Cryptocurrencies are not currencies

August 25, 2025 bill Central banking, Economics, Fiscal policy, Framing and Language
34 Comments

I often get asked about cryptocurrency. And I immediately become bored. The sort of claims that people have made about this phenomenon, which is historically just another speculative asset, are over-the-top to say the least. There are two realities that seem to be ignored. First, we already have mainstream digital money and have had for a long time, before cryptocurrencies emerged. For example, when the central banks credit reserve accounts held by commercial banks as part of the daily payments system clearing, digitial transactions take place. Similarly, when you go on-line and conduct some bank transactions shifting deposits to other owners (paying bills etc) you are using digital currency. Second, cryptocurrencies are not currencies nor are they money, which makes their name rather misleading. In fact, they are just another speculative, non-money asset that are not backed by anything so we say that the fair value is zero. There is an intermediate asset that has emerged – the so called – Stablecoin – which differs from cryptocurrencies, in that the asset is specifically pegged in some way to some national currency or basket of assets. However, the hype surrounding stablecoins is similar to that which has accompanied the evolution of cryptocurrencies, the point being that the 'stable' bit is not backed in anyway by any government guarantees. I also distinguish this class of non-monetary assets from the recent developments in central banking known as – Central Bank Digital Currency – which is really just an extension of the already myriad of digital transactions that central banks conduct every day.

We are currently in the final stages of producing the second edition of our – Macroeconomics – textbook, which will be published sometime in the new year (date not yet known).

This textbook provides a comprehensive coverage of the first two years of undergraduate macroeconomics from a Modern Monetary Theory (MMT) perspective and the publishers have informed us that it has sold very well.

Hence the invitation to produce an updated, second edition.

We have also agreed to a new contract to produce a cut-down version aimed solely at first-year students who may or may not be intending to pursue a major sequence in macroeconomics.

It will be a more concise book with less chapters and will be more accessible to a wider array of students.

That project will not be completed until 2027.

In the process of revising the topics and content for the second edition we decided (after receiving feedback from reviewers – who we thank greatly for their comments) – to add a treatment of cryptocurrencies.

We wanted to disabuse the readers of the notion that cryptocurrencies were about to replace monetary currencies, issued by national governments.

Let's deal with cryptocurrency first.

Despite the claims, cryptocurrency is not a currency nor can we consider it to be 'money'.

If we want to be faithful to the meaning of language then we consider a currency to be the financial asset which is issued by national governments.

A currency is denominated in the unit of account that the government deems to be that which it accepts as payment for all the liabilities it issues – for example, relinquishing tax obligations.

Almost no governments accept cryptocurrencies as a means of relinquishing tax obligations it imposes on the non-government sector.

In 2021, El Salvador recognised Bitcoin as legal tender.

However, on January 29, 2025, the government of El Salvador amended the 2021 law that had legalised Bitcoin and allowed it to be used in commercial transactions.

The two major shifts in policy were: (a) repealing the provisions that allowed Bitcoin to be used as a valid means for relinquishing tax obligations; and (b) removing the obligation of private businesses to accept Bitcoin as payment.

The amendments were conditions imposed by the IMF on the government of El Salvador in return for a $US1.4 billion loan.

There was widespread concern about the stability of Bitcoin and the possibility that the wild fluctuations would cause financial turmoil.

The amended legislation removed the word 'currency' from the text of the bill relating to Bitcoin.

It was accepted that the Government's attempt to be an innovator in this field had failed and that the characteristics of Bitcoin were not compatible with treating it as a 'national currency'.

The reality was that they recognised that Bitcoin is not a currency and is rather a speculative, non-monetary asset.

Unknowingly, the El Salvadorian government had further reduced their sovereignty by allowing Bitcoin to be used to honour tax obligations.

I say further because the official currency in El Salvador is the US dollar and that nation is the only Central American country that doesn't have its own currency.

Why are cryptocurrencies not equivalent to national currencies?

In the textbook, we will explain that cryptocurrencies are not denominated in the 'national money of account', which means that the owner of the liability is not identifiable.

The Australian dollar, for example, that I hold in my bank account deposit is clearly the legal liability of the bank I choose to deal with (a building society in fact).

There is some risk in my bank deposit wealth holdings but in general, and especially given the size of my deposits are small, I know that the government will step in as the monopoly issuer of the national unit of account to safeguard that deposit should the building society collapse.

Some people buy corporate assets (debentures etc) denominated in the unit of account which are more risky but the fact remains that the corporation which issues the debenture or bond is legally liable to honour it.

That might prove to be difficult in the case of a corporate collapse but in legal terms the liability is well defined and actionable in law.

Cryptocurrencies are quite different.

Yes, they have reference values against the monetary unit of account – so today one Bitcoin, for

example, is supposedly 'worth' $A172,015.92, having fallen around $A3,000 over the course of today's trading.

But it has no intrinsic value.

Then ask yourself what the – Fair Value – of cryptocurrency is.

Fair Value is defined under international standards as:

> ... the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

You can consult, for example, – Fair Value Measurement – published by the – Financial Accounting Standards Board – if you want a more detailed treatment.

Fair value fluctuates according to market conditions.

For example, we might encounter a situation where the fair value of a bond is $A90 but its face (coupon or par) value is $A100.

The difference would occur during a period of rising interest rates.

Say, the bond was issued when interest rates were 2 per cent, which means the $A100 coupon would deliver a nominal annual return (yield) of $A2.

If interest rates rose to say 4 per cent, then that nominal yield, which is fixed for the bond's life, would not deliver a market competitive return on an investment of $A100.

The bond would now have a market value of only $A50, where a return of $2 would deliver a 4 per cent yield, concordant with the shift in market interest rates.

So the bond would fall in value in the secondary bond market so the fair value is below the face value and we say the bond is selling at a discount.

The liability (promise to pay) is still legally defined as $A100.

In the case of crytocurrencies the face value is zero because a there is no legal liability (in general).

Which brings me to the concept of the – Stablecoin – which is a sort of half-way house, where

issuers make promises that the coin will hold its value against some other asset(s).

For example, the stablecoin might be tied to a fiat currency, some commodity or a basket of other cryptocurrencies.

Most are pegged to the US dollar.

This article from the Bank of International Settlements Bulletin No 108 (July 11, 2025) – Stablecoin growth – policy challenges and approaches – notes that:

> … almost 99% by market value, are denominated in dollars

That is, US dollars.

