of what's going on in the DLT world right now is intended to solve the problems of Bitcoin.

Bitcoin is a trailblazer. I don't take away from the science of it or the genius of it.

Satoshi Nakomoto whoever he, or she, or it is, this is the person who published the first paper of explaining how Bitcoin could work on a blockchain platform.

To this day, the identity of the author is unknown, whether it's a man, woman, or a team.

There's certainly some suspicion that it might be a team of engineers. But we don't know. It doesn't matter. The paper is out there. That's the name on the paper and introduced this idea. That's genius. The fact that it has flaws doesn't detract from that. For example, Isaac Newton didn't know about relativity, it doesn't mean that his theory of motion and gravity was not useful, and likewise science advances by mistakes.

Science advances by people going down dead ends, but they move the ball a little bit down the field and someone else picks it up.

I don't take anything away from that insight, but it's only when you put into practice in the real world, which we all participants in use cases. That you can begin to see the problems, and that's where we are in Bitcoin right now.

Now, I'm speaking from an engineering and technical perspective. There are couple of technical problems with Bitcoin that lead us to DLT.

The first one is how do you create a Bitcoin?

Where do Bitcoins come from?

They come from people called miners. I really find it interesting that Bitcoin has borrowed the jargon of the gold business. If you ever see a Bitcoin online, the graphical representation, the digital representation of a Bitcoin? It's always a gold coin. I find that fascinating.

It's not a gold coin. It's not a coin at all. But people call it a coin. And they show it as a picture of a gold coin.

It's actually just electrons stored on the server some place. The Bitcoin crowd always want to represent it as a gold coin. I think that makes it an interesting subliminal, psychological statement.

What does a miner do?

They just stack massive amounts of servers, one on top of the other to solve math problems which is a gift is to the blockchain.

Let's say I own a Bitcoin. You bought a Bitcoin. I bought a Bitcoin, or whatever; and we want to transact. I want to buy something from you. You're going to give me some goods or services, I'm going to give you some Bitcoin to pay for it.

How do we record that transaction?

How do we know that the Bitcoin that I used to own is now your Bitcoin?

I mean, if I hand you a dollar over the counter, you stick the dollar in your wallet, nobody really disputes that. If we do a digital banking transaction etc., our banks keep a record of that. We trust the banks, (maybe we shouldn't but we do). That's how we record the same thing with credit cards and debit cards. You get statements from your brokerage accounts, too. That's how we sell things, too. There's some law behind that.

How do we prove that I gave you a Bitcoin?

The answer is that transaction bundled with a bunch of other transactions, and it's put on something called the blockchain.

The blockchain is just additional record of all the transactions since the beginning of Bitcoin.

A gives it to B... B gives it to C… C gives it to D… and D gives it back to A as the case may be.

All of that is recorded.

Of course, the blockchain gets longer, and longer, and longer, and longer but so what, it's digital. It's stored. It's not that expensive to store it. It's very expensive to mine, and I'll come back to that, but this ledger is stored. It's there for all time in theory, and that's how we establish ownership.

Now, this is where that the D in "distributed ledger technology" or DLT comes from.

Let me just break that down a little bit: Distributed Ledger Technology.

Technology is that's just the engineering, the computer science and the electrical science behind the blockchain.

Ledger is just a record of anything. Your brokerage account statement is a ledger. You get into your town hall in your town. If you bought your property, there's a deed from the seller to you saying you own the property that gets recorded. That's the kind of ledger. You buy something in a drugstore, and you got a receipt. That's the kind of ledger. A ledger just makes a record of the transaction or record of ownership as the case may be.

Ledger technology just means a digital or technological record of transactions.

But the *distributed* part is the key.

Distributed means it's spread around among a potentially unlimited number of servers who are hosting this record, this ledger.

Right now, if I have an account at the bank, Wells Fargo, Citibank, or JP Morgan whatever, they keep the record.

Now, Wells Fargo does not keep the banking records of JP Morgan. JP Morgan does that. Citibank does not keep the banking records of Wells Fargo. Wells Fargo does that.

In the world of banking as we know it today, there is no distributed ledger. Each bank keeps his own ledger and you rely on that bank.

But with blockchain, there's no bank. There's no clearing house. There's no financial intermediary. There's no Fedwire. There's no central bank. None of that exist.

What does exist is this record that is spread among all these computers all over the world.

You could take dynamite and blow up one of these servers, and it wouldn't matter because that record is somewhere else, or one of them could be a particularly large holder of a ledger

and they could file for bankruptcy, or go away. It wouldn't matter because it exists somewhere else. That's where the distributed comes in.

The libertarians, the anarchists, and others, love this because they say, "See, at last we're free of the government. We're free of central banks." Bitcoin started out with this libertarian bandwagon that we would finally have a form of money that didn't depend on central banks. That's fine as far as it goes, until you start running into a brick wall technologically, and a lot of other problems; which I'll show you in just a minute.

Distributed ledger technology just means a digital record of transactions that spread all over the place, not in any one place. In other words, nobody's in charge. Now that's what the blockchain is and Bitcoin exists on the blockchain.

The blockchain or the DLT is the platform and the Bitcoin is a particular application.

To upgrade the blockchain that bitcoin relies on (there's more than one blockchain, by the way) you need to verify a new batch of transactions. Say I buy something from you. I give you a Bitcoin. In return, you sell me a book or whatever. How do we validate that?

Well, you have to solve a math problem. I know it sounds like math class, but it involves factoring very, very large numbers into two prime factors, which if you ever did factors in your head; I don't know if it was 6th grade or 7th grade, that was hard enough.

Imagine them with 256 digits. A number that's 256 digits long and looking for two prime factors of that number. Prime means you can't use fractions.

That's what it is. That's the problem you have to solve. Every two weeks, the problem gets harder and harder, and that's also by design.

This is all written into the official code of blockchain.

We do it on computers with massive computing power.

Computers by the way run on electricity, so you need electricity to run the computers and they draw off a lot of heat, so you need cooling systems.

You need electricity to run the cooling systems like the air conditioning support.

It turns out that blockchain is using an unbelievable amount of electricity too for these so-called miners to do what's called proof of work.
Proof of work is a random math problem.

Proof of work says, "I solved it. I published my solution."

And everyone else says, "Yup, you did it. That's a good solution. We all agree."

It goes into the blockchain that gets distributed all over the place.

Then, from then on, there's no dispute.

It's irreversible by the way. Nobody can come in and say, "Oops, sorry made a mistake, too bad."

You take it up with the counterparty but you can't change the blockchain and everyone agrees.

That's considered a security feature.

I recently saw an estimate that Bitcoin mining is using more electricity than the country of Nigeria in a year. Nigeria is almost 100 million people. They use a lot of electricity there.

I also saw a projection from Citibank research saying within a few years Bitcoin mining will use as much electricity as the entire nation of Japan.

Bear in mind Japan is the third largest economy in the world.

That's not going to happen. That's just the project. If mining continues and the math problems keep getting harder, which they do, and more and more computing power and electricity is needed to solve the problems, then a simple extrapolation says the Bitcoin mining industry is eventually going to use electricity equal to the entire country of Japan's usage.

That's clearly not going to happen. Somebody's going to stop it whether it's the government, or the United Nations, or the environmentalists. There's not that much electricity around.

Another problem is Bitcoin is limited by design to twenty-one million Bitcoins. That's all.

Now, the Bitcoin fans love this. They say, "See, this is not the Federal Reserve. The Fed prints trillions and trillions of dollars out of thin air. That's not going to happen with Bitcoin. It's capped to 21," as if that's a good thing.

It's not a good thing and here's why…

Any form of money, it could be gold or dollars, any form of money you can think of has to be elastic in order to support a growing economy.

If the economy, productivity, gross domestic product and population is growing, the money supply needs to grow along with it.

Now, there is such a thing as too much money and the Fed is very good at creating that. It's one of the reasons I like gold as a form of money. Gold is not static. The supply of gold in the world grows every year because of mining, real mining. People taking up holes and getting the gold. It goes about 1.6% per year, which is a little bit lower than world growth, but not too much lower. That's why it's not inflationary. It tends to produce price stability because it grows about in line with the population.

Every now and then, there are bigger discoveries.

It's mildly deflationary, but that's not a problem for central banks because central banks only have about 20% of all the gold in the world. They have about 33,000 tons and there's maybe 180,000 tons in the world.

If a central bank is on a gold standard and they want more gold to expand the money supply to accommodate the growing economy, they don't have to buy it from the miners. They could, but they don't have to. They could just buy it in the private sector. They can buy gold from you and me, or anybody else who wants to sell it to them at a price.

We're far, far from the point where that gold is exhausted and so enhance the central bank. We never get there anyways, because the price will go up. The point being, the gold supply can expand either to mining, or what you called the open market operations private purchases to accommodate the growth of the economy. I like gold because it produces price stability, but it's not static. It's elastic. It's as elastic as it needs to be.

Bitcoin has a twenty-one million cap. It's never going to get there, by the way. Right now, it's around 16, 17 million. They're chugging along. Long before they get to 21 million, they're going to hit the wall that we talked about earlier, which is the electricity.

There will not be enough computers sucking enough electricity in the world to mine anymore Bitcoins. They're going to hit a wall before they get there.

When they hit that wall, now, do you want to use Bitcoin as a reserve currency. Do you think Bitcoin is the future of money? You're going to support the world economy on Bitcoin?

Not with twenty-one million Bitcoin, you're not.

The point is, if you went down that road, it would have a powerful deflationary bias, meaning the dollar price of Bitcoin will have to go up, and up, and up.

This is the bull case for Bitcoin.

This is why people say, "Bitcoin is going to … " and then a big number.

You hear people say $200,000 or $1 million.

What they're doing is saying, "If you have a growing economy and a static number of Bitcoins, the price has to go up because it has deflationary bias."

Now back to the real world. You can't have a reserve currency or a transaction currency without a credit or debt market. Think of the US government bond market for example or any large government bond market.

If you do use Bitcoin as a reserve currency, you have to be able to do something with it. You have to invest in something, and there are no investable assets in Bitcoin. You can buy a Bitcoin but it's like having a dollar in your pocket. It's not a bond. It's not a place to invest. There are no Bitcoin bonds.

To have bitcoin bonds, you need borrowers. If you're going to have credit instruments that people are going to invest in, somebody's got to borrow the money, and that's how you expand money supply beyond base money, it's through credit; whether it's bank credit, or corporate debt, or some other kind of credit.

Who on earth is going to borrow money in a deflationary currency?

If I borrow 100 dollars from you, I owe you $100 plus interest; and if we both think that prices are stable, I owe you $100.

But say I borrow 100 Bitcoin, when each is worth $1,000, so I owe you $100,000.

Now I have to pay you back… and say at this point now, each bitcoin is worth $7,000, meaning the 100 bitcoin I owe you are now worth $700,000.

At that point I'd say, "Wait a second. I borrowed $100,000 and now I owe you $700,000?"

In other words, that deflationary bias is going to prevent anyone from ever borrowing the money. You're not going to have a bond market. You're not going to have a credit market. You're not going to have anything that can support any kind of economy.

There are many, many more factors like I mentioned.

Have I ever mentioned a matter of fact that if you're in Bitcoin, you're side by side with terrorist, criminals, tax evaders, money launderers, illegal drug dealers and worse?

A: It's a bubble. B: It will never be a major currency because of the deflationary biased side just described. C: It's going to hit a wall in terms of electricity usage.

These are all the reasons why Bitcoin is doomed to fail and it will fail; but the distributed ledger technology is here to stay. That's really the good news.

What are the innovations in DLT and why is this a great investment opportunity?

The answer is that scientists, engineers, large companies like IBM, small-niche companies, startups, and so forth are hard at work solving the problems that I just described.

One of them, that's very exciting is called Hyperledger Fabric Version 1.0. As I described earlier, this was released last July, so it's fairly new. It's being adopted by the Linux Foundation. The Linux Foundation is a private, non-profit effort to share and develop open source technology.

Now, open source means that everybody can have the code and anyone can write that code and expand on it, and the expectation is as a participant in open source community, you will take the code that's available to everyone, but you'll also contribute your own code and others can see that.

Again, the community grows and new applications emerge. The thing develops similarly to Wikipedia in a sense that everyone can contribute, and the end-result is greater than anyone person could devise.

Now, it doesn't mean you can't have intellectual property or a patent. You can do that. You can monetize it, but there is this notion of sharing the technology.

IBM is the leader in this, but they're not the only ones. I've actually met at the IBM Idea Lab down in Union Square Astor Place in New York. They have labs all over the place, but that's one of the big ones.

I met with scientists who are working on this hyperledger fabric. It looks like the future.

How does that solve the proof of work problem?

There are two things going. One is the hyperledger fabric, which I just described. Hyperledger's solution is to go from permissionless to permissioned. Right now blockchain is permissionless. That means you don't need permission to do a Bitcoin transaction. You don't need anyone to tell you it's okay.

All you have to do is get some software, get a private key, and start transacting. Throw your transaction on the blockchain, and the miners will validate it, and there you go. Anyone can join it.

Permissioned means that you have to be admitted to a community of users, and then once you're in the community, you can use blockchain or DLT, exactly the way we've been describing.

The point is that permissioned is a gate-keeping function and requires vetting and then two hours of secure double verification to actually come and be user.

No different than when you use a password and something else, like having two passwords, or biometric scanner plus a password, to get into any other system.

The benefit is that if you have a permissioned system, you've already cleared the users and say; you don't need as much proof of work or security to record the transactions, which means you don't need the electricity and the computing power, and all the things that are large constraints on the expansion of Bitcoins.

That's one solution.

Ether has a different solution, which is proof of *share*. Instead of proving the work, meaning solving this math problems, the validator is the biggest player in the space. Now, you're ceding power.

You'll say, "Okay, there are a whole bunch of us in ether world, but there are a couple of us who are way bigger than the rest. We're going to let them do the validation. Now, the whole community doesn't have to validate the blockchain. A small number of users can do it and that requires less energy.

So, there are two solutions on the table.

One is the ether…

The other one is hyperledger fabric, but the point is they both go back to where we started, which is somebody has to be in charge.

The whole Bitcoin thing was…

We don't need the Fed, blah-blah-blah.

But you need *somebody*.

