The Carnegie Counselor

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Bitcoin vs. Blockchain

After the Iraq war we received inquiries from prospective clients who had invested in the Iraqi currency, the Dinar. They wanted to know what to do with their millions they would make when the government revalued the currency they had purchased from traders on the internet.

After the first gulf war this actually happened with Kuwaiti currency, so the hucksters convinced many people it would happen with the Iraqi Dinar. The American government had no intention of revaluing the Dinar with Saddam Hussein's image and linking it to the U.S. Dollar. Instead, the U.S. Government printed new Dinar currency making the old currency worthless, and victims are still selling the old Dinar on eBay today. The current Bitcoin hype is reminiscent of the promotion necessary to hype a speculative frenzy around a concept with no merit.

Bitcoin is one of many cryptocurrencies that are being promoted as the replacement for the U.S. Dollar. Ethereum, Zcash, Bitcoin Cash, Litecoin, Monero and Ripple are all presumed to be worth millions, although you can't pay your taxes with any of them. The origin of these currencies dates back over a decade ago when a programmer or group of programmers (it's not clear since no identities have been verified) named Satoshi Nakamoto published an open-source software program that would allow participants, or miners, to assist in the recording of peer-to-peer transactions using a public ledger called a blockchain. For their effort they would receive virtual tokens as an incentive. Think of it as a bunch of IOUs amongst its users. This was particularly attractive for those who had a need for anonymity doing illegal transactions, drug sales, computer ransoms, etc. Eventually as more miners competed for the tokens, the value slowly increased as others were willing to trade Bitcoin into traditional currencies.

As the use of the virtual currency accelerated and platforms for exchanging the tokens like Coinbase were developed, the price

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Carnegie Investment Counsel acquires Midwest Investment Management

Carnegie Investment Counsel and Midwest Investment Management announced that the two companies are merging.

"We've been friendly competitors for many years and always respected the work that Midwest does for its clients" according to Richard Alt, Principal and Chief Investment Officer of Carnegie.

Midwest Investment Management was formed in January of 2000 by partners who previously worked together as a team for many years. Their investment philosophy is designed to preserve and grow client wealth over the long term.

"The combination with Carnegie enhances our ability to serve our clients well in the years ahead," says Norman Klopp, Managing Partner for Midwest.

of Bitcoin increased significantly. When public exchanges like the Chicago Board of Exchange offered the ability to buy options on Bitcoin, an air of legitimacy has grown around cryptocurrencies in general. The fact that the exchanges would sell options on anything if enough speculators would trade it was not appreciated. Wall Street was not to be left out of a sucker's bet, so a number of firms are trying to create a product in the form of an ETF to attract capital from those with greed in their veins. In the mid-19th century, P.T. Barnum suggested there was a sucker born every minute, and the world is much more populous today.

The risk of Bitcoin not becoming a mainstream currency is quite high, despite the eventual success of a cryptocurrency using blockchain technology. The SEC could decide that Blockchain is a regulated security and put restrictions on trading. The IRS could claim the trades need to be taxed. The Federal Reserve, which would be entirely undermined by an independent currency, may conclude all currencies trading in the United States fall under their jurisdiction. The barriers to entry to create a new cryptocurrency are quite low; Kodak, the old film company, just came out with their own KODAKCoin this year. The inventor of Bitcoin decided the currency would be more attractive with a finite number of Bitcoins and capped the number at 21 million. Currently there are approximately 16 million mined so speculators promote the exclusivity factor. The inventor(s) kept one million Bitcoin for themselves. Do you believe the U.S. government would allow one person or group to control nearly five percent of the currency replacing the dollar?

Our conclusion is that buying Bitcoin is simply relying on the greater fool theory that someone else will be willing to pay more for it than you did. It has no earnings, no real estate, no patents and no profits. It is not an investment that can be valued; it is pure speculation. We prefer to invest in strong companies with stable, growing earnings. Blockchain is the technology behind Bitcoin, and it has an exciting future with many applications. The future of trading securities, storing medical records, writing papers and sending data will all be improved with blockchain. Bitcoin is merely the first widespread use of this exciting technology. Like many first entrants, it won't be the eventual winner of the cryptocurrency race. The first car was not invented by Ford, the first computer was not an Apple, and Betamax lost to VHS, which lost to CDs which lost to Netflix. Bitcoin will be a fad we'll soon forget like the Hussein Dinar, while blockchain will improve the world around us with limitless possibilities.

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