The BIS research also shows that:

> Despite promising a stable value, stablecoins have experienced episodes of high price volatility. Indeed, some stablecoins exhibit volatility in excess of stocks or even unbacked cryptoassets, such as bitcoin … Yet even fiat-backed stablecoins – by a good margin the least volatile within the stablecoin space – rarely trade exactly at par relative to the unit of account in secondary markets, even during tranquil times and more recently as the market matured … This stands in stark contrast with current forms of money used for everyday transactions such as bank deposits, questioning stablecoins' ability to serve as a reliable means of payment …

Moreover, despite the pretence that the stablecoin is backed by the peg to say the US dollar, the issuer of the US dollar, the US government provides zero guarantees to holders of the stablecoin.

There is no definable, legally-enforceable liability or fair value.

There was an Op Ed in the Japan Times last week (August 20, 2025) – Currency dominance in the digital age – which ran the line that:

> … if a stablecoin breaks its peg — say, because its liquidity buffers prove insufficient — its credibility could collapse, triggering a run. If the

> stablecoin's interconnections with other assets is sufficiently dense, this may have systemic consequences. A disorderly run on U.S. dollar stablecoins — privately issued digital tokens that are backed significantly by U.S. Treasuries and can theoretically be exchanged one-for-one with dollars — could prove particularly disruptive.

However, the operative word is "theoretically" – there is no enforceable convertibility between stablecoins and US dollars or any fiat currency for that matter.

The questions the article asks are relevant:

> Who is responsible for governing the ledger? To what extent is the system protected from malicious actors? What happens if a currency's cryptographic backbone is compromised by developments in quantum computing?

Private 'money' has collapsed before.

We use the – Tulip mania – as an example in the textbook.

The price tulip bulbs started rising rapidly in 1634 and then in February 1637 "dramatically collapsed".

It was the "first recorded speculative bubble ... in history".

Cryptocurrencies and the derivative class called stablecoin are just another in a long-line of speculative, non-monetary asset – just like the Tulip bulb.

In the Tulip mania, the speculative traders pushed the price up in forward contracts and no bulbs ever exchanged hands.

The contracts were agreed outside the official Exchange.

When the collapse came, the "buyers no longer had any interest in honoring the contracts, and there was no legal basis for enforcing them."

The matter ended and "most contracts were simply never honored".

Some honest stablecoin traders might honor the 'peg' but most will never guarantee

convertibility into the pegged asset.

But the tulip bulbs still retained their value as flowers.

Crypto has no alternative value.

Finally, central banks are working increasingly to introduce the so-called – Central Bank Digital Currency – which many people confuse or conflate with cryptocurrencies.

The conflation is totally invalid.

As the RBA information article notes, the central bank is "actively researching central bank digital currency (CBDC) as a complement to existing forms of money. Consumers currently have access to two forms of Australian money".

The two existing forms are:

1. Cash – issued by the government – banknotes and coins – which are non-digital.

2. Bank account balances – which "is a digital form of money that is issued by commercial banks".

The central bank also makes digital transactions already when it provides reserves to the commercial banks.

It notes that:

> CBDC would be a new digital form of money issued by the Reserve Bank.

This research report (issued September 2024) – Central Bank Digital Currency and the Future of Digital Money in Australia – by the Australian government (combined work of RBA and Treasury) – provides a lot of useful discussion about CBDCs.

The fact is that CBDCs will have all the characteristics of the fiat currency in terms of guarantees for the liability.

There are many technological issues that need to be resolved before CBDCs will become the norm.

But the characteristics of CBDCs sets them apart from the (scam) cryptocurrencies.

Conclusion

My guess is that cryptocurrencies will never be fully adopted by any significant government as being akin to their fiat currencies.

That is enough for today!

bill

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Sid
August 25, 2025 at 18:01

Really excited for the next edition of the book.

Sid
August 25, 2025 at 18:36

There are a lot of frictions with convertability of USDT and other stablecoins too. You cannot purchase USDT directly from the issuer, at least very easily. Tether usually only deals with market makers and large exchanges.

Sure, now the tether you buy from binance is a liability of Binance (supposedly atleast), but when you withdraw to your own USDT chain wallet, it is supposedly the liability of the issuer. Yet, you can't convert your $50 or low amounts to USD from Tether, the issuer. So is it really even convertible?

And then there are algorithmic stablecoins which aren't convertible or stable.

TiPi
August 25, 2025 at 20:27

Bitcoin and other crypto-devices may well have no intrinsic value but they certainly do have a cost.

That is in the energy consumed in storing the data involved through blockchain and in cloud storage.
Cloud storage is essentially a rentier device and hence a non-productive activity.

There is a Carnegie Mellon University study which quantifies the energy cost of data transfer and storage as about 7 kilowatt-hours (kWh) per gigabyte.
Storing 100 GB in the cloud creates a carbon footprint of 0.2 tons of CO2.
This is 20% more than the average electric consumption of a 2 bed house in the UK.

The consumption of that energy (still pre-dominantly fossil fuel – 86% globally in 2024), then adds to climate change impacts and also has an opportunity cost in energy consumption in the productive economy.

Herein lies our collective challenge.

Even ignoring the energy consumed in finance sector speculation – Forex trades are reportedly over 95% gambling – we have major expansion in energy intensive data – management industries.
These are seemingly dominantly oligarch controlled, (unsurprisingly, several of whom are climate deniers and intensely pro fossil fuel) at the very time when climate change impacts are accelerating, and when aggregate energy consumption needs to be stabilising, or ideally falling.
Worse still, this is at a time when EROEI is declining.

Irish data centres consume 21% of national electricity, up from 5% in 2015, and this is estimated to rise to 32% by 2030.
Ten million 'influencer' selfies and a billion digital images of someone's lunch have zero value but do yield cloud rentier revenues.

This 'data' does not add to the productive economy, being a contrivance that belongs more to the financial rather than the material economy.

This is no way to reduce global energy consumption or reach net zero targets.

Yet energy is the real 'currency' of the productive economy – you can produce nothing without it.
Fiat currencies are entirely underpinned by increasing energy useage and dependent on energy consumption.

If there is a true global reserve currency it is the kWh.

John hogan
August 26, 2025 at 00:01

If a central bank has to engage in deficit spending there is no way they would use crypto,it's far easier to just issue their own currency.

Klassik
August 26, 2025 at 02:34

Bill, I am pleased to hear there will be a reduced cost version of the new edition of the textbook. Have you considered releasing an OER (Open Educational Resources) version of the book?