Somebody has to be in charge because nobody's in charge right now. You're burning a lot of coal to run these math problems and do these prime factors with that transactions. There's a tradeoff between security and permission or between efficiency, scalability, and permission.

There's a reason why the financial system has evolved the way it has going all the way back through history.

Imagine you're in 15th century Italy and you're a merchant in Milan. Or you're a traveler, or politician, or member of royalty or whatever. You're going to London. There's no internet. There are no telephones. There's no telegraph. There's no car. There's nothing. There's no way for Milan and London to talk to each other than getting on your horse and ride into London. That's what people did.

They'd say "I'm a rich man in Milan. I'm on my way to London. I'd like some money in London, but I don't want to carry all this gold with me because there are robbers and highwaymen. But I don't want to get to London and be broke either. What can I do?"

The Medici family and other bankers had invented the letter of credit. They said, "Okay. Here's what we'll do. I have a cousin in London. I'm going to write a letter. You give me the gold. I'm going to write you a letter right now that says you're worth this much gold on deposit with me. You get to London and give that to my cousin, and he'll give you the gold. We'll sort it up between us later."

That was the origin of banking. That was the origin of letters to credit and other kinds of transactions.

What was the glue?

What made that work?

What made that work was that there were two cousins who knew each other and trusted each other, and I'm the customer.

People piggybacked on that trusted system. That's how information system works.

That's the future of digital ledger technology. That's the future of the blockchain.

But Bitcoin doesn't require that.

You don't have to trust anybody, you just have to trust the math; but the problem is the substitute for trust is incredibly inefficient, incredibly clunky, incredibly energy-intensive, non-scalable, non-sustainable, leaving aside the fact that the price is a bubble that you'll crash and burn.

Bitcoin is a sock puppet… Bitcoin is Pets.com…

But DLT is the future.

Chapter 9
Two Blockchain Plays & the Blockchain Watchlist
By Dan Amoss, CFA

Jim just went over the history of cryptocurrencies and Bitcoin in particular. This is a very hot area of the market and people want to buy these things because they're going up.

I've been tasked with finding a safer way to participate in the upside, and after looking a while I found an intriguing situation.

It's a microcap stock. It's an asset manager and they own a small stake in a newly public cryptocurrency mining company called HIVE Blockchain. This particular stock trades in Toronto, the TSX Venture Exchange under the ticker HIVE.

It's hasn't been public for long. What they do is they own industrial grade server facilities in Iceland, where there is low temperatures and cheap geothermal power to mine cryptocurrencies.

They're focusing on Ethereum, which Jim described earlier.

It's very difficult to value the stock. They're trying to have first mover advantage and industrial scale mining. This company is competing against a lot of people who are doing it at home with their Nvidia and AMD graphics cards trying to mine cryptocurrency.

It's hard to value this stock based upon its revenue potential, but they could optimize their strategy.

They have the flexibility to pursue whichever cryptocurrency happens to be a winner.

Over time there will be winners and losers within the Cryptocurrency Wars, many of them will go to zero.

Some of them will probably go up a lot more.

This particular company, if you compare it to a miner of gold, silver, or base metals; it has the flexibility to mine whichever cryptocurrency is most profitable to mine at the moment.

It has an intriguing business model.

Second, there's also company that long time ago our financial readers will know well, called US Global Investors.

This is the stock I'm recommending. Its ticker symbol is GROW on the NASDAQ.

Frank Holmes is a long- time friend of Agora Financial.

He's been a past speaker at our conferences.

I've met him personally.

We don't have any commercial relationships, just to be clear. I'm making this recommendation purely on the merits of the investment.

They specialize in natural resources and precious metal mining mutual funds. They've been hit by a triple whammy in the stocks, so they've been very, very depressed.

Their revenue base fell from about $40 million per year in 2011 near the peak of the gold mining bull market to like $7 million this year -- but they've cut costs.

They've got their breakeven way down and they have a healthy balance sheet.

They've had a lot of outflows between the rush towards ETF, and away from actively managed mutual funds.

They've been hit by that phenomenon.

They've been hit by the deflation of the gold mining stocks space, the deflation of values of their market, and the combination (of the two outflows plus decline in gold stocks) has led to a huge decline of the stock.

Yet, after all this, they still have over 400 million in assets under management; and of that 250 million or so is in their two-multi decade track record gold mining funds, which Frank co-manages with Ralph Aldis, who are both very experienced investors.

Jim and I do believe there is a great future for gold miners in the years to come.

If you envision a scenario in which gold and silver prices rise, the individual investor will want to invest with experienced active managers. If so, US Global could get the reversal of the dynamics I explained a minute ago, meaning they could get retail inflows into their mutual funds, into a new ETF that they've recently launched, and they would also benefit from the appreciation of the underlying assets in a big bull market.

Let's consider the precedent for this stock going up dramatically. In the mid-2004 to 2006, US Global stock went from two bucks to 28 in two years.

That's about 15-fold roughly. Ever since then, it's had a nasty bear market and it's down to $2.50.

What's the connection to cryptocurrencies?

In September of 2017, they announced the purchase of $10 million shares of this HIVE Blockchain crypto miner company I mentioned earlier.

Currently, the market value of that is about $15 million at writing. And US Global's market cap is $50 million.

In a sense, the market is pricing US Global's business at just $35 million.

Like I just explained, they have $250 million of mutual fund assets, and in my judgment, I think anyone who is going to redeem their money has done so already in this gold stock bear market. That's probably a very sticky asset base.

If you expect gold mining stocks to rise and inflows to return, their revenue base could accelerate dramatically and with a leaner cost structures they have, I think any appreciation of gold stocks plus inflows will flow directly to the bottom line.

Their earnings could be dramatically higher three, four, five years from now.

If the way I look at US Global is essentially a call option on the future of gold mining stocks with no expiration date; and because they're not burning cash the moment they have a cash rich balance sheet, you're effectively not paying any premium for it; so it's an intriguing indirect way to buy exposure to future gold prices.

But more than that… GROW has a crypto-kicker built in.

If crypto mining takes off in this HIVE Blockchain stock takes off, they can slowly monetize that stake or hold on to it.

It's really up to Frank Holmes' discretion and he's an honest guy. He's a very hard worker. He's very energetic, and he's in the media all the time.

He's constantly making the case for why retail investors should have exposure to gold and gold mining stocks.

All in all, I think this is an intriguing situation that became much more interesting the deeper I dug.

A Blockchain Watchlist

There are other groundbreaking DLT startups, each gearing up to "disrupt the disruptors."

Consider, Travis Kalanick made $5.1 billion on the economy-transforming concept behind Uber.

Brian Chesky piled up another $3.8 billion by launching AirBnB.

And Mark Zuckerberg is now up to $72.2 billion on Facebook.

Each forced a pivot for the way the world operates.

And blockchain technology is about to do it again -- by disrupting those same industries all over again, and potentially stealing a slice of their new fortunes.

Here's a watchlist of the potential next round of "Disruption 2.0" companies and trends, complete with articles you might want to read and research more on your own. To the extent any of these are investible (many are brand-new startups and private. Or, they're just projects that point to a new possible application on the blockchain worth watching) we're not recommending any of them. We're simply showing you how this space is evolving rapidly:

30 Ways Blockchain Could Revolutionize the World Around You

1) La'Zooz is like Lyft or Uber for the blockchain, letting anybody sell space on an empty back seat in their car.

2) UjoMusic let's musicians sell their music directly to listeners.

3) OneName lets you create one truly anonymous identity online, in a way that could obliterate the need for passwords... and keep you 100% safe on social networks like Facebook. (Google "The great chain of being sure about things" from the Economist)

4) Colu is a company that creates tokens that let you own or trade bonds, stocks, and precious metals on the blockchain. (Google "The great chain of being sure about things" from the Economist)

5) Everledger is startup that uses the blockchain to protect luxury goods like diamonds.

6) CoinSpark will take the place of a notary.

7) Google "The Trust Machine – The Promise of Blockchain" from The Economist.

8) Every contract, deed, or registered document could be armed with compliance triggers and next steps, so you'll never get cheated out of something you're owed. Every business in America could use this setup.

9) The days it takes to settle financial transactions will be cut down to minutes, even seconds... radically increasing the speed of money flowing into markets. And the profits that could flow to your bank account.

10) Nasdaq is looking to use this technology to record trades in private company shares.

11) Banks, which could use this to save up to $20 billion in reconciling costs, have joined a blockchain startup so they can set common standards.

12) Your medical records -- fully encrypted so only the parties you chose can access them -- can be uploaded on the blockchain, so they're available instantly no matter where you are in the world.

13) Companies that do cross-border business could skip the problems that come with currency exchange rates, using smart contracts and escrow accounts on the blockchain. This could change the way we do business worldwide. (Google "More Mainstream Companies Invest In Blockchain" from Nasdaq.com)

14) Imagine closing the sale on a house or getting a mortgage from the other side of the country. No need to be there in person, make appointments, or show your ID anymore. Because all that's replaced by the blockchain.

15) You could get a marriage license, renew you our driver's license, or get divorce papers securely signed on the blockchain too -- no more schlepping to some government office or waiting in line for you turn.

16) Every rentable apartment or vacation home could be fitted with locks plugged into the blockchain. Secure automated payments could release access to the app-

enabled keys. Smart contracts could replace leases. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

17) Passports could disappear. So could your driver's license. With the blockchain you won't need them. When records can't be faked, nobody will need to see your details to confirm they exist. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.

18) Every shipping container sitting in the ports of the world will use sensors to log share details about contents, location, source, shipping contracts, and more to dozens of different parties. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

19) German car maker Dailmer AG recently issued a $100 million corporate bond on the blockchain. The whole process was digitally automated. Every company could skip Wall Street and raise money this way. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

20) Every plane, car, ship, or train has thousands of parts that need to get tracked while they're getting built. The head of aerospace and defense at Accenture says the blockchain could streamline the whole process. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

21) Right now factories use bar codes and QR codes to track products. There so easy to copy, they helped create a $500 billion market for counterfeit goods. Product records on the blockchain can't be faked. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

22) Sales of counterfeit drugs hit $75 billion this year. The FDA ordered a safer electronic tracking system for all drugs that circulate in the United States. A San Francisco startup just launched a blockchain solution. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

23) Visa and IBM are working with two blockchain startups on faster, safer ways to transfer large amounts of cash between banks, across borders. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

24) The US Navy is working on ways to use blockchain tech to securely transfer 3D printing plans for military machine parts that they don't want to share with prying eyes.

25) Enterprise software is huge business. They write custom software on the cloud for some of the world's biggest companies. They're already starting to offer blockchain upgrades as one of those services. (Google "Blockchain Will Disrupt Every Industry" from the Huffington Post.)

26) We could see whole new financial instruments, smart contracts tied to royalty payouts... private bonds issued by mom and pop businesses... self-driving taxis with blockchain-powered meters...

27) One startup is launching a streaming platform for artists where they can upload their music and get paid 98% on every sale. That's leagues above what they could make on Apple Music or Spotify. (Google "Blockchain Technology is Set to Disrupt Every Industry – and Music is Next" on Inc.com)

28) Hewlett-Packard just launched a publicly traded spinoff that creates private DLTs for banks, carmakers, and airplane makers. (Google "Blockchain 2.0' by HPE Launches for Cars, Banks and Planes" on Fortune).

29) Walmart is using the blockchain to track farm animals in their supply chain. (Google "Blockchain Could Regulate Marijuana Sales in Canada: IBM" on Fortune.)

30) IBM just pitched an idea to Canada, to use blockchain technology to run and track their brand new market for nationwide legal marijuana. (Google "Blockchain Could Regulate Marijuana Sales in Canada: IBM" on Fortune.)

You see the point.

You don't need to master the details of the blockchain technology.

And you won't need to rebuild your life in a bitcoin economy either.

Or take risks on bitcoin and other volatile cryptocurrencies to get rich.

It's all going to happen on a framework that gets built behind the scenes, just like the Internet.

To get rich, own the companies that speed up that process.

And to do that, you need to stay on top of these trends as they evolve.

It's that simple.

Chapter 10
IMF, "SDR-Coin" and Distributed Ledger Technology

Over the last couple of years, I've been all over TV… from Fox News to CNBC, CNN and Bloomberg. I've been telling our fellow Americans that the financial global elite was planning to issue their own globalist currency called special drawing rights, or SDRs.

And that those elites would use this new currency to replace the U.S. dollar as the global reserve currency.

I've even written about this extensively in my best-selling books *The Road to Ruin* and ***The New Case for Gold.***

I'm sure some people in the mainstream media thought I was out of line — but the United Nations and the International Monetary Fund (IMF) have both confirmed this plan to replace the U.S. dollar is real. I've made this warning many times, but it seems to be falling on deaf ears. That's why I'm writing directly to you.

Here's the proof that the U.S. dollar is under attack, right in front of our eyes:

The UN said we need "a new global reserve system… that no longer relies on the United States dollar as the single major reserve currency."

And the IMF admitted they want to make "the special drawing right (SDR) the principal reserve asset in the [International Monetary System]."

More recently, the IMF advanced their plan by helping private institutions, such as the UK's Standard Chartered Bank, issue bonds in SDRs.

Although our mainstream media ignored this major event, the UK media reported:


#BUSINESS NEWS OCTOBER 26, 2016 / 5:02 AM / 10 MONTHS AGO

Standard Chartered successfully issues SDR bonds in China

This is all happening. And on January 1st, 2018, this trend to replace the U.S. dollar will accelerate. That's when the global elite will implement a major change to the plumbing of our financial system.

It's a brand-new worldwide banking system called Distributed Ledger Technology (DLT). And it will have a huge impact on seniors who are now preparing for retirement.

The elites are talking about DLT.

When I say elites, I mean people like Blythe Masters.

Blythe is notorious in the gold community because traded for JP Morgan for years and there were allegations about manipulation of gold and silver. They always point to her as the boogeywoman. That's history, but Blythe moved on with senior partners and startup, doing just distributed ledger technology.

They're not buying Bitcoin, they're working on the future of DLT.

Christine Lagarde, is the Managing Director Head of the IMF, International Monetary Fund has already said that they're actually working on this, a DLT SDR. That's a lot of initials, but SDR is the Special Drawing Right, which is a geeky funny name for world money.

