Some people should be afraid of Bitcoin

Opinion - By Christophe ROEHRI, Deputy CEO at TOBAM

In the early 80's, the age of the personal computer had arrived and "computerphobia" was suddenly everywhere. The graph below illustrates mentions of "computerphobia" in books since 1950, according to Google.

Besides anxieties or fears of physically touching a PC, two major criticisms were levelled at PCs: on one hand, it was not clear what benefits PCs could bring to our lives, and on the other, there would not be enough electricity on earth to cope with a wide democratization of PCs anyway.

Here we are, 40 years later, with PC adoption much higher than anyone could have imagined in 1980. Awareness of ESG factors is also more widespread than ever before, yet hardly anyone questions the necessity of PCs' electricity consumption.

Why? Because the benefits of PCs, tablets, and smartphones are clear to us. We have understood their utility function. It is almost impossible to picture life without a PC today. Remember how you felt the last time you thought you had lost your smartphone?

Today, we are experiencing a similar resistance to the emergence of a new major innovation: Bitcoin. And, as with PCs, Bitcoin's electricity consumption is one of the main arguments against Bitcoin levelled by its critics.

There is no doubt that Bitcoin's electricity consumption is sizeable. Let's dig a little bit further, though. The actual electricity mix used by miners follows a simple rule: the cheaper the electricity, the better. What is cheap electricity? It is electricity that no one wants to buy - very often excess electricity produced by renewables, that would be lost in the network if miners did not use it.

The instability of renewable electricity production makes it very hard for many traditional businesses to rely on it, in contrast to highly flexible Bitcoin miners. The bottom line: mining Bitcoins turns out to be a very powerful way to increase profitability and the development of further renewable electricity producers.

As with any innovation, the real (and maybe the only relevant) question about Bitcoin is to identify its utility function: what issue does it solve, and what are its benefits? Anyone who could come up with an articulated answer to this question will probably believe that criticisms regarding Bitcoin are either irrelevant or technicalities.

Beyond an identified investment thesis (Gold 2.0), the most direct and simple way to answer this question might be provided by statistics about the actual adoption of Bitcoin. Today, 19 out of 20 top countries by cryptocurrency adoption are developing countries, including Nigeria, Ukraine and Afghanistan, according to Chainalysis. What this is telling us, is that a significant portion of the population that suffers from high inflation, corrupt or non-accessible banking systems have already adopted Bitcoin.

Interestingly, the 20th country (ranked 8th) on Chainalysis top-20 list is the USA, i.e. the country that has driven most innovations since WWII.

The actual usage and practices of Bitcoin might very well demonstrate the exact opposite reality as the one depicted today by Bitcoin opponents: by many standards, Bitcoin has the potential to become one of the most ESG-friendly innovations, helping develop renewables, ensuring higher financial inclusion, or promoting a true decentralized governance.

In the early 80's, several publications, Including Personal Computing, offered tips for how to deal with computerphobia: *"The most important thing to remember about computerphobia is that it's a natural reaction to something unfamiliar,"* Rubin wrote. *"If you are trying to use a PC or are considering using one, remember: Allow yourself to be a little ignorant for a while. Plan to spend some time learning; give the computer a chance to prove itself before you decide you can't use it (…) and finally, don't forget that you are in charge, not the computer."*

I would not change a word of that statement and apply it to Bitcoinphobia.

Some people should indeed be afraid of Bitcoin… but maybe not sustainable investors!