The reason why I ask is that the academic deans at the college where I work in Texas have been pushing the faculty to adopt OER textbooks as a way of lowering costs to students, broadly, and also since a number of local government entities in the area have started programs to fully fund tuition at the college for recent high school graduates in the area. However, even for students fully paying for tuition, the books can cost more than the tuition itself. While the entirety of the Billy Blog could constitute an OER, and some instructors are using blogs as a replacement for textbooks, most instructors and students still expect a textbook of some kind.

The macroeconomics students where I work, in a non-instructional rôle, have the indignity of having to pay for the neoliberalism contained within Mankiw's book due to unfortunate decisions made by the faculty for the course. The OpenSTAX OER macroeconomics textbook from neighboring Rice University could be used as an alternative, but unfortunately the benefits of that are limited as it is just a free version of the neoliberalism within Mankiw's book. I have to assume that any empirically-

informed professors trying to work on the OpenSTAX project would be roundly rejected, unfortunately.

Sam Owen
August 26, 2025 at 04:23

Richard Murphy said it best (paraphrasing):

"The only value of crypto currency is in it's ability to conduct illegal transactions."

So crypto is not completely valueless, but rather it should just be outlawed since illegality is it's only use.

John
August 26, 2025 at 04:30

"Regulatory arbitrage" is the source of cryptocurrency "value."

Crypto is free of much of the regulatory overhead inherent in the banking system and securities markets (including anti-money laundering reg's).

Crypto "coins" mostly escaped regulation related to securities registration. Coins were (and are) securities offering a return (and are seen as such in some US states), but they were not and are not subject to the registration requirements that pertain to other securities.

Crypto will retain its value to the extent that it is allowed to skirt regulation. If fully regulated, it will have no value, and will be recognized as the environmental disaster that it is (energy use).

Daniel
August 26, 2025 at 08:38

In my personal view Crypto currency is a fabulous / ingenious pump and dump enterprise.

Crypto is purchased with Sovereign money, US$ et al for example . Set aside the "mining " of Crypto coins.

It's a mutual fund for money laundering and drug cartels.

At some point, the Crypto owners will have to convert their Crypto to a Sovereign currency. This they do every day in the game of pump and dump.

Regardless, that's my view as one of the great unwashed masses.

Philip Lawn
August 26, 2025 at 11:32

TiPi: Money has no intrinsic value either. It has exchange value only. Most importantly, as Bill says, a particular national currency is the only means of extinguishing a tax liability in that particular currency. While that continues, there will always be a demand for national currencies, despite nonsense you read, such as, "One day, no-one will demand the Australian dollar – we'll all use crypto-currencies (sic)". In addition, there will always be the possibility that one day no-one will want to hold what I call crypto-commodities (because there is no need to hold crypto-commodities) and they will have little or no exchange value. A decision to hold Bitcoin is no different to betting on a horse race. Only the odds differ, for now.

Unless and until a national government imposes a tax liability requiring the surrendering of energy to extinguish, energy is not a currency. Yes, all economic activity is driven by energy, but that doesn't make it a currency. With the assistance of energy, the spending of modern money mobilises the real economy up to the extent of existing productive capacity. The real economy and the financial system are very distinct. They do not have to match each other, as some people believe (e.g., 100% money advocates). Modern money, together with taxation (they both emerged hand-in-hand) presented humans with new opportunities (e.g., transferring real resources from the private to the public sector without the need for tyranny, initially to an emperor's benefit, but now for social benefit) and new challenges (e.g., unemployment, inflation, and economic rents – which I deem as seigniorage enjoyed by a currency-user). We have taxation and the seigniorage enjoyed by the currency-issuer to deal with these problems/challenges.

There IS a way to reduce energy consumption and emissions. It requires the imposition of legally binding quantitative limits (caps) on the rate of energy use and emissions. Incentives to reduce the energy-intensity and emissions-intensity of economic activity, as important as they are, do not guarantee reductions in energy consumption and emissions. This is because, without caps, there is nothing to prevent the 'rebound effect', which occurs when the percentage reduction in the energy-intensity of economic activity is overwhelmed by a larger percentage increase in all economic activities. Caps on energy and material resource use are the only way to place a human-imposed 'ecological playpen' around an economic system to ensure the

scale of all economic activities remains within the ecosphere's regenerative and waste assimilative capacities.

Globally, at present, there is no human-imposed ecological paypen. There is only Nature's ecological playpen and humankind is now operating 75% beyond it. I have been arguing for a while now that we need to establish a United Nations Framework Convention on Planetary Boundaries (UNFCPB) with nine sub-FCs for each planetary boundary. We already have a UNFCCC to limit GHG emissions. It would be one of the sub-FCs. I believe something like a UNFCPB is the only way humankind can limit the scale of global economic activities to Earth's carrying capacity in a managed, conciliatory, and peaceful way (i.e., serve as a global human-imposed playpen). Relying on greater efficiencies and the demographic transition won't save us. It hasn't to date, so why do we keep on believing it will?

You are right – the growth in data centres is rapidly driving up the demand for and production of energy. It is making the rebound effect an inevitability without caps. With caps, and with the auctioning of rights allowing producers and providers of goods and services to access the capped energy, we'd soon find out how much we value the data (noise) that is stored and distributed by data centres because we'd be forced to make choices between essential things plus things we very much like and a lot of useless data. Indeed, we would soon find out how much we don't value other useless things. It would also force us to get serious about population growth because we would have to choose between maintaining per capita affluence and more people at any one time. Because of what we have already done to the planet, we have already reduced the number of people who will get a chance at life, let alone a good life.

TiPi
August 27, 2025 at 00:50

"There IS a way to reduce energy consumption and emissions. It requires the imposition of legally binding quantitative limits (caps) on the rate of energy use and emissions. Incentives to reduce the energy-intensity and emissions-intensity of economic activity, as important as they are, do not guarantee reductions in energy consumption and emissions."

This outline is eminently sensible, but requires supra-national regulation and control mechanisms under the current geo-poliitical and economic system.
As the Irishman said to the tourist, "if I was going to Dublin, I wouldn't want to start from here".

I really doubt it is achievable, however desirable, given the shrinking timescales

involved and total disruption of the global economy required.
When I last taught Higher weather and climate change in 2014-5 we were running at an average ten year 0.1°C (ish) global temperature increase, yet 2015–2024 saw 0.27°C. If I live into my 80s I will probably see 2°C exceeded – unthinkable even 20 years ago. Unbelievably, some people are still arguing over 1.5°C.