The IMF prints world money and they will convert that to a DLT system. That's going to be a permissioned system; remember that distinction between permissioned and permissionless.

Permission will go to the 189-member countries of the IMF plus a few other bodies, they have probably the World Bank, United Nations, and so forth, those big boys.

They will have a ledger.

They'll be using DLT with a kind of record to transfer SDRs between them so that in the next financial crisis.

SDRs have been out there since 1969, there's nothing new about them. Some of them were issued in 2009 during the last crisis. But in the next financial crisis, they're probably going to issue trillions of them because they're going to re-liquify the world. That's because central banks are not going to be able to bailout the system because they never normalized the balance sheet from the last crisis.

Now, your China, or United States, or Saudi Arabia, or wherever, you have balance of payments, you have borrowings from the IMF.

You've invested in the IMF by contributing to one of their lending funds, etc.

There's new issues of SDR.

Now, say all of these SDRs are flying back and forth. Maybe China wants more of them because they want to get out of the dollar. But a smaller country like Hungary doesn't want any because maybe they need Swiss Francs instead of SDRs.

What happens?

All the parties start trading. In turn, all of that trading, those transfers, those issuances and those redemptions will all be handled on a permissioned distributed ledger technology platform like a blockchain using SDRs.

This stuff is already happening and somebody's going to develop it. Christine Lagarde is a great lawyer and a brilliant lady, but I'm not sure what her coding skills are.

They're going to need engineers in terms to do it. That's where the opportunity is. They're going to have a piece of this. Whether it's Blythe Masters, or Christine Lagarde, or many others that you encounter people in private venues, and board meetings.

I traveled all over the world and have a lot of interesting conversations along the way. This is absolutely being discussed.

Big names like Marc Andreessen, who invented Netscape and made a lot of money in that IPO in 1986. He's so reactive in this space in this blockchain DLT space.

The Winklevoss twins who were sort of co-inventors along with Mark Zuckerberg of Facebook, although Zuckerberg notoriously pushed them out early on and kept the thing for himself; but they were early adapters, and they're involved in this. There are a lot of elites working on this.

When I say working on this, just to be clear, they're not out there buying Bitcoin for their personal account.

They're working on the technology.

When this system goes live, many nations will be able to dump the U.S. dollar for SDRs.

For now, the U.S. dollar is still the world's reserve currency. Other nations have to hold and use the U.S. dollar for international trade, instead of their own currencies.

This creates a virtually unlimited demand for U.S. dollars, which allows us to print trillions of dollars each year to pay for wars, debt and anything we want. It keeps our country operating.

Now, we can see that the global elites are working to unseat the U.S. dollar as the global reserve currency.

Here are the three key pieces of information that prove this will happen.

> Fact #1 — The IMF issues a globalist currency called special drawing rights, or SDRs.
>
> Fact #2 — The IMF has confirmed they want to replace the U.S. dollar with SDRs.
>
> Fact #3 — The IMF has confirmed Distributed Ledgers can be used for "currency substitution"… and they've even set up a special task force to speed up implementation.

The IMF is using this technology to create an SDR payment system, because that's the currency they issue.

When asked about the task force, Christine Lagarde, head of the IMF, said:

> *"As I see it, all this amounts to a brave new world for the financial sector."*

Yes, a brave new world where the dollar is no longer the world reserve currency.

Barbara C. Matthews, a former US Treasury Department attaché to the European Union, has reached the same conclusion.

She said the link between the globalists' currency and Distributed Ledgers "is impossible to avoid."

And that "the IMF seems to be exploring the possibility of permitting a broader use of [their globalist currency] beyond internal transactions among member central banks."

Make no mistake, if the IMF is planning to use Distributed Ledgers to replace the U.S. dollar with SDRs. And just to be clear, when SDRs take over, the American people will be left with devalued dollars.

Once other nations start accumulating the globalist currency through Distributed Ledgers, they will no longer need to hold dollars. Once Distributed Ledgers go live, other nations will no longer need to buy Treasury bonds.

And that means our government — your government — will no longer be able to finance its normal operations, including welfare programs like Social Security. For those who have their retirement account parked in stocks, they could watch it evaporate in a matter of days. The weakest companies in the stock market could collapse once this plan goes live.

Just look what happened the last time we had a big change in our global financial system. In 1971, Nixon announced the U.S. would no longer officially trade dollars for gold. That created a lot of uncertainties, turning that decade into a nightmare for stock investors.

Take a look… the Dow Jones, an index of "stable" blue chip stocks (the kind most retirees like to hold), was cut in half.

Stock investors bailed out of the market and, for the most part, didn't come back for a decade.

I expect something similar once Distributed Ledgers go live.

The transition from a U.S. dollar system to a new system dominated by SDRs will be messy. Stocks will collapse… and will stay down. There will be no recovery this time, because the U.S. government won't be able to come to the rescue like they did in 2008.

You won't even have funding for normal operations, let alone enough funds to save stock investors.

I know that governments have been patiently watching Distributed Ledger (often referred to as blockchain) technology develop and grow outside their control for the past eight years. Libertarian supporters of Distributed Ledgers celebrate this lack of government control.

Yet, their celebration is premature, and their belief in the sustainability of powerful systems outside government control is naïve. Governments don't like competition especially when it comes to money.

You probably know that you, or any government, cannot stop Distributed Ledger technology — in fact you probably don't want to. Governments and monetary elites want to control it using powers of regulation, taxation, and investigation.

An elite U.S. legal institution called the Uniform Law Commission, which proposes model laws intended for adoption in all fifty states, has released its latest proposal called the "Uniform Regulation of Virtual Currency Businesses Act."

This new law will not only provide a regulatory scheme for state regulators, but will also be a platform for litigation by private plaintiffs and class action lawyers seeking recourse against real or imagined abuses by digital coin exchanges and facilities.

We know the U.S. government will want to use this technology for its benefit. One step toward government control just occurred a few weeks ago.

On August 1, 2017, the SEC announced "Guidance on Regulation of Initial Coin Offerings," the first step toward requiring fundraising through Distributed Ledger, or blockchain-based tokens to register with the government.

But consider the following additional developments:

- On August 1, 2017, the **World Economic Forum**, host body to the Davos conference of global super-elites, published a paper entitled "Four reasons to question the hype around blockchain."
- On August 7, 2017, China announced they would begin using Distributed Ledger technology to collect taxes and issue "electronic invoices" to citizens there.

Perhaps most portentously, the International Monetary Fund (IMF) has weighed in.

In a **special report** dated June 2017, the IMF had this to say about Distributed Ledgers: The IMF favors control by a "pre-selected group of participants" or "one organization," rather than allowing "anyone" to participate.

This paper should be viewed as the first step in the IMF's plan to migrate its existing form of world money, the SDR, onto a DLT platform controlled by the IMF.

They're telling you exactly what their plan is. It would be foolish to ignore them, or assume the U.S. dollar will remain the global reserve currency much longer once this plan is implemented, as early as January 1, 2018.

You know the global elites aren't your biggest fan. You know the U.S. dollar has been under attack.

This is the global financial elites' plan to remove the U.S. dollar from its position of power and to attack your administration all at once.

Who do you think American's will blame when the stock market crashes, or Social Security runs out?

We can hear the talking heads already.

The World's First Cryptocurrency?

We have a form of world money today.

It's called a Special Drawing Right or SDR. And they're issued by the International Monetary Fund or IMF.

The IMF has a printing press, they have 189 member countries, they can print, create, in other words, SDRs, special drawing rights, in unlimited quantities. They have actually done so. The SDR has been around since 1969.

By the way, the SDR may be the original cryptocurrency.

Has anybody seen an SDR paper note?

You haven't because they don't exist.

The SDR has only been created and transacted in via digital book entry, since 1969.

With the benefit of 45 years of hindsight, we can look back at the SDR as the original digital cryptocurrency.

Now that's important because the days of the U.S. dollar's global dominance are nearing an end.

Investors need to prepare for a world without the American currency at its center.

In fact, the next strike against the U.S. dollar could come any day now.

That's why I'm urging you to get a jump on this "crypto-currency" that will take its place.

I put it in quotes because most people don't refer to the SDR as a true crypto-currency. That is, if they even know about SDRs at all.

You won't find it listed on a cryptocurrency exchange.

In fact, you won't even find it traded in traditional foreign exchange markets like dollars, yen or euros.

Instead, it's a kind of super-money printed by the International Monetary Fund (IMF) and then circulated among central banks and governments.

I'll explain exactly how it works in a second… and why it's a natural replacement for the U.S. dollar.

Even more importantly, I'll tell you a unique way to play this super-currency — a special investment you can read about only as a paid-up member of *Rickards' Strategic Intelligence*.

First, however, let's explore the reasons why the world will abandon the U.S. dollar using the last time a major reserve currency died as our guide.

When the World Abandoned the Pound

The historical precedent for the loss of reserve currency status is the strange case of England's pound sterling.

It starts with the assassination of Archduke Franz Ferdinand on June 28, 1914. As you probably know, it set in motion a chain of ultimatums and mobilizations that resulted in World War I. Over 16 million people were killed for no ascertainable reason. The Russian, Ottoman, German and Austro-Hungarian empires all collapsed as a direct consequence of the war.

But one empire that did not fall, at least right away, was the British Empire. In June 1914, the world viewed from Westminster was a global enterprise zone in which British military, diplomatic and financial power reigned supreme. There were competing powers, of course, but the U.K. was the most powerful politically.

Also, London was the unquestioned financial capital of the world. The pound sterling was the leading global reserve currency. And it was backed with gold held by the Bank of England. Sterling was "money good" on five continents.

When World War I began, all of the major belligerents immediately suspended the conversion of their currencies into gold except the U.K. The conventional view was that countries needed to hoard gold and print money to pay for the war, which is why they suspended convertibility. The U.K. took a different approach.

By maintaining the link to gold, London maintained its credit standing. This enabled the U.K. to borrow to pay for the war.

It was John Maynard Keynes who convinced the U.K. to remain on the gold standard. And it was Jack Morgan, son of J.P. Morgan, who organized massive loans in New York to support the British war effort.

Initially, there were huge outflows of gold from the U.S. to the U.K. Even though the U.K. remained on the gold standard, investors sold stocks, bonds and land in the U.S.

Then they converted the proceeds into gold and shipped the gold to the Bank of England. But this gold outflow from the U.S. soon ran its course. There were only so many portfolio assets that the British could sell to get gold.

The House of Morgan saw to it that gold flows remained orderly and the U.S. lived up to its financial obligations. Then, in November 1914, *the flow of gold suddenly reversed.*

The British needed U.S. exports of food, wool, cotton, oil and weapons. All of this had to be paid for in either gold or pounds sterling that could be converted into gold.

The gold that had flowed east from New York to London now began to flow west from London to New York. From November 1914 until the end of the war in November 1918, there were massive gold inflows to the Federal Reserve Bank of New York and its private member banks.

It was at this stage that the dollar emerged as a new global reserve currency to challenge the supremacy of sterling. The process of the dollar replacing sterling began in November 1914. But there was no immediate or sudden collapse of sterling.

Throughout the 1920s, the dollar and sterling competed side by side for the role of leading reserve currency. But by 1931, the race was becoming one-sided. The dollar was starting to pull away.

Winston Churchill had blundered by pegging sterling to gold at an unrealistic rate in 1925. The super-strong sterling that resulted decimated U.K. trade. It also put the U.K. in a depression three years before the rest of the world. U.K. trade deficits caused Commonwealth trading partners such as Australia and Canada to get stuck with huge unwanted reserves in sterling.

The rise of the dollar and the steady decline of sterling continued through the 1930s until the start of World War II, in 1939. At that point, the U.K. suspended the convertibility of sterling into gold.

The international monetary system broke down. Normal trade, currency exchange and gold convertibility remained suspended until the international monetary system could be reformed.

This reform took place at the Bretton Woods international monetary conference held in New Hampshire in July 1944. That conference marked the final ascendency of the dollar as the leading global reserve currency. From 1944–1971, major currencies, including sterling, were pegged to the dollar. The dollar was pegged to gold at $35.00 per ounce.

It was the definitive end to the role of sterling as the leading reserve currency. The conference enshrined the dollar in that role — a position it has held ever since.

Bretton Woods also led to the creation of the IMF to help oversee the world currency markets. And it set the stage for the new world money…

1969: The Genesis of the First Cryptocurrency?

Under the Bretton Woods system, members could apply to the IMF for swing loans if their reserve position was in distress.

The IMF would provide dollar reserves, but would demand structural reforms in return. The idea was that the structural reforms would return the deficit country to a surplus. Then the surplus could be used to repay the loan.

It was viewed as a stable equilibrium system where countries might swing back and forth between surplus and deficit based on comparative advantage and the terms of trade.

The IMF was there to make sure the swings were not disorderly and the system did not break down. The anchor of the entire system was the U.S. dollar, pegged (forever, it was believed) to gold.

Although this system performed reasonably well for the first 20 years, some stresses and design flaws were apparent from the start. Initially, the world suffered a "dollar shortage." Gold was scarce, but so were dollars. The U.S. had the only dollar printing press and over 20,000 tonnes of gold. The rest of the world held few dollars and little gold.

If the dollar was the leading reserve currency, how could global trade and finance grow if there were not enough dollars to go around? World finance was like trying to start a poker game where one player held all the chips and the others couldn't ante up. The system was stuck.

In the 1950s, the U.S. began to pump out dollars at a prodigious rate, first through the Marshall Plan and then through Korean War spending.

Gradually, the gears became unstuck. Countries like Germany and Japan began earning dollars by exporting Volkswagens, transistor radios and other consumer goods that war- and Depression-weary Americans wanted.

By the 1960s, the "dollar shortage" turned into a "dollar glut." The global economy was performing well, and U.S. trading partners ran up huge dollar surpluses. These trading partners (France, Italy, Netherlands and Japan) began cashing in their dollars for gold from Fort Knox.

Between 1950–1970, the U.S. gold hoard dropped from 20,000 tonnes to 9,000 tonnes. Still, the U.S. continued to run budget deficits (to pay for defense against the Soviet Union) and trade deficits (to feed Americans' appetite for cheap imports).

It was at this point that a Belgian economist named Robert Triffin articulated what became known as Triffin's dilemma.

The idea was simple. In a world based on dollars as the leading reserve currency, the U.S. would have to make dollars available to the world to finance trade and investment. But if the U.S. pumped out dollars through its deficits, eventually the U.S. would go broke, run out of gold or both.

Triffin predicted the Bretton Woods system would collapse because the U.S. could not supply the world with enough dollars without bankrupting itself in the process.

He was right. By 1968, the steady drain of gold from Fort Knox had become a run on the bank. Efforts to suppress the price of gold (via the infamous London Gold Pool) failed.

Trading partners like France could make risk-free profits by cashing in dollars for gold at $35.00 per ounce, then turn around and sell the gold on the open market for $40.00 per ounce.

The world had too many dollars and was dumping them for gold as fast as it could.

The IMF (under U.S. direction) needed a solution. The U.S. would have to adopt structural reforms to fix its deficits in order to save the dollar. But such U.S. austerity implied a return of the "dollar shortage" and a global recession.

There was not enough gold at the official price to fill the shortage. No one wanted to raise the price of gold (which really meant devaluing their currency) because this would be inflationary. No other currency was strong enough to replace the dollar.

What the world needed was a *new form of money* to provide liquidity while the U.S. went on a financial diet. This was the genesis of what was called the special drawing right (SDR), invented by the IMF in 1969. It still exists today.

The original SDR was valued at 0.888671 grams of gold (which equals 1/35th of an ounce, or $1.00 at the time). This value was supported by the IMFs own gold hoard of almost 5,000 tonnes in 1969. In this sense, the SDR was like the dollar (backed by gold with a fixed value in gold) but could be created from thin air by the IMF.

The SDR was the solution to Triffin's dilemma.

The United States could practice austerity to repair its trade and budget deficits, but the world would not run short of liquidity, because the IMF could provide its members with SDRs. Since the IMF is not a country, it does not have a trade deficit and theoretically could never go broke.

That was the theory of SDRs, but the practice turned out differently. The international monetary system got worse, not better.

The U.S. did not fix its deficit problems. In fact, they deteriorated because of spending on the Vietnam War and Lyndon Johnson's Great Society. The run on Fort Knox continued as Switzerland, France and Spain drained U.S. gold supplies.

In 1971, the U.S. closed the gold window, preventing further exchanges of dollars for gold. In 1973, the IMF abandoned the gold value of the SDR. Fixed exchange rates were abandoned in stages by IMF members between 1970–74.

By 1975, the original Bretton Woods system was completely gone. There was no gold standard and no system of fixed exchange rates.

What ensued was a period of near-hyperinflation from 1975–1980.

By January 1980, the market price of gold touched $800 per ounce, equal to a 95% *devaluation of the dollar* when measured in gold.

In the midst of this turmoil, the IMF began issuing SDRs. The issuance of SDRs is closely associated with financial panic.

The first issuance was from 1970–72, consisting of SDR 9.3 billion. This was around the time Nixon closed the gold window.

The second issuance was from 1979–1981, consisting of SDR 12.1 billion. It coincided with the period of near-
hyperinflation in the U.S. dollar.

There was a gap of almost 30 years before the third issuance in 2009. This consisted of a general issue of SDR 161.2 billion and a special issue of SDR 21.5 billion in August and September 2009, respectively. This was in response to the immediate aftermath of the Panic of 2008.

In other words, SDRs are not used for ordinary stimulus in recessions. SDRs are used to deal with liquidity crises.

They are also used when crises of confidence in the international monetary system occur. SDRs are like a secret weapon that global elites deploy as needed to prop up the global financial system.

This was confirmed to me personally by Zhu Min, the deputy-managing director of the IMF, in a conversation we had in 2013.

This means the next time there is a global financial panic — and we can be sure one is coming sooner than later — SDRs will be used to put out the fire. The central banks in the U.S., Europe, China and Japan are tapped out.

Their balance sheets have never been repaired after printing money to squash the panic in 2008. The only clean balance sheet left in the world is the IMF's.

In the next panic, you should expect SDRs to be issued in the trillions to provide liquidity. That issuance, when it comes, will mark the end of the dollar's reign as the leading reserve currency.

And in October 2016, SDRs took a major step closer to making that a reality…

Chinese Muscles Itself into the SDR Club

As I said, when it was created, the SDR was equal to 1/35th of an ounce of gold. After the collapse of the gold standard, it was set up as a 16-currency basket. In 1978, two currencies were added (interestingly, they were Saudi riyals and Iranian rials). Then in 1981, all of the currencies were dropped except dollars, German marks, sterling, yen and French francs.

The last real change occurred in 1999, when the German mark and French franc were replaced by the euro. That move was purely technical — effectively a substitution and not an actual rebalancing.

The IMF evaluates the SDR's composition every five years. So far, they've found no reason to change since 1999. But starting several years ago, China has pushed to have its currency, the yuan, added to the list.

Last year, they got their wish. Effective Oct. 1, 2016, the SDRs was weighted as follows:

- U.S. dollar: 41.73%
- Euro: 30.93%
- Chinese renminbi: 10.92%
- Japanese yen: 8.33%
- Pound sterling 8.09%.

It was the most important change to SDRs since the IMF abandoned the gold SDR.

In addition, including the yuan is a "seal of approval" by the world's major financial powers, led by the United States. It means China is a financial superpower and deserves a seat at the table when the international monetary system is reset.

You can think of this as a four-person poker game where a fifth player just sat down at the table with a large pile of chips. The poker game will now take on a new dynamic.

Now, keep in mind that SDRs are not actually backed by a basket of currencies. The so-called basket is nothing more than a list of currencies used for the purpose of calculating the value of SDRs. Inclusion of a currency in the SDR basket is based on four criteria:

1. The volume of international payments in the currency.
2. The amount of reserves held in that currency.
3. An open capital account so the currency is freely convertible to other SDR currencies.
4. Transparency and consistency in meeting IMF accounting and reporting standards.

China does not strictly meet of those criteria. But use of the Chinese yuan in global trade does satisfy the test.

The yuan's share of global payments has been steadily rising, from less than 1% in 2013 to about 2% in 2014.

It approached 3% in 2015 and dropped back to 2% in 2016. And use of Chinese yuan surpassed Australian, Canadian, Singapore and Hong Kong dollars, as well as Swiss francs, by 2014. It also recently passed the Japanese yen.

This makes the yuan the fourth most used currency in the world after U.S. dollars, euros and sterling.

Where the Chinese yuan doesn't meet IMF standards is in having an open capital account. China has also not always been transparent in their reporting of reserve positions. It is now taking steps to move in the right direction, but none of that really matters.

That's because the decision to include the yuan in the SDR was a political decision, not an economic one. Why? Because a new global financial panic comes closer by the day.

These panics happen every five–eight years almost like clockwork. Look at the financial panics in Mexico (1994), Russia/LTCM (1998), Lehman/AIG (2008) and you get the idea. Another panic in 2018, if not sooner, is a near certainty.

The next panic will be bigger than the central banks' ability to put out the fire. The only source of bailout cash will be the SDR. But a massive issuance of SDRs *will require cooperation by China*.

This is not because of IMF voting (China's vote is not that large). It's because SDRs are useful only if they can be swapped for other reserve currencies to prop up banks and liquidate panicked sellers of stocks. (The IMF runs a secret trading desk where these SDR swaps are conducted.)

When your neighbors are in full panic mode, they won't want SDRs from Citibank; they'll want dollars. But who will swap dollars for the SDRs printed by the IMF?

The answer is China. The PBOC and SAFE would love to dump dollar assets in exchange for SDRs. But there's a catch. China will engage in SDR/dollar swaps only if the yuan is included in the SDR. China does not want to pay club dues unless it's a member of the club.

So the rush to include China in the SDR should be seen as global monetary elites getting their ducks in a row before the next panic comes to destroy your portfolio. When trillions of SDRs are issued in the next panic, China will dump its dollars for SDRs (with the yuan inside).

The U.S. dollar will be reduced to the status of a local currency. In other words, the dollar will still be used for local transactions inside the U.S. (the same way the Mexican peso is used inside Mexico), but it will no longer be the benchmark for sound reserve management.

The impact on the dollar from the issuance of SDRs will be highly inflationary. After more than 10 years of trying and failing, the Federal Reserve will finally have the inflation it wants. But they will rue the day.

Instead of the 2% annual inflation the Fed is targeting (really slow-motion theft), inflation of 10% or more can be expected. From there, it will spin even further out of control. If the dollar suffers a 1970s-style inflationary episode, your purchasing power is eroded relative to European and Asian investors. You will lose money.

Meanwhile, with trillions in SDRs and thousands of tonnes of gold, China will call the shots the same way the U.S. called the shots at Bretton Woods in 1944. The slow death of the dollar, which began in 2009 with the issue of over $300 billion in SDRs, will be complete.

How can you hedge your exposure to a dollar collapse and also profit from the rise of the SDR?

Well, you can't go out and buy SDRs themselves. SDRs are for countries only; they are not walking-around money for you and me. There are almost no bonds denominated in SDRs, and no stocks at all.

The IMF has borrowed billions of SDRs from its members to fund its lending operations, but those SDR notes are held in reserve positions and not freely traded.

Eventually, a deep liquid pool of SDR-denominated assets will be created, but we're not there yet.

So we've created a unique "synthetic SDR strategy" — a way to mimic the rise of the SDR. It helps you not only avoid currency war losses, but also profit from trends in the SDR itself.

But you have limited time to prepare yourself for it, because the next financial collapse could be triggered at any time.

So what's the best way to invest in synthetic SDRs? How can you get profit from the sovereign wealth funds during this global monetary rebalancing?

We have discovered the perfect way to "create your own basket" using a new platform called Motif Investing. Here's what you need to know…

Motif Investing: How to Invest in Big Ideas

Motif Investing is a concept-driven trading platform.

It allows you to create portfolios of up to 30 stocks or exchange-traded funds (ETFs).

You can pick how much portfolio weight you want to allocate to each to each stock or ETF. Then, after you've created and weighted your motif, you can buy it through Motif Investing's brokerage platform for just $9.95.

Motif investing offers more than 150 professionally built portfolios. But we've built one from scratch exclusively for *Rickards' Strategic Intelligence* readers.

It's called "The New World Money" motif — a simple a way to buy all the currencies included in the new SDR basket in a single click.

Quite simply, if the SDR appreciates against the U.S. dollar in the future, this motif will rise in value. It has low risk and low volatility because it's made up of CurrencyShares and U.S. Treasury bill ETFs that mimic major world currencies.

CurrencyShares are ETFs backed by bank deposits. They're denominated in a specific currency. Each CurrencyShares product pays the short-term bank deposit interest rate that's being paid in each country.

For the U.S. dollar component of the SDR, we chose BIL, which is an ETF of U.S. Treasury bills with maturities ranging from one–three months. Treasury bills are the safest, most liquid U.S. dollar-denominated securities in the world.

BIL is a good match for the dollar component of the New World Money motif because it's an ETF that closely resembles holding a bank deposit denominated in U.S. dollars.

We created the motif shortly after the IMF announced the yuan would be added to the SDRs. We rebalanced it when the specific weights each currency received were announced. At the time, the weights were as follows:

- SPDR Barclays 1–3-Month T-Bill ETF (U.S. dollar): 42%
- CurrencyShares Euro Trust: 31%
- CurrencyShares Chinese Renminbi Trust: 11%
- CurrencyShares Japanese Yen Trust: 8%
- CurrencyShares British Pound Sterling Trust: 8%.

Since we created the motif, prices have shifted those initial percentages. But we believe it still mirrors our expectations for SDRs, and we'll look to rebalance at least once a year if our expectations or the percentages have substantial changes.

The New World Money motif should rise in value as the U.S. dollar falls against the currencies in the SDR.

Because our SDR motif is made up of bank deposits and Treasury bills, it will benefit from the deflationary environment we're currently experiencing.

And remember, right now SDRs are for IMF members only (i.e., sovereign countries). This makes our motif idea even more attractive. Motif investing in our SDR basket is not one way to play; it's the **only** way to play for the time being and a good way to get ahead of the power curve.

So how do you buy this motif? Let me walk you through it…

The Basics of Motif Investing

Motif Investing offers customizable bundles of stocks called "motifs." These are essentially stock funds — offering you a chance to buy up to 30 stocks with a single transaction. Like an ETF, the motif can hold different amounts of stocks — say, for instance, more shares of a blue chip stock and fewer shares of a small-cap stock.

But there are some key differences. First, unlike with an exchange-traded fund, investors are free to customize what goes into a motif. If you buy an exchange-traded fund from a typical broker, you have no say what stocks the fund holds or how much of each stock it owns. The management is completely out of your hands.

Not only do motifs let you precisely control how each stock is weighted, you can also choose to exclude or add stocks as you see fit. In fact, once you buy a motif, you're free to add more stocks to it or sell individual stocks out of it.

That's because a motif doesn't represent a portion of a basket of stocks, like shares in an exchange-traded fund do. A motif *is* a basket of stocks. You actually own the shares of the stock in the motif.

You can choose exactly how much to invest in the motif (a minimum of $300) and Motif will automatically split your cash into the motif's holdings.

The company considers buying and selling a motif a single transaction. In other words, if you buy a motif that consists of 30 stocks, you'll pay a single commission of $9.95 — even though you are actually buying shares in 30 separate companies.

The only catch is that you need to join Motif in order to take advantage of our "private" motif. So while we don't have a business relationship with Motif, we strongly recommend checking them out. (Just keep in mind that you must be an American citizen or a legal U.S. resident to use Motif's services.)

And Motif makes it easy to open an account. In fact, you're free to explore the site without risking a single cent. Just go to **https://auth.motifinvesting.com/signup** and enter an email address and password.

You'll next be prompted to open and fund an investment account — but you don't have to. To skip it, just click on the words "Motif Investing" at the top of the screen.

You'll be prompted to enter your first and last name — but that's all the information you'll need to give to start exploring the site. (Motif will also send you an email requesting you to verify your email address. Just click on the link they send to be verified.)

Feel free to check out the rest of the site, including instructions for building your own motifs. But remember, you can't do anything like that until you actually open an investment account.

When you're ready to do that, click "Complete Account Application" at the top of the screen.

You'll be asked to enter basic information — name, address, etc. (Again, you need to be a U.S. citizen or a legal U.S. resident to open an account.)