I recall discussing resource rationing, quotas and/or cap (and trade) options and carbon pricing before the first IPCC report in 1990, but with little agreement even then within the environmental movement in how to achieve sustainability goals.

Almost 30 years after Kyoto and a decade after Paris, the USA, a perennial non-signatory, is still in la la land, fingers in ears, and accelerating new fossil energy development, even with a rapidly reducing EROEI. Even renewables don't have an especially useful EROEI. And then China has still to stabilise its own coal dependency and the EU only provides around 24% of its current energy needs from renewables.

The persistent denial of state, let alone supranational, intervention within neoliberalism and the entrenchment of related 'small state' 'free market' ideologies, plus the overweening power of corporate and oligarchic capitalism and constant pushback globally, present a K2 sized obstacle.

Were we able to rely on the compelling incentive of exceptionally high energy market prices acting to prioritise energy efficiency, both to reduce both energy intensity and emissions, then self-rationing might even happen within a market context, but people tend to have inflexible and inelastic energy requirements.
Nor is there any clear mechanism that might allow pricing of non-renewable or over-exploited renewable resources differently from renewable and or/sustainable resources.

I understand Taylor Swift's carbon footprint is humungous, with her private jet usage alone amounting to 1,800x an average human's annual emissions – so 576x an average American and 1,000x times that of an average European. Yet she could still afford this lifestyle even if energy costs were increased by a factor of 100, thus avoiding any substantive behavioural change....
Wealth distribution within post industrial nations probably means the burdens will not fall on the 0.1%.

In Scotland 20% of households are already in 'extreme' fuel poverty and 15% residential properties are energy inefficient being below EPC D – which is hardly a high energy performance standard.
Social housing has higher rates of fuel poverty (61%) than private housing (25%). I

shudder to think of excess winter death rates with an ill considered rationing or pricing model. The poorest in post industrial economies are exceptionally ill equipped to cope with the demands of emissions reductions.

Even within the national context the practical politics are very difficult indeed, but an average Norwegian uses 550x the energy per annum than an average Nigerian, so there is another whole mountain range to climb if any international regulatory agreement is to be reached.

The essential attitudinal and subsequent behavioural change will be very hard won.

Philip Lawn
August 27, 2025 at 12:49

TiPi: "This outline is eminently sensible, but requires supra-national regulation and control mechanisms under the current geo-political and economic system."

We already have the UNFCCC. It is failing (GHG emissions are still rising), but the institutional infrastructure is in place for something effective to be done. If nothing else, the UNFCCC is an example of international co-operation to create an institution to cap GHG emissions at the global level.

Control mechanisms are required to guarantee just about everything, especially things at an aggregate level. We have them at the local, state/provincial, and national levels, and many are very effective. They do not have to be as overbearing as people think. People adhere to speed limits knowing that if they frequently speed, they'll eventually get caught by a random speed camera.

"As the Irishman said to the tourist, "if I was going to Dublin, I wouldn't want to start from here"."

The problem is that WE ARE starting from 'here'. Here is a bad place to start from because the atmospheric concentration of CO2 is now 430 ppm; average global temps are now 1.5C above the pre-industrial level; there are 8.2 billion human mouths to feed (and rising); and the global throughput (Ecological Footprint) is currently 75% larger than global Biocapacity (ecologically unsustainable). It would have been easier to begin a serious attempt at capping global throughput fifty years ago, but that opportunity is gone.

Since we are starting from this difficult position, I think we can only solve the excessive throughput problem by capping it. It will be difficult to achieve – it presents

humankind with its greatest challenge – but it is coming humankind's way whether it likes it or not. It's either by design or by disaster. I personally believe that it won't occur by design, but if it was to, it won't be achieved by providing 'incentives' to change individual behaviour. It will require macro-level caps, first and foremost. Macro-level caps would naturally create the incentives to change individual behaviour. These do not exist at present because the aggregate level of throughput is free to increase.

That has been one of humankind's great failings at the social level. We fail to control things at the macro level and then employ micro-level regulations to deal with the problems caused by scale-related externalities. The statute books keep growing by the day. We need macro-level controls and micro-level flexibility. It is the other round at present because we refuse to acknowledge and deal with excessive growth and impose the necessary macro-level controls. Why change your behaviour when you are not competing for a slice of a capped rate of throughput, and in many cases (because of neoliberalism), you are not guaranteed a financial claim to obtain a minimum, necessary slice of an excessive throughput 'pie'? We are all competing for a slice, but it is easier for many (less need to change individual behaviour) when the pie is growing and those we compete against have much less buying power (Third World), are not yet alive (future generations), or defenceless animals, plants, and insects.

The Australian Federal Government has just held a 'productivity' gabfest where much attention focused on the 'red', 'green', and 'black' tape (regulations at the micro level) that render doing something so difficult and complicated. These regulations exist for good reasons – to protect people, our quality of life, and the natural environment (which we all depend upon) – but many would not be required if we had macro-level controls. Religion was once used to control people's behaviour, although that still relies on micro-level regulation, but religion is no long effective because it has gone off the rails and science has proven that many religious claims are false and/or in some cases unethical.

"I really doubt it is achievable, however desirable, given the shrinking timescales involved and total disruption of the global economy required."

Now you are basically arguing that there is no means available to reduce global throughput. In other words, this is not an argument against caps because, in your mind, reducing global throughput to a sustainable level would be too economically disruptive, no matter the means. You may be right. But if you are wrong, I don't believe incentives will solve the excessive throughput problem. The rebound effect will prevail, as it has done for the past fifty years (global throughput has doubled at the same time the throughput-intensity of Gross World Product has halved because per capita GWP and global population have doubled), unless we can successfully cap the rate of global

throughput. If we can't cap the rate of global throughput, and I doubt if we will even attempt to do it, the global rate of throughput will decline (probably abruptly) by disaster.

TiPi
August 27, 2025 at 21:59

Philip* Firstly, I don't want to hijack Bill's thread on crypto-devices, but I did want to raise the downsides in terms of the associated environmental costs, especially in energy consumption terms, and because Bill's own thinking, frequently references degrowth and resource overshoot, as do yours. I hope these subsequent discussions are acceptable to BIll.

I do believe that for any manmade problem, or set of problems, there can be equivalent manmade solutions.