The site will also ask about your financial goals and experience. Then it's time for regulatory information, including your Social Security number.

And you have to agree to the terms and conditions of being eligible to receive Nasdaq real-time stock quotes.

Finally, agree to Motif's terms and conditions and your application is complete.

It could take one–two business days to process and approve your account. But while you wait, you can start the process of funding your account.

Or explore the site some more… when you're ready to put money in, so you can start trading, look for "Fund Account" under "My Investments."

Get Ready to Trade Motifs

You have several different options to fund your account.

You can have your bank link to your Motif account. The company has connections to several banks already — if your bank is one of them, simply click on its name to start linking your accounts. (You'll need the username and password you use to log into your bank's website.)

If you don't see your bank listed, just click "I have a different bank."

You'll need to enter your bank account number and routing number, which you can find on your bank's website or on your personal checks.

You can also choose to transfer money and stocks from an existing brokerage or IRA account by filling out an ACAT transfer form.

You'll find complete instructions on the form. Just follow the directions and mail, email or fax the form back to Motif.

There's also an option to use a wire transfer, and you can even just mail Motif a check — though that is the slowest method for funding your account.

You'll need to deposit at least $300 to start trading motifs, and at least $2,000 if you want to trade on margin. And if you're opening an IRA or Roth IRA, you're subject to IRS contribution limits. But once your account is open and funded, you can start buying motifs…

The Only Way to Own the "New World Money" Motif

We've decided to make our "New World Money" motif private.

That means the public won't be able to find them in Motif's database. To buy it, you'll need to log into the site and then click special link to our motif page.

For the "New World Money" Motif, visit:
https://www.motifinvesting.com/motifs/knZ0hvdz

Visiting that link will bring you to the motif's home page.

At the top of the page, you'll find the motif's basic information, like its name, its creator (unless the creator wishes to be anonymous) and the date it was created.

Next you'll see a box listing how the motif has performed, as well as measures of its volatility and valuation.

Below that are three tabs that tell you different information about the motif. The first is the Overview.

The first thing you'll see under that tab is the description, where you'll see an explanation of its focus and goals.

To the right of the description, you'll find a chart comparing the motif's performance against the S&P 500.

Next you'll also see a table of every investment the motif holds. It breaks down each stock's weight in the portfolio as well as its current price, market cap and return. (Remember, as prices change, the weights of the individual stocks will change to match. So don't be alarmed if the current weights don't match the weights we've stated in this report.)

Click on the "Performance" tab for a customizable chart of the motif. See how it did during certain time periods, and you can also compare it to other stocks and motifs.

Finally, click on "What Others Think" to see users' opinions on the motif. If you're satisfied with the analysis you've read here and think the motif is worth buying, click "Buy Motif."

You'll be taken to an order page. Remember, you're not actually buying shares in a fund. Instead, you'll have to specify how much total money you wish to invest in the motif.

The minimum you can invest is $300.

The amount is completely up to you — we cannot tell you how much money you should risk on the investment.

So enter any amount of money you wish, as long as it doesn't exceed your total buying power, conveniently listed to the left of the ordering window.

When you enter the amount of money you wish to invest in the "New World Money" motif, the site will automatically calculate how that money will be divided into each stock in the motif based on how it's weighted.

The table at the bottom of the order screen will show you exactly how many shares of each stock in the motif you're buying and how much money you'll spend on each component.

Don't worry if it says you'll be buying fractions of a stock — Motif lets you do that.

If for some reason you'd like to weight the stocks a little differently, you can choose to "Customize Motif." (We do not suggest customizing motifs, but you are free to do so if you wish.)

After you've entered how much money you wish to invest in the motif, click the "Preview Order" button.

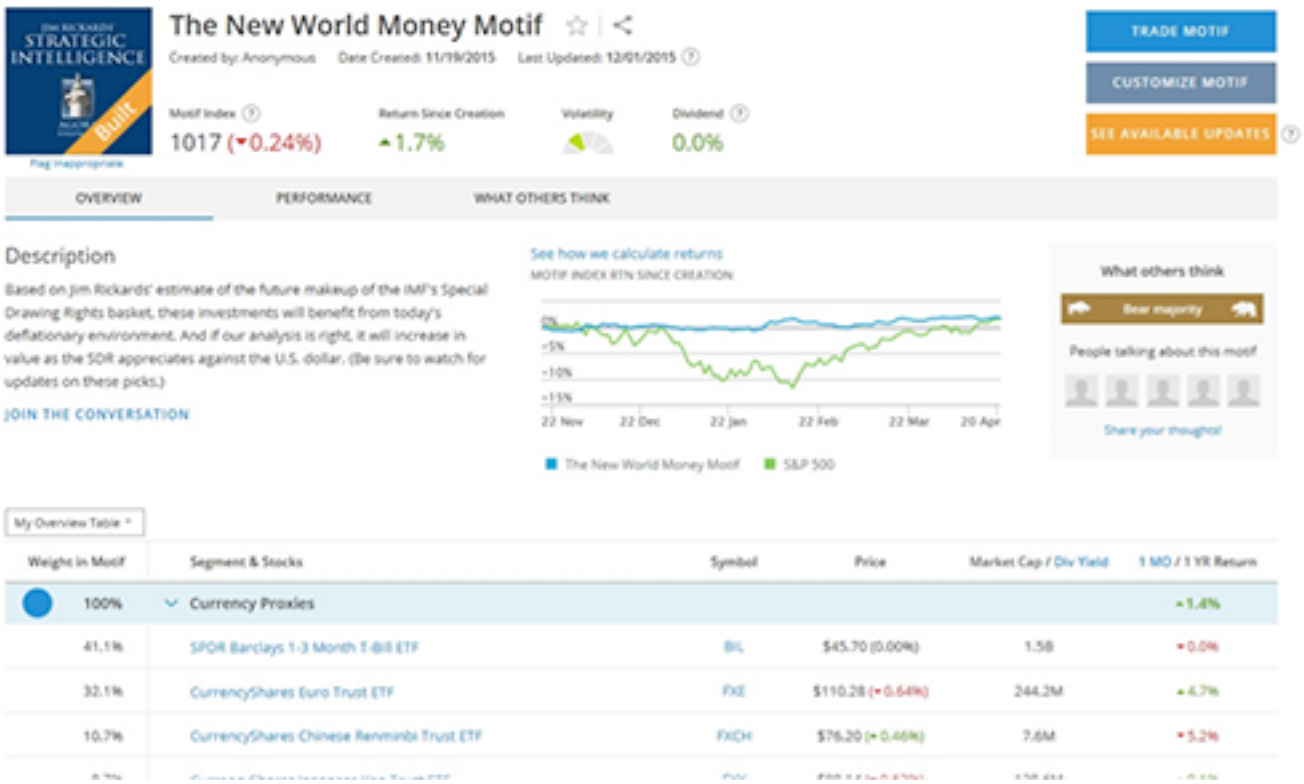
Verify that all the information is correct… and then place the order. No matter how much you choose to invest or how many stocks are in the motif, you'll pay just a $9.95 commission for the trade.

After that, it's just a matter of monitoring your positions.

Monitoring the "New World Money" Motif

When you log into your Motif account, the first thing you'll see is your Investment Summary — a breakdown of how much your portfolio is worth, how much money you have invested and how much cash you have in your account.

Click on the name of your motif to see how it's doing. You'll see a screen similar to the one below.



Motif will also let you know if we have rebalanced the motif, either by adding or deleting stocks or changing the weight of stocks in the motif.

Click on "See Available Updates" to see what has changed. Then check your email or our website at http://agorafinancial.com/pub/awn and find an alert from me explaining why we made the change.

If you agree with my analysis, you can click on "Rebalance Positions" to buy and sell the stocks necessary to match the motif. (You'll pay a flat $9.95 commission to rebalance your motif, regardless of how many stocks are bought or sold.)

Remember, you have complete control over what's in the motif.

You can choose to buy more of any stock in the motif or sell stocks in it you no longer wish to own. To do that, just click on "Trade" button next to the stock's name on the motif's information page.

You'll be taken to an order page where you can choose to buy or sell that particular stock in the motif.

You will be charged a $4.95 commission for each individual company you trade in a motif.

I may eventually recommend you sell all or part of your motif. You can also choose to close a motif entirely by clicking the "Trade Motif" button.

You'll need to decide if you wish to sell part of your motif or cash out completely. If want to close the entire position, select "Sell All" under "Action."

If you only wish to sell part of the position, select "Sell." (You can sell part of your motif only if it is worth $300 or more. If it is worth less than $300, your only option is "Sell All.")

Below "Action" is a box where you can specify how much money you wish to extract from your motif. (If you choose "Sell All," this box will automatically fill in the total amount of your position.)

The box at the bottom of the page breaks down exactly how Motif will handle your sell order — the number of shares it will sell in your name and the amount of cash you can expect to receive from the sale.

Again, don't worry about fractional shares — Motif can sell fractional shares.

If you are ready to sell, click "Preview Order."

Review the details, and if everything looks good, click "Place Order." Motif will sell your allotted shares and deposit the proceeds into your cash account, minus a $9.95 commission. (Remember, Motif charges $9.95 per motif… so the total commission for selling one is $9.95, no matter how many stocks it involved.)

Assuming everything has gone well, you'll rack up some nice profits. You're free to take that cash off the table whenever you wish.

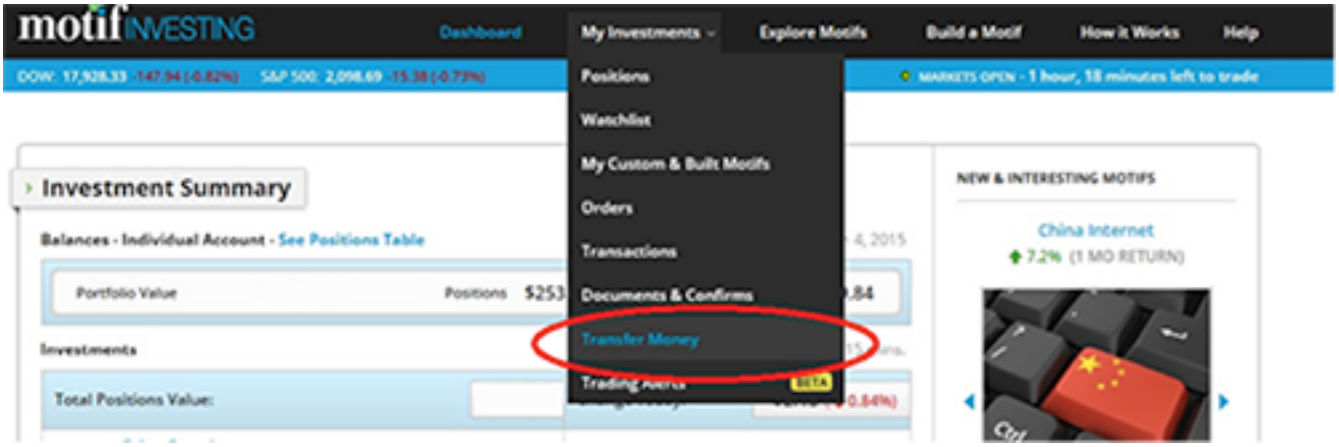
Claim Your Cash!

When you're ready to withdraw funds from your account, you have a few options.

If you funded your account electronically by linking Motif to an outside bank account, just click on "Transfer Money" under "My Investments."

You'll be taken to the online transfer page. Then click on the "Withdraw Funds" tab.

If you've linked your Motif account to more than one outside bank account, you'll need to select where you'd like the money to go.



Then enter in the amount of money you wish to extract and click "Transfer." Motif will take care of the rest!

You can also choose to have Motif wire your money to your bank. Click on "Wire Transfer" on the Transfer Money page and then click on the Outgoing Wire Transfer form.

You can fill it out online, print it, sign it and then fax it back to Motif for processing. Motif charges $25 to wire money.

Finally, you can choose to have Motif send you a check. You'll need to call their customer service team at 1-855-586-6843.

Time to Get Trading

To my knowledge, Motif Investing gives you the ONLY way to invest in the new Special Drawing Right.

All you need is a Motif account, a minimum of $300 and the exclusive link above to our "private" "New World Money" motif.

Be sure to continue reading future *Strategic Intelligence* issues and alerts to see analysis on anything that may change.

And remember, we don't have a business relationship with Motif. While we worked with them to create this report, we're not being compensated to tell you how to open an account.

We truly believe they offer the tools you need to prepare for end of the U.S. dollar's reserve currency status. And be warned — the next financial crisis could hit at any time, so you only have a limited time to take advantage of this opportunity at the best price

Please visit Motif's website at **www.motifinvesting.com** if you have any lingering questions, and consider opening a risk-free account to check them out.

And stick with *Strategic Intelligence* for my latest thoughts on SDRs and the ETFs in our motif — not to mention more opportunities to profit as the world markets keep churning.

Chapter 11
Bitcoin $200 = Dow 10,000.

Most people think that a crypto-crash would have no impact on their lives.

If that's you, you should think again.

I've already told you I believe Bitcoin could go as low as $200. That would be excruciating for bitcoin holders.

But the implications for Americans who don't own bitcoin are dire, too.

Picture the following thought experiment…

On April 17, 2018, there's a very real chance you'll wake up to an emergency alert from the U.S. government.

It'll sound like an amber alert…

While you've likely received this warning message before…

On that day, what will flash across your screen will be unlike ANYTHING you've ever seen.

Fact is, it will be no warning at all.

Because if you see this alert, millions of Americans will have already lost everything.

Your toast just popped out of the toaster…

At the same time, the familiar whistle of your teakettle hints that you're ready to pour the hot water into your instant coffee…

The sun is shining through your kitchen windows, casting a slight shadow across your island.

It's 7:13 a.m., Tuesday, April 17.

And what seems to start out like any other day of your life…

Is about to take a wicked turn you'll never forget.

7:15 a.m., you turn on the T.V. to find "BREAKING NEWS" scrolling across the screen.

7:16 a.m., your phone buzzes with an ALERT sound.

Both your devices say the same thing…

"In a shocking overnight move, the U.S. government has voted to effectively BAN Bitcoin trading."

Bitcoin's plummeted all the way to just $200.

"Whew," you think to yourself. You're not in trouble. You don't own any Bitcoin.

What you don't know yet is that a crushing contagion has been unleashed…

A series of financial dominos are falling behind the financial scenes…

Triggering a final event that will not only wipe out the speculators who've bet their futures on that fantasy coin…

But a crisis that will soon infect every other market on the planet.

More on that in a moment.

7:18 a.m., you're back to drinking your coffee and eating your toast, thinking this crash doesn't apply to you, when something on the T.V. catches your attention once again…

The reporter is now frantic.

The mainstream news is *finally* starting to figure out it's NOT just Bitcoin that's crashing…

The man on the T.V. is nearly yelling that the Bitcoin crash has produced a "contagion" effect, quickly spreading across ALL the financial markets…

Asian stock markets are down 22%…

European stock markets down 13%…

And here in the U.S., the Dow been crushed in pre-market trading.

Down 2,165 points.

The largest drop in pre-market trading in history.

"How can this be?" you wonder.

How did Bitcoin crash stocks?

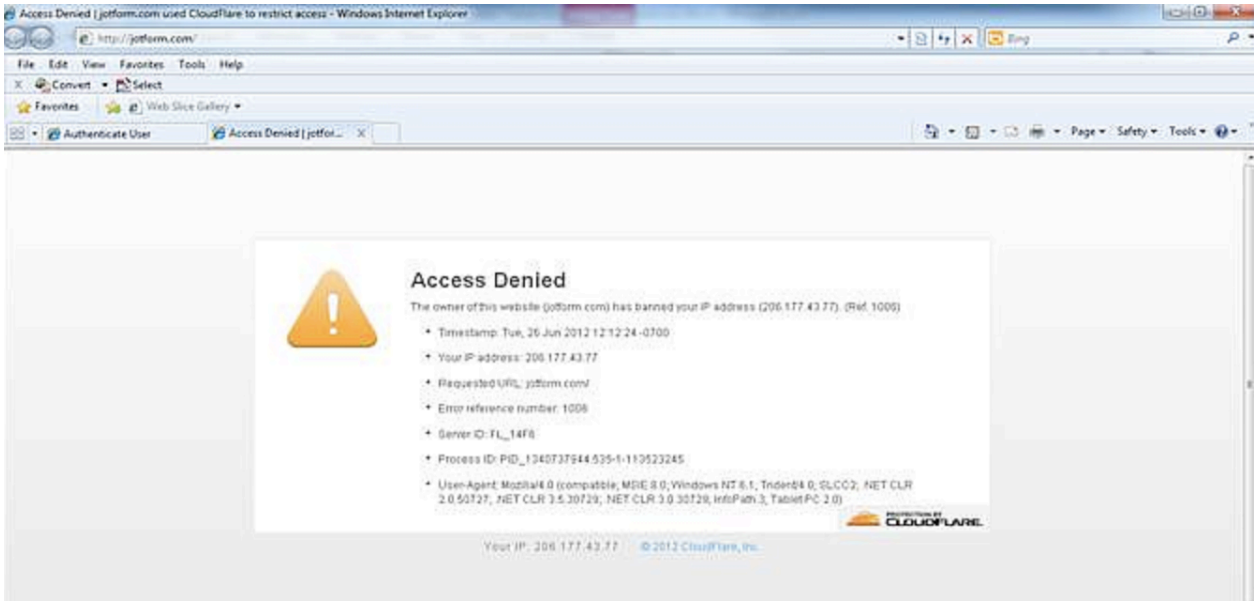
How much money did you lose already?

Are the stocks in your retirement accounts still okay?

You rush to your office, where you load up your computer to log on to your accounts.

That's when your blood pressure starts to rise.

You see this:



Something's clearly wrong.

You rush back to the T.V.…

The drop in the markets has triggered shutdowns of brokerages around America.

They tell you it's only temporary.

Not to worry…

Everything will be back to normal once Congress can figure out how the Bitcoin ban triggered a stock market selloff worldwide.

"Hmmm," you wonder. Congress and the government have lied to you before.

You sit nervously.

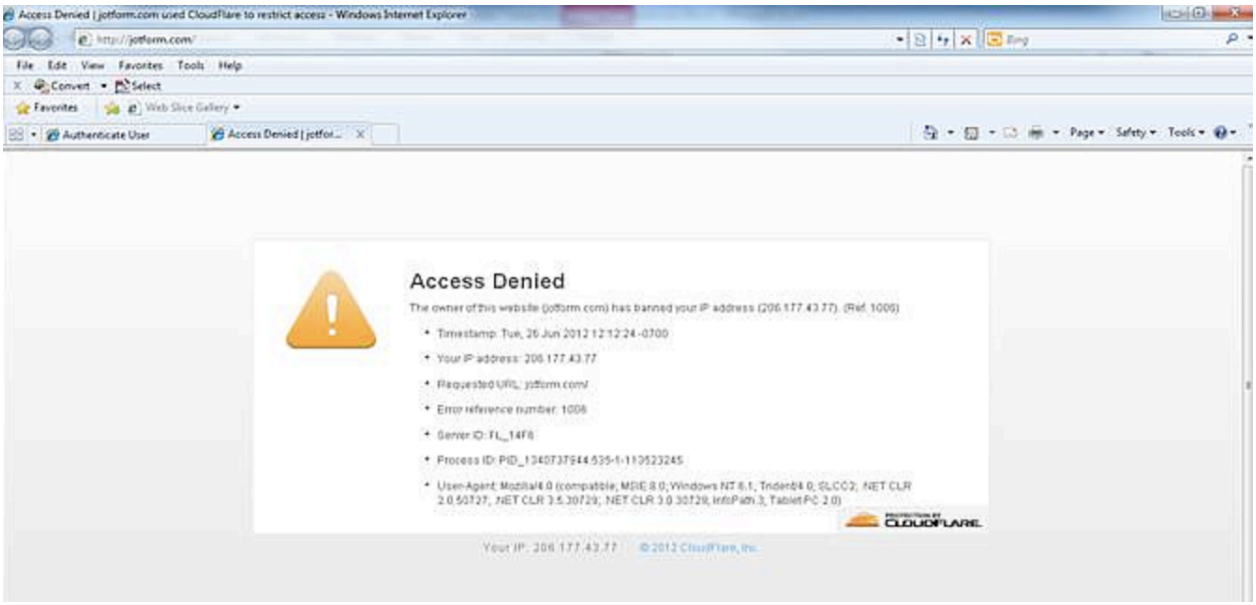
10:15 a.m.

The markets are STILL closed.

The government is meeting behind closed doors to fix the situation. Or so they say.

You hit reload on your computer for your brokerage account.

You ***still*** see this:



Your stomach sinks as a thought hits you.

If you can't access your stock account…

Is your BANK even still open?!?!?!

Can you still access your cash?!?!

You begin to panic.

You grab your keys, hop in your Ford Escape, and drive the longest 3.1 miles of your life to your local bank.

As you approach, you see the lines formed outside…

Your neighbors can't get inside the bank.

They're growing angrier by the moment.

You can't access your stocks…

You can't access your cash…

Has your life's work vanished all because of a Bitcoin ban?!?!

How could this happen?!?!

After all, you were one of the safe ones…

You knew in your gut that cryptocurrencies were a bubble the whole time…

That's why you didn't speculate in those markets.

Yet these reckless gamblers have now crashed YOUR account!

Now, maybe you think this could never happen.

But I'll tell you from experience, I've personally watched a tiny event almost cause a global meltdown from the inside.

And although it brings me no pleasure to warn you today…

On April 17, history could repeat itself, when a purposeful government Bitcoin ban unintentionally crashes the whole system…

Slashing your 401(k) in half…

And leaving you cashless for days…

Which makes what I'm about to tell you… what I believe is going to happen on April 17… all the more important…

Here's how it's all going to play out, in an event I'm already calling…

The Great Government Bitcoin Extermination

Put simply, on Tuesday, April 17, 2018, the U.S. government is going to make a regulatory move that will purposefully send Bitcoin crashing.

How can I be so certain this will come to pass?

Because of SIX simple words: The. Government. Always. Gets. Their. Piece.

Remember those words.

Because it's already happening across the globe.

China has issued a ban on certain cryptocurrencies and demanded three major Chinese Bitcoin exchanges terminate their operations…

Germany's central bank director has publicly called for global regulations on Bitcoin…

The governor of the Bank of Canada has said trading on Bitcoin is "gambling" and "regulations are needed."

The prime minister of the United Kingdom has said governments should be monitoring Bitcoin "very seriously."

And then there's South Korea…

On January 11, the South Korean government announced it was considering a bill to ban all cryptocurrency trading.

The news sent Bitcoin crashing from a high of $15,018… all the way to $9,402… in just six days.

In other words, Bitcoin fell 37%… erasing more than a THIRD of its total value… in less than a single week.

And that's just a result of news from *South Korea*… which handles a measly 3% of the global Bitcoin market.

Imagine what would happen when the U.S.… which controls over *ten times more* Bitcoin than South Korea… bans Bitcoin.

Well, you don't have to imagine.

I'll tell you the same thing I'll tell the government…

When the U.S. government heavily regulates Bitcoin, it will make that 37% drop look like a small dip.

And that's exactly what could happen on April 17.

Whatever Bitcoin is trading for at the time this note reaches you…

It will drop to $200.

That's a huge crash…

But you're safe if you don't own Bitcoin, right?

Nope.

It's not that simple anymore.

Markets are as intertwined as ever. One small "sneeze" in a crowded marketplace will make everyone catch the flu.

I'll show you proof in a moment…

Including why this event will send the global markets into a frenzy…

How it could radically alter your 401(k)… IRA… and brokerage account…

All in the blink of an eye.

But first, let me tell you what's going to trigger all this… and exactly what the U.S. government could do on April 17…

April 17: The day the U.S. government will send Bitcoin crashing to $200?

The final nail in the coffin for this nightmare scenario will be a series of two simple decisions.

Both of which I believe could happen on or around April 17.

And together, these decisions will result in the effective banning of Bitcoin.

First, the U.S. Treasury will decide that the use of Bitcoin violates America's legal tender laws and make it *illegal* to use Bitcoin as a form of payment.

See, the government hates competition for the U.S. dollar.

Think they're going to sit idle and watch a competing currency rise?

Nope.

The. Government. Always. Gets. Their. Piece.

Second, on April 17… it's Tax Day.

That's the day it'll be completely apparent to the U.S. government that Bitcoin traders and payment acceptors HAVE NOT filed the proper taxes on their Bitcoin gains.

And that, my friend, will be the final nail in the coffin…

If they can't tax Bitcoin… if they can't get their piece… they'll be very, very angry.

That's why the IRS will lay down thousands of pages of new Bitcoin tax reporting regulations.

Consider this…

According to the IRS, between 2013 and 2015, an average of just 832 Americans using Coinbase… the largest U.S. Bitcoin exchange… reported their Bitcoin transactions.

To put that in perspective for you, Coinbase has more than 13.3 million users.

Yet only 832 of them reported paying Bitcoin taxes per year, over a three-year period on average.

That works out to a miniscule 0.0063% of users paying taxes.

Think about the significance of that for a moment…

If only 0.0063% of Americans paid their taxes on stocks…

Don't you think the government would step in with crippling new tax laws on stocks?

Of course they would.

The same thing is about to happen in Bitcoin…

With millions of Americans potentially facing HUGE fines… or even worse… jail time.

…And what I told you is just what's happening on Coinbase.

There are loads of other U.S. Bitcoin exchanges too.

See, Uncle Sam doesn't mess around when it comes to getting paid.

Which makes April 17 the perfect time for the government to ban Bitcoin, and end the rampant tax evasion…

When this decision happens, I'm confident we'll see the price of Bitcoin crash all the way to $200…

Setting the stage for stocks to plummet, and a potential doomsday scenario for your retirement savings.

So if that's the case… and simply banning Bitcoin could spark a global market collapse… why would the U.S. government go through with it?

The United States government has a proven history of banning "alternative" assets

…And it's happened much more recently that you'd think.

Fact is, just 85 years ago President Franklin Roosevelt made it illegal for Americans to own gold.

Via Executive Order 6102, he declared offenders faced up to TEN YEARS in federal prison.

Millions of Americans were forced to wait outside their banks to trade their gold in for paper money…

Worse yet, our government literally "stole" this gold from hardworking citizens…

Regular people like you and I.

See, Americans had no choice but to fork over their gold for the demanded price of $20.67 per ounce.

Yet once all the gold was confiscated, President Roosevelt re-priced the precious metal to $35 an ounce.

In other words, the government cheated every American out of 41% of their money.

Why did President Roosevelt ban gold?

Because the government NEEDED MONEY to fund his New Deal programs to try and end the Great Depression…

Remember…

The. Government. Always. Gets. Their. Piece.

And here's the thing…

Historians know Roosevelt's New Deal did not bring the country out of the Great Depression (that didn't happen until World War II)…

What happened instead was that in the years that followed, the stock market cratered 90%.

Do you think President Roosevelt intended to send the market to its knees?

Of course not. He wasn't an evil man.

He truly believed what he was doing wouldn't have any further consequences.

The same goes for what's coming on April 17, when the government decides to ban Bitcoin.

See, while the government is gearing up for Bitcoin to crash…

They're not intending to trigger a global market meltdown…

But that's exactly what's going to happen…

The reason?

Contagion.

When Bitcoin "sneezes," everyone gets the flu

Before I explain why I'm so certain a crashing Bitcoin will trigger a global financial collapse…

Impacting millions of Americans, even those who don't own Bitcoin…

Let me first show you how contagion works with something you're familiar with in your own life…

The flu.

Generally speaking, it all starts with a "Patient Zero"…

A single infected person…

That person sneezes. They cough. They touch something and leave germs.

That gets another person sick…

Then that second person gets a third person sick.

And on and on and on.

Before you know it, the flu has spread to ***millions*** of people in America.

Hospitals are overwhelmed. Everyone rushes to get their flu shots, but the medicine cabinets are empty.

No hospital or doctor's office has any flu shots left.

Those people ignored the initial signs and waited until *after* the flu spread to try get their shots.

It's too late. Now they're infected.

And it's all because of patient zero.

Well, my friend…

Right now Patient Zero for the financial collapse is Bitcoin. And it's about to begin sneezing on April 17…

Bitcoin $200 = Dow 10,000

When Bitcoin crashes… that financial distress will quickly spread into the broader financial markets.