The argument seems to be that the only way to manage the rebound effect in energy is to cap through a strictly enforced (who by?) top down regulatory approach and that the UNFCC is the supranational agency of choice.
Yet I cannot see any COP agreeing to capping.

The slightly anodyne phraseology of "reduce global throughput" and 'economically disruptive" conceals the fact that everyday capping impacts for very many communities would be hugely destructive with the poorest and most vulnerable suffering the most, including personally existential threats.
That many may well suffer comparable fates with future collapse does not mean we ought to impose actions now which will definitely have those effects.
I think post-industrial nations would inevitably have the largest impacts and social disruption, and the risks of a rise in authoritarianism, even totalitarianism, are ever present, and very much heightened at the present time.

Polanyi identified that the establishment of capitalism during the Industrial Revolution required a 'great transformation' in terms of social attitudes and relationships away from reciprocity and redistribution to transactional market economies. We now need a second great transformation. It is mostly about mindsets.

Regulation to negate rebound effect psychology requires a problem solving systems approach. So, a durable solution will need to be less imposed than engineered, even though we have an economic system which tends to a behavioural response that increases resource demands for raw and energy materials and worsens adverse environmental impacts.

Just taking one example, how did we get to the position with SUVs where more fuel efficient ICEs permitted increased dimensions and doubled the average weights of vehicles ?
When technological improvements allowed, why did we not simply shift to much more fuel efficient vehicles in the knowledge this would extend the global life span of fossil fuels, reduce emissions, improve urban health, and extend vehicle lifespans?

What was the mindset that encouraged the emergence of SUVs ?
How can we reverse that destructive thinking ?

We've known about disposable consumerism since the 50s and Vance Packard's hidden persuaders and waste makers.
Business pressures and presumptions still require continued expansion, and people are still subject to huge marketing forces, now amplified through the internet and social media.
So we require two sets of underlying behavioural and attitudinal changes.
The first has to be from the supply side – so predominantly the corporate sector, and in the growth mindset.
The second set of changes has to be on the demand side – so marketing and consumerism.
Neither is immutable. But with what combination of carrots and sticks ?
The corporate economy can adapt, as capitalism has had to adapt, and consumerism is essentially malleable.

However, from where the coherent vision emerges, let alone the evocation and leadership that can elucidate and motivate, is a much bigger question.

Carol Wilcox
August 27, 2025 at 23:28

I've been lazy and haven't read one of Bill's posts for a long time. A couple of comments (for my own benefit):
1. I'm glad that Bill reminded me in defining a currency: "that which it accepts as payment for all the liabilities it issues", not just taxes. Small thing I know...
2. Glad that TiPi points out the waste of energy caused by crypto – AI is even worse:-(
3. Bill, you shouldn't allow the name 'RMurphy' to appear in your blog. I've joined the Green Party in UK which has some MMT literate people working in the economic policy team (hoping to meet up with them at conference in October), but I'm afraid many of them have learned their MMT from Murphy's blog rather than original sources.
Someone on FB at least agrees with me that this is a form of pollution. Before the Green conference I'm hoping to have a word with one very sound member of the econ

team (Sheridan Kates) at the Jeremy Corbyn Peace and Justice conference.

Fred Schilling
August 28, 2025 at 06:21

Fukuyama's End of History presaged a system leading toward an end of Capitalism but not before the latter has, by its own hands, led humanity toward its last gasps at ending itself. Perhaps the bit that so often gets left off the full title of that book "and the Last Man" is the truly prophetic bit that's been ignored.

However, we still have the choice of doing nothing or doing something, no matter how bleak the forecast. Command and control or Mad Max? Our choice for a social structure but currently controlled by the power elite, deep state, or whatever it is called, that has extreme-obscene private financial wealth and controlling access to unending public funds. Follow that manmade social construct that keeps hierarchical score – the money.

When it comes to politicians and change the FDR story, whether myth or not, of (paraphrasing) "I agree with you. Now make me do it." applies.

eg
August 28, 2025 at 22:35

Cryptos are electronic gambling tokens. Like the equally ridiculous NFTs they are digital Beanie Babies.

As for "stablecoins" (which are neither stable nor coins) how are they functionally any different from money market funds?

Sidharth
August 29, 2025 at 01:27

Atleast when an MMF got liquidated because it broke the buck, the holders got most of their money back.

You won't get anything if you are just a small holder of USDT, unless maybe if you are in some contract with Tether. No orderly liquidation.

Sidharth

August 29, 2025 at 01:36

And Tether also takes your money and invests it in bonds, but instead of giving back most of the yield, they pocket it.

Neil Halliday
August 29, 2025 at 10:52

Carol wrote:

"Bill, you shouldn't allow the name 'RMurphy' to appear in your blog. "

Why does Carol make this assertion (ie is what is Murphy's mistake re MMT?

For my part, I think an error of MMT's originators was to accept the 'invisible hand' free market/ free-enterprise environment as the primary scenario of a modern economy for determining *resource allocation*. thereby eschewing *central planning* to maintain full employment and inflation control, as part of intelligent non-market, public-sector management.

Hence Neoclassists, promoters of the same environment, have easily dismissed MMT as "money printing which will cause inflation".

Now of course governments everywhere are succumbing to political dysfunction as they attempt to 'balance the budget'.

Can MMT save the day, by allowing central planning into the tool box of inflation control?

Imo, the JG is an incomplete inflation-control tool, in that it doesn't identify the actual causes of the inflation it attempts to deal with; and as for tax: Jim Chalmers told me the public won't accept taxes to control inflation (ie, taxes to reduce consumer spending) hence the claimed necessity for an 'independent' reserve bank to determine monetary policy settings – a very blunt tool which hurts poor borrowers and benefits rich savers.

bill
August 29, 2025 at 17:18

Dear Neil Halliday (at 2025/08/29 at 10:52 am)

The Murphy quote I allowed has nothing to do with MMT. I wouldn't allow any other reference to the person mentioned if it was about MMT. Today's Manga is, in part, about people who claim to profess MMT principles but haven't a clue.

Further, there is a problem with your understanding of what MMT actually is. That is apparent when you say:

> I think an error of MMT's originators was to accept the 'invisible hand' free market/ free-enterprise environment as the primary scenario of a modern economy for determining *resource allocation*. thereby eschewing *central planning* to maintain full employment and inflation control, as part of intelligent non-market, public-sector management.

MMT is not about the best way to organise resource allocation.

It is a framework for understanding the modern monetary system and the place of the currency issuer within it.

Discussions about comparative economic systems are another story. I also would have thought that even though I was one of the originators of MMT that you think went astray, I have built on that monetary framework over a period of more than three decades to discuss the sorts of things you are concerned about.

best wishes
bill

np
August 29, 2025 at 21:09

TiPi: What was the mindset that encouraged the emergence of SUVs ?
How can we reverse that destructive thinking ?

Jason Hickel offers some answers to these questions and some possible solutions, if Bill will permit the link:

https://www.youtube.com/watch?v=MU1QdQsjGpM

TiPi
August 30, 2025 at 19:34

Thank you very much np.
I try to keep up with Jason Hickel's output, both on Gaza and degrowth, and will check out your link.

My question was somewhat rhetorical and aimed to propose the position of looking at, and arguing for, longer term resets of consumerist and growth mindsets rather than just imposing regulatory controls. (though these are undeniably a useful tool in a top down system).

I have long supported Vance Packard's impassioned critiques of consumerism and marketing, and Wackernagel et als work on footprinting, with qualifications.

Philip Lawn
August 31, 2025 at 00:23

Neil Halliday: If the public accepts the need for some central government taxation, then it is implicitly accepting the need for taxes to quell the inflationary pressure of aggregate spending. The public ought not to accept taxes to pay for central government spending because taxes don't pay for government spending. From a macroeconomic perspective, taxation only exists to create a demand for the currency that the central government spends into existence and to provide real resource space for the central government to purchase real resources (offered for sale by the non-government sector to acquire the currency to extinguish its tax liabilities) to provide public goods and other services without it leading to an unacceptable inflation rate.

When Jim Chalmers says that the public wouldn't accept taxes to quell inflation, it simply highlights his ignorance about the purpose of central government taxation. Also, Chalmers is assuming that people willingly accept higher interest rates to quell inflationary pressure. Many people don't, and indeed shouldn't, because I don't believe interest rates quell inflation. If anything, they stoke inflation by raising business funding costs. If Chalmers and the RBA think that higher costs don't stoke inflation, they shouldn't plead with workers to moderate their wage demands since, using their logic, it shouldn't stoke inflation.

The RBA will claim that its interest rate increases following the height of the COVID pandemic helped bring inflation down. How can they say that? The theory is that higher interest rates reduce aggregate spending, and it is this which lowers the inflation rate. But aggregate spending did not fall! Clearly, the decline in the inflation

rate, which was slow and delayed, was due to other factors. I would argue that it was primarily due to a reversal of what caused the inflationary spike in the first place – supply-side constraints caused by the lockdowns. I have no doubt that the inflation rate would have come down faster and sooner if interest rates had not been increased, as was the case in Japan.

Neil Halliday
August 31, 2025 at 12:19

Phil writes:

"From a macroeconomic perspective, taxation only exists.....to provide real resource space for the central government to purchase real resources (offered for sale by the non-government sector)..... to provide public goods and other services without it leading to an unacceptable inflation rate."

Yet the Australian government COULD *subcontract* the nation's building industry (for a period of time) in order to restore the nation's depleted public housing stock, at no cost to the taxpayer and without causing inflation, because the nation's building industry already exists and the resources are simply being transferred from the private to the public sector.....by decree, if you like, to fix the current housing-emergency in Australia's overpriced housing martket.

I note Bill's comments above:

1. "MMT is not about the best way to organise resource allocation."
2. "Discussions about comparative economic systems are another story".

Yes; hence my interest in expanding the discussion to include the second point, since we all want (I think) a mandated full employment scenario (in effect, a JG), within a ZIRP, to create "an economy which works for all" (Bernie Sanders).

And the above example is ONE case at least where 'Public Money for Pubic Good' can be implemeted without imposing taxes to avoid inflation.

It seems to me.....

Ferdinand
August 31, 2025 at 23:53

Neil Halliday: "And the above example is ONE case at least where 'Public Money for

Pubic Good' can be implemented without imposing taxes to avoid inflation. "

Taxes only feel like a burden when non-government sector income is throttled (especially for households). When it isn't they are just a regular drain in the background. The only reason 'the public' is hostile to imposition of taxes is that income is generally throttled for a lot of people and because it is pushed to the forefront as the cause and the core of the problem. Which is why there's always a stupid (and wrong) debate about tax imposition at all.

Philip Lawn
September 1, 2025 at 01:09

Neil Halliday: Be careful Neil. Everything comes at a cost. When real resources are used to produce/provide something (say, X), something else that could have been produced/provided with the use of the same real resources (say, Y or Z) is foregone. Hence, there is an opportunity cost associated with the use of all real resources.

There is a tendency to view cost as a purely financial matter. Sure, a currency-issuing central government (CICG) does not give up any real resources to acquire the currency required to purchase real resources (100% seigniorage), but there is still an opportunity cost associated with use of the resources that a CICG acquires, even if the CICG has had no need to increase its tax imposition on the non-government sector to free up the real resources (i.e., if the resources purchased by the CICG were idle because the economy was operating at less than full capacity).

Tax-payers do incur an additional cost if the CICG has had to increase its tax imposition to free up real resources (i.e., if the economy is operating at full capacity). The cost to tax-payers is whatever they can no longer purchase. Presumably the non-government sector is willing to incur such a cost because they'd prefer something like a public hospital bed if they get sick (large benefit) than yet another digital TV for the house (small benefit). Unlike purchasing choices we make when we enter a shop (market), we make choices between public goods and private goods when we vote (elections, if you are fortunate enough to have the opportunity to vote, although the options available to voters are often ordinary at best).

It is hard to imagine a CICG not having to use taxation to destroy some non-government spending power. Whatever taxes we do pay is a cost to tax-payers. Whatever a CICG pays to acquire real resources is not a financial cost to a CICG, but the use of the real resources acquired by the CICG will always involve an opportunity cost to society.

Neil Halliday
September 1, 2025 at 13:30

Ferdinand wrote:

"Taxes only feel like a burden when non-government sector income is throttled (especially for households). etc.

Ofcourse I agree – with your entire post.

But I'm a member of the ALP whose most qualified (Harvard-trained) economist insists "MMT will cause inflation", and meanwhle ALP treasurer Chalmers is telling Australians he has to "balance the budget" (hence Labor's entirely inaquate HAFF, with its *off-budget* funding depending a stock market bet!), while reducing taxes – because that's what voters want – for the reasons you explained.