I've seen it happen firsthand.

Back in September 2007, I was in Tokyo during the early stages of the recent financial crisis…

Japanese stocks were plunging, but no one in Japan knew why.

What was going on, exactly?

It turned out U.S. hedge funds some 6,000 miles away were getting crushed on mortgages.

They were losing billions of dollars…

So they started selling Japanese stocks to cover their losses.

Pretty soon, the whole world was selling everything to raise cash and every world market was plunging.

Well, the same thing is about to happen with Bitcoin.

When the U.S. government bans Bitcoin, causing its price to crash all the way to $200…

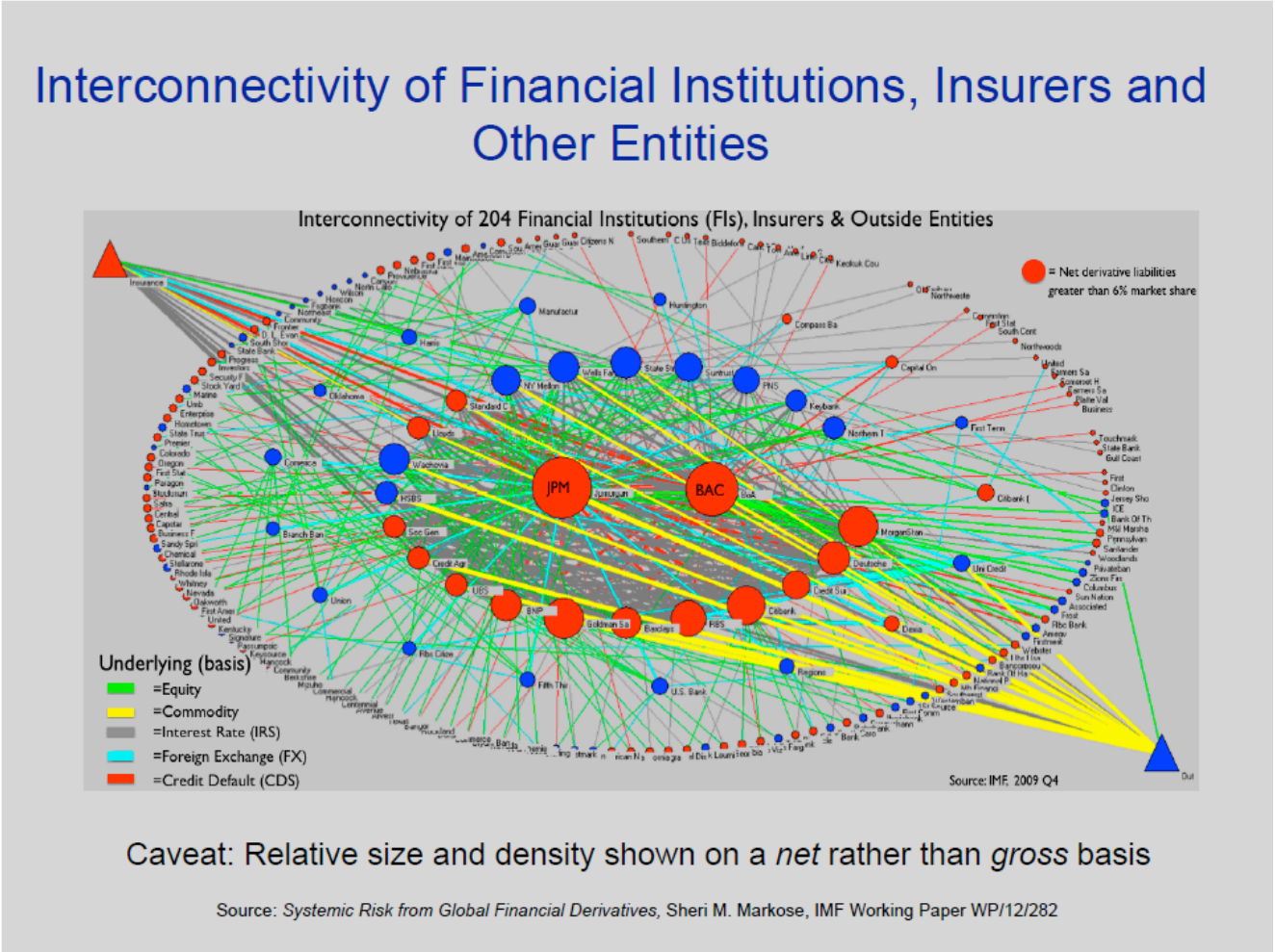
Bitcoin investors are going to panic.

They're going to turn to whatever they can sell to cover their losses…

Stocks, bonds, real estate… you name it.

Fact is, everything that happens in the global markets is connected.

See this chart…



This is what the financial markets look like today.

Whether it's a gold shock in India… that leads to a drop in retail prices in Switzerland…

Or a meltdown in Canada that causes further damage in Australia…

All of the world's financial markets are supremely interconnected.

And that's exactly the way things are setting up with Bitcoin…

A crash in Bitcoin could spark a selloff in biotech stocks… which could in turn send housing prices plummeting… which could collapse the tech market…

And so on…

And I'm not the only one who thinks that…

MarketWatch reports: **"The bursting of the Bitcoin bubble could ripple far beyond investors."**

Business Insider warns: **"Now there is a way for contagion from a Bitcoin price collapse to flow into the rest of the markets."**

And one principal market strategist quietly told CNBC: **"If the price of Bitcoin continues to drop, other markets could begin to feel the heat."**

But here's the really scary part…

Bitcoin is EVEN more tied to our financial market than most people realize.

See, the biggest derivatives exchange in the world… the CME Group… which is based in the U.S.…

Recently launched Bitcoin futures.

What that means is that Bitcoin has a direct link for spilling over to the global derivatives market…

A market worth a ridiculous $1.2 quadrillion…

Yes, you read that correctly.

The derivatives market is bigger than the world market for stocks, bonds and gold combined…

In fact, the global derivatives market is so big…

In dollar terms, it's valued at TWENTY TIMES more than the GDP of Planet Earth.

So when Bitcoin crashes to $200…

It's just a matter of time before the damage will hit the derivatives market.

And what do you think would happen if a market that's 20X the GDP of every country in the world suddenly crashed?

You got it — complete financial mayhem.

But if that's not enough evidence to show you what's coming, beginning on April 17…

And you're still asking yourself how I could be so certain this will all come to a head…

I know this is going to happen…

Because I witnessed the same circumstances hit in 1998… when I was forced to organize a *private* bailout to prevent a complete financial collapse of the world markets…

Back then I was the lead attorney for a Connecticut-based hedge fund, Long-Term Capital Management.

We were one of the world's largest hedge funds, controlling multiple billions of dollars.

We had two Nobel Prize winners on staff.

And I vividly remember the day it all very suddenly collapsed — all due to a tiny event in a faraway market.

It was Friday, August 21, 1998…

The phone rang at my vacation home on the Outer Banks.

It was from one of the partners of Long-Term Capital Management (LTCM).

He said, "Jim, we lost $500 million yesterday; the partners are meeting Sunday. You should get back for this."

I immediately packed the car and drove nine hours to Connecticut.

LTCM had 106 trading strategies involving stocks, bonds, currencies and derivatives in 20 countries around the world.

Everything seemed so safe.

Then *Russia* defaulted on its debt…

And our *American*-based hedge fund lost billions…

Which quickly spread like the flu to the global financial markets.

Everything was collapsing.

We were rushed into a meeting with New York Fed Chief Peter Fisher… who told us:

> *"We knew you guys could shut down the bond markets, but we had no idea you would shut down the stock markets too."*

So they turned to me, as the fund's lead attorney, to organize a private bailout among a consortium of Wall Street banks.

As I tell people to this day, "We were hours away from a total world collapse."

But that day, the financial system didn't break down…

Because just before the clock struck midnight on LTCM, I got the deal signed.

Now, I'm not sharing this story with you to brag…

I'm sharing it with you to make one big point:

I've personally seen from the inside how seemingly small, unrelated financial items can crash… and almost bring the whole system down with it.

When I say the government is going to purposefully send Bitcoin crashing to $200… and unintentionally crash the entire market…

I'm not making this prediction lightly.

Just how far could stocks fall?

Let's take a look…

A market wipeout of 90%…?

What's at stake for stocks, starting on April 17?

Well, nobody has a crystal ball, but there's historical precedent for what's about to happen.

Remember what I told you about the Great Depression?

That's the last time the U.S. government did something similar to what's coming April 17…

When they banned the ownership of gold.

The effects couldn't have been more disastrous. The market IMPLODED wiping out 90% of its value.

Imagine waking up and your retirement savings being worth 10 cents on the dollar…

So could the same thing happen again?

Could stocks really fall 90%?

Well, it's highly unlikely.

But that's not to say stocks won't plummet 25%, 35%, even 50% or more…

We've seen it happen dozens of times…

Going back to 1980, my research shows there's been 22 separate world market crashes.

There was the stock market downturn of 2002, when the Dow plunged 27%…

Enough to slash a healthy 401(k) of $100,000 into just $73,000…

In the span of a single year.

There was Black Monday in 1987… where you could've lost nearly as much… in just one day…

When the Dow cratered 22%.

There was the recent financial crisis, which you know was even more catastrophic…

Where the S&P 500 wiped out HALF its value.

I could go on and on… here's a snapshot:

- Souk Al-Manakh Stock Market Crash — August 1982
- Black Monday — October 19, 1987
- Rio de Janeiro Stock Exchange Crash — June 1989
- Friday the 13th Mini Crash — October 13, 1989
- Early 1990s Recession — July 1990
- Japanese Asset Price Bubble — 1991
- Black Wednesday — September 16, 1992
- Asian Financial Crisis — July 2, 1997
- Russian Financial Crisis — August 7, 1998
- Dot-Com Bubble — March 10, 2000
- Effects From the September 11 Attacks — September 11, 2001
- Stock Market Downturn of 2002 — October 9, 2002
- Chinese Stock Bubble — February 27, 2007
- The Great Recession — September 16, 2008
- Dubai Debt Standstill — November 27, 2009

- European Sovereign Debt Crisis — April 27, 2010
- 2010 Flash Crash — May 6, 2010
- August Stock Market Fall — August 1, 2011
- Chinese Stock Market Crash — June 12, 2015
- U.S. Stock Market Selloff — August 18, 2015

As the ex-chief economist for the Bank for International Settlements puts it:

> **"All the market indicators right now look very similar to what we saw before the Lehman crisis."**

And here's the thing…

If you've been paying attention to what I've told you so far, you know by now it doesn't matter if you're not heavily invested in stocks…

Just like it won't matter on April 17 if you've never invested a penny into Bitcoin…

Every American is at risk.

Which is why I urge that you take action now before it's too late…

Remember, I've already made my moves with more than $1 million of my own money.

I've already told my family members what to do.

Now I'd like to help you, too…

That's why I recommend you take these very simple steps to prepare for this massive crash that's coming on April 17.

The steps I've outlined below will protect and grow your wealth.

So, unlike most pundits who never put their money where their mouth is, we'll both be in these strategies together…

Let's get started with the first move…

Step #1:
If You Own Bitcoin, Here's What to Do…

Sell and put it on your tax return.

Don't end up like Al Capone. Al Capone went to Alcatraz.

Today, they put you in Supermax. They have the Unabomber out there.

But here's the thing… I would have said sell at 2,000. I would have said sell at 3,000. I would say to sell at 4,000.

At today's prices?

Yeah, I would still say sell… but the Bitcoin groupies say, "Well, no, no. I'm not going to sell. It's going to $100,000".

Maybe it will before heading to $200.

But if you have profits, take them… pat yourself on the back… and make sure you put it on your tax return.

Bear in mind… What's really going on in the bitcoin space is called the greater fool theory.

The person who sells is hoping there's a greater fool who will come in and buy at, say, $7,000 hoping it does go back up to $10,000 or $11,000. As I say, I don't rule out the fact that it might. That's a little different than fundamental analysis.
That's a little different than the sound investment thesis.

That's just outright speculation, and there's no wealth being created.

In this example, the seller gets more money, but the buyer loses, so all you're really doing, you're transferring wealth from buyers to sellers on a continual basis until all the wealth disappears at once.

Then the losses will be all concentrated on the side of … It's like musical chairs. Who's standing when the music stops.

Step #2:
Get 10% of your assets in precious metals, *the correct way*

I recommend you immediately put 10% of your investable assets into gold and silver…

President Trump himself owns hundreds of ounces worth of physical gold.

So does his budget chief — along with nearly $1 million in gold investments.

But it pains me to see regular Americans make simple mistakes when buying gold… or get suckered into buying collectible gold coins.

To avoid any confusion, I've created this allocation chart for you.

Make sure to follow these guidelines with just gold Eagles, Buffalos and one-kilo gold bars in the amounts below:

But that's just a starting point…

See, to successfully buy physical gold, you need to know A WHOLE LOT MORE than just what I've shown you here…

For example, how do you calculate your investable assets?

Do you count your house?

And who do you buy these coins and bars from?

How do you make sure you're paying the lowest commissions?

And where do you store all your precious metals?

There are a lot of questions to answer when buying physical gold — and it's critical you get it right.

That's why I've put together a complete guide to answer all of these questions for you in a dossier called The Perfect Gold Portfolio. If you login to our members website:

www.agorafinancial.com with the credentials you received when you became a member of my *Strategic Intelligence* newsletter, you'll get behind the paywall. Once there, select my newsletter from the list of publications. Then, click on the "Reports" tab. Scroll through the archive until you find "The Perfect Gold Portfolio" report.

It gives you a road map for buying physical gold no matter if you're investing $1,000 or $1 million.

It also includes access to my proprietary Rickards' Precious Metals Portal, which gives you a one-click way to order and manage your precious metals.

Keep in mind I'm not selling you gold. This is just my recommended parameters for buying and managing physical gold.

Read it carefully, then move directly to taking Step #2…

Step #3:
Make sure you rid your portfolio of these 50 ticking time bombs

Do you own a bank stock like Bank of America?

A consumer staple like Best Buy or Starbucks?

How about some popular ETF names?

If so, you'll want to exit those positions immediately, before the global financial markets come crashing down.

Now, these are some obvious things you DON'T want to own.