My proposal deals with the former assertion (re inflation) , AND the latter reality (ie taxes FEEL like a burden) – in 'one fell swoop'.

As for the 'opportunity cost' (OC) raised by Philip: in a housing crisis caused by lack of supply in an unaffordable housing market, there is no OC so long as there is even one person who is homeless.

Housing is a universal human right, and Oz is a wealthy country.

And just as there would be no 'OC' – as mainstream economists insist there is – if climate scientists proved we have to stop emitting green house gases by a certain date, to avoid ecological catastrophe.... requiring the BIS/IMF/WB to fund the transition ASAP by purchasing (with money created ex nihilo) the entire fossil industry and transferring its resources, as well as the necesary additional resources – if we don't have the luxury of waiting for nuclear fusion based energy, to save us.....

But whereas climate scientists (unfortunately) can't identify a specific date, the Oz housing crisis is very real and requires fixing now – 'opportunity costs' not withstanding.

Philip Lawn
September 1, 2025 at 14:52

Neil Halliday: Sorry Neil, but you need to think a bit more about what opportunity cost is and involves. There is an opportunity cost associated with the use of ALL real resources. If you deny this, you are denying a fact either because you don't

understand the fact or you choose not to accept the fact (a selective rejection of a fact). If you believe there is no opportunity cost associated with the use of some real resources, don't argue your case with me. You need to argue your case with someone in a physics department of a university – that is, by arguing that it is possible for humans to defy the first and second law of thermodynamics, which would lump you with mainstream economists and a lot of heterodox economists.

When real resources are used to produce/provide something (e.g., a labour hour, a machine hour, and a raw material that is transformed by the labour hour using a machine for an hour), they cannot be used to provide something else. It matters not what is produced and what is foregone except for the magnitude of the opportunity cost. If something trivial is produced (small benefit) and something critical is foregone (large benefit – e.g., public housing), the opportunity cost is large. If it is public housing that is produced and provided and something trivial that is foregone, the opportunity cost is small, but it is not zero!

Opportunity cost is the only real cost. If you don't have to forego something to obtain something useful, there is no cost (OC). However, when real resources are used to obtain something useful, something else is always foregone (again, take it up with a physicist if you disagree). Although this may not apply to a currency-issuing central government (100% seigniorage), it applies to you and me, and it applies at the societal level. Like I said in my last post, 'we' are happy to allow a CICG to enjoy 100% seigniorage because, if the goods we want have public goods characteristics, the only way we will obtain them is to allow a CICG to tax us to free up the real resources to enable the CICG to provide the public goods we desire. So 'we' are happy to the incur a small OC (trivial goods we could have purchased) to receive from a CICG critical goods (large benefit) that we would otherwise not have had supplied by the private sector (because the production and supply of PGs is unprofitable).

Even if the CICG is not required to tax us to free up some real resources it wishes to obtain (i.e., when the economy is operating at less than full capacity), we are still incurring an OC. It is a self-imposed OC on account of the idle resources (less than full capacity) being the result of us choosing not to spend all of the income we could earn if the economy was operating at 100% capacity (i.e., we have chosen to 'save' some of our income). A CICG can and should purchase the idle resources if it is required to achieve the full employment of labour, which, although it would not require us to incur an additional tax burden, would involve an OC at the societal level – that being the best alternative use of the erstwhile idle resources.

OC goes much deeper than my simple example above. If resources are used to provide public housing and the real resources used represent a portion of an

unsustainable rate of resource extraction and eventual waste generation – meaning, eventually, fewer natural resources in the future to provide public housing in the future (indeed, anything in the future) – then the OC is even greater. The full OC constitutes the sum of the trivial thing that was foregone plus things foregone in the future. That's why there is always an additional OC associated with the use of non-renewable resources (Salah El Serafy refers to it as the 'user cost' of non-renewable resource extraction, which is an extension of Keynes' UC principle applied to human-made capital); an additional OC associated with the use of any renewable resources extracted beyond regenerative capacity, which amounts to depletion of a stock of renewable natural capital; and a further OC if the use of the resource results in waste that reduces the Earth's waste assimilative capacity (e.g., GHG emissions from oil and coal).

Sadly, these additional OCs are overlooked and are not reflected in the prices of natural resources nor the charges/fees to generate waste (if there is any charge at all!). Hence, the prices of natural resources have never come close to reflecting the full OC of their use.

Neil Halliday
September 2, 2025 at 12:21

Philip, imo, from the 'universal human rights' standpoint, OCs should only be considered when everyone is safely housed, and the world stops emitting green-house gases (assuming ecological sustainability IS at stake because of greenhouse-gas emissions).

imo.

When that is achieved, sure, there are RESOURCE opportunity costs to be considered.

Now, if over-population is a problem globally, eradication of poverty is one way to reduce birth rates; but in Oz we CAN securely house everyone.

Do I really have to "think more" about opportunity costs which arise when considering different allocations of RESOURCES?

I'm disappointed to see you championing the economic mainstream's view on OCs – even though the "costs" in their view are *monetary* costs, presumably not your view of the "costs", which are of course real *resource* costs.

What are the 'opportunity costs' of ensuring all Australians are securely housed – even

if by government 'decree' (implied in my example re *subcontracting* the building industry at no *monetary* cost to taxpayers) – something governments achieved in Oz in the 3 decades after WW2 via deficit spending in the fast-growing post-war ecomomy – until Keynesian deficit spending was spurned by the monetarist Neoclassicists who implemented the wrong policies to deal with stagflation, following the Arab oil embargo in the 70s?

Neil Halliday
September 2, 2025 at 12:53

My apoplogies, I didnt read this before I replied:

" If resources are used to provide public housing and the real resources used represent a portion of an unsustainable rate of resource extraction and eventual waste generation – meaning, eventually, fewer natural resources in the future to provide public housing in the future (indeed, anything in the future) – then the OC is even greater. "

Resources ARE indeed used to provide public – or private – housing (at no monetary cost to taxpayers in my public housing example), but your 2nd proposition is postulated on "if"; ie, if current resource utilization represents a portion of an unsustainble resource extraction.

I see your point, you being an environmental scientist.

But the issue of ecological sustainablity requires global co-operation to deal with it, while Oz can safely house everyone in 5 years flat, with minimal impact on sustainable global resource extraction, surely?

Even if the "tiny homes" movement is part of the solution.....

Philip Lawn
September 2, 2025 at 12:55

Neil Halliday: My last word on this issue. Opportunity cost has nothing to do with mainstream economics. It's simply a fact of life. Call it another name, if you like, but having something always entails foregoing something else, and that something else foregone is a cost. If the Garden of Eden (Heaven) exists, perhaps things might be different. But life on Earth is not the after-life (if you believe in Heaven).

To ignore OCs, is a major oversight. If you want to ignore OCs, as you are suggesting,

then it is you who is behaving like a mainstream economist because they have been ignoring major social and ecological OCs for eons. In fact, at the macro level, they virtually ignore them altogether, as do many heterodox economists, because at the macro level, they consider 'more' (GDP growth) to be 'better' without question. No counting the benefits and costs at the macro level, separating them, and considering whether the additional benefits of growth exceed the additional costs, which is what the Genuine Progress Indicator attempts to do. No, mainstream economists simply throw the most basic aspect of 'economics' out the window, which you would be doing too if you ignore OCs.

Neil Halliday
September 3, 2025 at 23:01

Question on "opportunity costs" :

Who is to decide between the various (different) 'opportunities' available re sustainable resource utilization?

The (blind) 'invisible hand' market driven by self interest of individuals, or intelligent central planning on behalf of the collective well-being?

Philip Lawn
September 4, 2025 at 11:54

Neil Halliday: I'll say one more thing because you've asked a new question. Let me first say that it appears that I have succeeded in getting you to recognise opportunity costs (OC).

When we vote at elections, the people (to some degree) decide what constitutes the OC of utilising some of the real resources available for use. For example, if political party X says it will provide more public housing and other public goods, and party Y says it will provide fewer, and the majority of voters vote for party X (i.e., party X wins the election), the majority of voters are implicitly saying that the OC of many goods produced and provided by the private sector is greater than the OC of many goods provided by the public sector. Thus, upon party X forming the government, a greater share of all the resources available for use will be allocated to the public sector; less to the private sector. The share of all resources allocated to the public and private sectors can be best described as the 'macro-allocation' of resources as opposed to where the real resources allocated to the private and public sectors are subsequently allocated to produce private goods A, B, C, etc. and public goods J, K, L, etc. The latter

can be best described as the 'micro-allocation' of resources.

To what extent we have to pay additional taxes (i.e., we must forego more of our spending power) to increase the macro-allocation of all available resources to the public sector without causing undue price inflation will depend on our propensity to save. The more we like to save, the less we like to spend our income, and the less will be the need for the government to tax us to free up some of the available real resources to provide more public goods, as promised. Indeed, if our propensity to save is such that all the resources required for the new government to meet its promises are presently idle, it doesn't have to increase the tax imposition at all.

When it comes to the micro-allocation of the resources within the private sector, do you want a central planner telling you what you can and can't consume? Perhaps you'd like an unelected board of people to make the decision for you. The RBA Board is an unelected mob with experience in making decisions that affect us all. Perhaps we can get them to make these decisions for us?
When we make decisions on what we'd like to consume, I have no problems with privately-owned nodes of central planning accomplishing the smaller complex tasks that are required to meet my consumer choices (larger complex tasks) and communicating explicitly (e-mail) and implicitly (through exchanges in modern markets – i.e., buying/selling from each other). I'm confident that solving the complex tasks to provide the private goods we desire is more efficiently achieved this way than through central planning alone (no market exchanges – e,g., former Soviet Union).

At the same time, when I vote, I'd like to think that I can not only have my say on how resources are macro-allocated, but vote to ensure privately-owned nodes of central planning are appropriately regulated (e.g., meet various workplace and environmental standards/regulations, pay award wages, are prohibited from abusing any market power they might have, and pay for any spillover social and environmental costs they impose on us all). Unfortunately, I find the offerings at elections prevent me from voting to have resources macro-allocated as I'd like and having privately-owned nodes of central planning regulated as I'd like. And, of course, in this world where ecological limits are not recognised, there is never any way of voting to have the rate at which natural resources are extracted limited to the ecosphere's regenerative and waste assimilative capacities. Thus, the current system is efficiently destroying the planet in the name of growth at any cost and distributing a lot of the spoils to a minority of the people. Furthermore, since many social and environmental costs go unrecognised and are not reflected in market prices because those who impose these costs don't pay a penalty for doing so, we aren't operating as efficiently as we could.

Why do you seem to reject any role for markets on the basis of 'self-interest'? Firstly,

you assume that all public sector central planners are not self-interested. Secondly, I'm almost certain you reject the mainstream assumption of 'homo economicus' – that people behave and make decisions on pure self-interest. If people don't act this way, why do assume that people will always act in pure self-interest in a market environment? If they do, that says something about our 'sick' society which won't simply be eradicated by eliminating markets.

Adam Smith wrote the Theory of Moral Sentiments (1759) before he wrote The Wealth of Nations (1776). I don't believe in an 'invisible hand' where individual action automatically translates into social good (The Wealth of Nations). But I do believe, along the lines of the Theory of Moral Sentiments, that individual action that does not take into account its detrimental effects on others can translate into social 'bad'. That's why modern markets, which first emerged during the Industrial Revolution (mass production of a single product under one large roof), and which feature powerful oligopolies/oligopsonies, need to be appropriately regulated. It's not a reason to reject modern markets, which, if eliminated, would mean the end of many technologically advanced products (including those found and used in the public sector) and result in the very resource-wasteful (inefficient) production of the remainder.

Kenneth Isaac
September 5, 2025 at 07:32

Bill, you are absolutely right and even the crypto folks would agree with you at least partially if not fully. The holders of Bitcoin see/use it as a form of Gold to hedge against some other asset (usually the dollar) because its believed it is deflationary by design and its usually held long term based on believe. Some other coins are used for raising money. So less of a currency and more of a traded Stock or Commodity.

Philip Lawn
September 5, 2025 at 10:31

Kenneth Isaac: You hit the nail on the head when you mentioned gold. Bitcoin is no different to gold other than gold is real and Bitcoin is not. Both are commodities – gold is a real commodity and Bitcoin is a crypto-commodity. Neither are currencies. Neither, at present, can be used to extinguish tax liabilities. Both can be refused as payment for goods and services. The demand for gold and Bitcoin could disappear tomorrow (and have virtually no exchange value) – a problem if you are left holding the stuff. So long as tax liabilities can only be extinguished by payment of the tax-imposer's currency, there will always be demand for the currency.

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