But the scary part is this…

My research has led me to find upwards of 50 stocks that are not so obvious.

Stocks you'll want to dump right away, if you own them…

And stocks that are unfortunately stuffed in almost every retiree's investment accounts.

We're talking big-name stocks that will fall the hardest as the Bitcoin contagion spreads to the broader markets.

I've outlined each of these stocks in another dossier called: *50 Ticking Time Bombs That Could Sink Your Retirement*. Again, you have free access as a paid-up member of my *Strategic Intelligence* newsletter.

Simply login to the website, click on the reports tab of the *Strategic Intelligence* page and scroll down to this watchlist.

These 50 stocks will likely lose HALF their value… or more… when the crash hits.

But besides telling you which companies to shed from your portfolio…

When April 17 rolls around, you'll be thrilled you have this dossier backing your every move.

But once you're finished checking this out, there's something else you should do…

Step #4:
Tap the hidden "DV01 strategy" for a potentially endless stream of double-digit gains

There is a simple investment… not a stock, a bond, an option, a precious metal or anything you've considered buying before…

That offers the opportunity for massive gains to investors in the coming crisis.

In 2008, while most investors watched their portfolios get obliterated…

This hidden investment could've DOUBLED your money… FAST…

Without you doing anything outside your regular brokerage account.

Yet even today, most investors haven't got a clue it exists.

In fact, the only reason I know about it is because of a weird financial phenomenon I uncovered…

While working deep inside the global banking system.

I call it "DV01." And I believe it's the closest thing you'll ever find to a guaranteed winner.

And I'll detail exactly what this strategy is… and how you can get started exploiting it too…

In another dossier called *Tap the Hidden "DV01 Strategy" for a Potentially Endless Stream of Double-Digit Gains*.

You can get it FREE as soon as I hear from you…

Chapter 12
The 5 Filters That Will Determine Which Cryptos Survive the War

We did not jump on the cryptocurrency bandwagon at the outset like so many people did.

The reason was simple:

The coins that were available exhibited characteristics of fraud, Ponzi economics, and bubble dynamics.

Despite the hype and large paper profits, I was never comfortable recommending any of those early cryptos to readers.

I'm still not…

The early cryptocurrencies such as bitcoin (BTC), ether (ETH), litecoin (LTC) and ripple (XRP) are not worth serious consideration as stores of value with long-term potential for appreciation and profit.

I'll show you why in the following chapters.

However, a second wave or new generation of cryptocurrencies is now emerging with better governance models, more security, and vastly improved ease of use.

These new wave coins represent the future of the cryptocurrency technology.

These cryptos have much greater potential to disrupt and disintermediate established payment systems, and financial intermediaries such as banks, brokers and exchanges.

In addition to DLT, these cryptos will likely win the Cryptocurrency wars.

It is critical that investors have a robust and reliable method for distinguishing between the dead-end cryptos such as bitcoin, and the new wave cryptos with a chance to disrupt banks the way Uber disrupted taxis or Airbnb disrupted the hotel industry.

That's exactly what we've developed for you over the past year.

Our analytic method is called C.O.I.N.N.

Those initials stand for:

Consensus

Open Source

Impenetrable

No-Nonsense Governance, and

Nimble

Let's take those one at a time to show how you can use the COINN method to distinguish between cryptocurrencies that will soon hit the wall, and those with a bright future.

Consensus

This refers to the fact that participants in a cryptocurrency community are able to select the trusted parties who will perform the blockchain validation function.

This works organically in the same way that Google determines which pages are most sought after for a given search request or Wikipedia determines which content to display from among a community of editors and contributors.

It avoids the "dictatorship of the miners" that bitcoin forces on users today.

Open Source

By open source, we mean that the source code for the relevant blockchain is freely available to all participants.

This eliminates closed communities such as a central bank "FedCoin" or an IMF-sponsored "SDRCoin" and other permissioned systems.

Impenetrable

This refers to the security of the relevant blockchain.

The bitcoin blockchain is vulnerable to attack by a cabal consisting of 51% of the total mining capacity for bitcoin.

Such a group could create block that steals all existing bitcoins and then validates that block. Your bitcoin would simply disappear with no recourse, and the malevolent miners would control any amount of bitcoin they desired.

Other types of threat include "Sybil" attacks (so-called after the story of a woman named Sybil who suffered multiple personality disorder).

In a Sybil attack, a malevolent actor clones itself on a governance whitelist in order to obtain disproportionate voting power that can be used to steal coins.

An efficient coin would be immune to such attacks.

No-Nonsense Governance

This refers to the technical method for validating a blockchain.

Bitcoin today relies on clunky proof-of-work in the form of uninteresting math problems that require non-sustainable amounts of processing power and electricity consumption to solve.

This is massively wasteful and inefficient.

Ether requires proof-of-stake, which is wasteful in different ways and excludes white hats who will support honest validations, but who may lack the resources to establish proof-of-claim.

An efficient coin would allow reliable validation without such wasteful effort.

Nimble

This refers to the ease of use of the coin.

Unless a cryptocurrency can offer payments transactions that are easier, faster, and cheaper than existing systems such as Visa and MasterCard it has no future as a currency.

The new wave cryptos do offer this ease of use.

Older cryptos don't even come close.

Today it can cost $60 to make a $50 payment in bitcoin and the transaction can take hours to clear.

Obviously that is not a suitable basis on which to promote a cryptocurrency that purports to compete with today's giants of the payment industry.

As these limitations become clearer, bitcoin's price has started to come back to earth.

What are the prospects for new wave cryptocurrencies that satisfy all five of the COINN criteria?

On the one hand, mature cryptocurrencies such as bitcoin, ripple and ether are showing their inherent limitations and non-sustainability.

These cryptocurrencies all have major flaws in terms of investor safety and ease of use.

The solutions proposed invariably involve backing away from the original promise of safe, anonymous transactions.

Government authorities are converging from all sides looking for tax evasion, securities fraud, evasion of capital controls and other improprieties.

China has shut down bitcoin miners and South Korea is considering shutting down its bitcoin exchanges.

The U.S. IRS has requested books and records from cryptocurrency exchanges to determine if U.S. taxpayers have properly declared their bitcoin profits (most have not).

Meanwhile a new breed of cryptocurrencies is emerging that are more transparent and more legally compliant than the older cryptos.

These new cryptocurrencies use more efficient governance models that do not require inefficient proof-of-work or proof-of-stake to validate their blockchains.

These second-generation cryptocurrencies have a much greater chance of competing successfully with existing payment channels such as Visa, MasterCard, PayPal and the traditional banking system.

The potential value of these new wave cryptos can be measured by the current franchise value of the institutions that will be disrupted.

If these cryptocurrencies can disintermediate centralized financial behemoths like Citibank and the New York Stock Exchange, their value can be measured in the trillions of dollars.

Considering that some of the new wave cryptos that pass our COINN test are currently trading for pennies per coin, this could be the greatest investment opportunity since the invention of the railroads or electricity in the nineteenth century.

Conclusion

You now have a choice…

Who will you stake a bet for the future on?

Bitcoin or Blockchain?

The Neanderthals or Hominids?

The story doesn't end here, though…

We'll continue to cover this topic and many others in my paid monthly newsletter called *Jim Rickards' Strategic Intelligence*.

Even though I constantly appear on everything from CNBC to Fox and CNN, there's been a serious problem…

Those venues don't allow me to share my most sensitive moneymaking moves.

And that's important, because today we have a very dangerous situation…

Things are volatile, and I believe the market will change very quickly.

So I've been looking for a venue where I could help my readers on an ongoing basis as this crisis unfolds…

Telling them where to invest and how to avoid the pitfalls.

That's why I decided to launch *Jim Rickards' Strategic Intelligence*.

Strategic Intelligence is a 100% independent research service with two big goals:

First, it leverages my decades of experience helping the world's most important agencies prevent worst-case scenarios…

Second, it's simple enough to understand that I can show ordinary Americans how to protect and grow their wealth… regardless of the broader markets.

We're 100% independent.

That means we NEVER accept a dime from any media organization to peddle their fake news.

It also means we NEVER take any payments from any company to cover their stock.

As a member of *Strategic Intelligence*, every month you'll receive urgent market insight from me on how this situation is unfolding.

I'll warn you about the market's current trajectory…

And give you at least two to three recommendations and wealth-protection plays each month that will help you profit even during the meltdown.

Until now, I have only provided this kind of service to my high-net-worth clients and members of the U.S. intelligence community.

But with *Strategic Intelligence,* you too will have the opportunity to hear my best investing ideas.

By subscribing, you've officially taken your first step down the path to financial freedom and peace of mind…

The goal of *Jim Rickards' Strategic Intelligence* is simple — help you prepare and profit from the coming collapse of the dollar. You'll need a guide through all the mess. Someone to help you protect your wealth. Someone to alert you early. And someone to show you how to shield and grow your wealth through uncertain times…

And that's exactly what I'm here to do. My mission is to help everyday Americans like you cut through the deception you're being fed by political figures and economists… to avoid the next collapse that's coming… and to never suffer through the kind of life-changing hardship I've personally experienced twice.

My loss is now your gain…

As a child my family went from a "leave it to beaver" lifestyle to food lines in a flash after my father's business went bankrupt. It was unexpected and devastating to our family…

But this type of sudden loss is nothing new on Wall Street. Except on Wall Street it plays out on a *much* grander scale. And I learned this lesson the hard way…

The name Long-Term Capital Management (LTCM) might ring a bell for some of you. It was the hedge fund that collapsed in 1998 after its derivatives trading strategies went catastrophically wrong.

At the time, I was General Counsel for the company. I handled the negotiations that resulted in a $4 billion bailout by Wall Street banks to prevent a complete collapse of the global financial system.

But while this was all happening, my family and I subsequently lost 92% of our net worth, which was invested in LTCM.

And as such, I wanted to know what went wrong…

After LTCM's collapse and rescue, I grabbed one of the principal partners to ask him what went wrong.

How did all the investing models and strategies go so wrong… resulting in a complete collapse of the business?

I remember asking one of the partners. The main shook his head and said, "What happened was just incredible. *It was a seven-standard deviation event*."

Even if you're not a statistician, you'd agree that a "seven-sigma event" sounds rare. But, I wanted to know just how rare it was. I consulted some technical sources and discovered that for a daily occurrence, a seven-sigma event would happen less than once every *billion years*. That's less than five times in the history of the planet Earth!

But here's the thing: extreme market events like what happened to LTCM had occurred in 1987, 1994 and then in 1998. That's about every four years — not every billion years.

That's when it became obvious to me that something was very wrong. Granted, the mathematics were correct and these types of collapses statistically *shouldn't* happen frequently, but truth of the matter is that they do…

And I wanted to figure out a strategy for avoiding them in the future. After all, I never wanted to personally suffer from this type of extreme market event ever again…

And thanks to *Strategic Intelligence* you will never have to either.

Now don't get me wrong I learned a lot from my involvement in LTCM but, the greatest lesson – one that changed the trajectory of my career and investing strategy – is my development of the "avalanche" or complexity theory.

Over the past decade I built a system that could identify geopolitical events in capital markets before most people knew what was happening.

What's more I've identified ways to profit from these events before they happen…

Now I plan to use complexity theory to help you avoid major losses in the next financial crash. In coming *Strategic Intelligence* issues, we'll use complexity theory to breakdown complex financial and geopolitical events in a straightforward way that allows your portfolio to safely grow.

I know it might sound overwhelming and, well complex. But that's why *Strategic Intelligence's* motto is "Making the complex simple."

First because we live in a world that's best described and analyzed as a complex dynamic system.

A second, because so much of the explanation you find online or on TV is unnecessarily complex.

So, we make the complex simple for you – in more ways than one.

That's what I tried to do in this book. Take the complex topic of cryptocurrencies… and break it down in plain language.

I'll continue to do that for you in the ongoing materials I'll be sending you as part of your subscription.

Here's what you can look forward to:

Benefit #1: Monthly *Strategic Intelligence* Issues

Inside each issue you'll receive macroeconomic analysis, specific investment recommendations and wealth protection strategies.

We will email and post your issue on the third week of the month… And don't worry, all issues are always archived on our website at www.agorafinancial.com

Benefit #2: Live *Strategic Intelligence* Briefings

In addition to your monthly newsletter issues, I host an exclusive, hour-long intelligence briefing every single month. It cost nothing extra to attend.

Each month, I will debrief you on a top-of-mind or pressing topic that's front and center in the economy and give you forward looking analysis.

Then, I'll take your questions afterward during our lightning round to make sure you have all the information you need to make sound investment decisions.

Benefit #3: Rickards' Five Links

Every Monday, I will send an email to you at 10:00 a.m. with five stories from around the web that we recommend you read. Each will build on the themes we'll be exploring in your monthly issues and intelligence briefings.

Be on the lookout for our next "Five Links" this coming Monday morning…

Benefit #4: Updated portfolio view of all recommended open and closed positions

Take a closer look at all of our recommendations; see interactive charts, performance and related content around each pick.

It's my privilege to write to you each week.

Thank you for subscribing… thanks for reading this book… and welcome onboard.

PRAISE FOR JAMES RICKARDS' WORK

"A fast-paced and apocalyptic look at the financial future, taking in financiers' greed, central banks' incompetence and impending Armageddon for the dollar… Rickards may be right that 'the system is going wobbly.'"
— THE FINANCIAL TIMES

"A terrifically interesting and useful book… fascinating."
— KENNETH W. DAM former deputy secretary of the Treasury and adviser to three presidents

"One of the scariest books I've read this year. The picture that emerges is dark yet comprehensive and satisfying."
— BLOOMBERG BUSINESSWEEK

"Jim's on a mission Agora Financial supports with all of our might. One to help everyday Americans cut through the deception they're being fed by political figures… to avoid the next collapse that's coming… and to never suer through the kind of hardship he personally experienced.

Until now, he has only provided ongoing intelligence service to his high net worth clients and members of the U.S. intelligence community. But now, he reveals all.

Jim's right when he writes, 'there are survival strategies you can use. You are not helpless. You can protect yourself. You can definitely see the crisis coming using the warning signs present today.'"
— ADDISON WIGGIN, Executive Publisher at Agora Financial, bestselling author of Empire of Debt and producer of I.O.U.S.A.