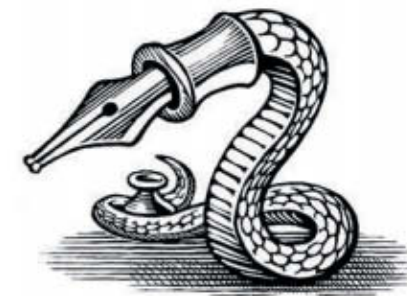


COMMENT

ATTICUS
ROLAND WHITE

Oh, Phil. Numbers aren't everything

The Economist fluttered its eyelashes at the chancellor earlier this year and gushed: "Philip Hammond is emerging as the most impressive candidate to succeed Theresa May." But would Interesting Phil appeal to undecided voters? A new survey suggests he barely appeals to Conservatives.

The website Conservative Home's monthly survey of Tory members shows the chancellor has a net satisfaction rating of just 1.8%. That puts him one place ahead of Damian Green, whose efforts to cling to his job have been rewarded with a satisfaction rating of -10.9%. The environment secretary Michael Gove tops the cabinet table with 72.8%.

Still, it's not all bad news for Hammond. At least he's more popular than he was last month – when he scored -40.6%.

Robert Mugabe, music critic

Robert Mugabe wasn't always the hatchet-faced tyrant of his later years. The businessman Algy Cluff invited the former Zimbabwean president to his home in Scotland during a visit to the UK in 1994 and arranged for him to be greeted by a bagpiper. Mugabe listened politely, then turned to Cluff's wife, Blondel. "Unless I am mistaken, this gentleman has an ostrich feather on his head," he noted. "Under his arm, he is squeezing the gut of a dead animal, and he is wearing a skirt – and they call us primitive."



● In the current fevered atmosphere, many readers will be wondering how to tell whether a member of the Labour Party is making an indecent suggestion. Writing in *The Oldie*, the broadcaster Anne Robinson recalls breakfasting at a party conference with a former Downing Street policy adviser. As she got up to leave, he leant over and whispered those little words every woman likes to hear: "Shall we go up to my bedroom and read *The Guardian* together?"

● Watching porn in parliament hasn't always been career-threatening. Jerry Hayes, a former Tory MP, recalls watching "extreme porn" with fellow MPs and an unnamed minister. "We were doing research for Graham Bright's video recordings bill," explains Hayes, "and we had to watch a hell of a lot of filth to protect the public." During one viewing, Hayes noted that a colleague was breathing rather heavily. It soon became clear, however, that he wasn't overexerted – he was having an asthma attack.

● On the Victorian Commons website I see a remarkable political milestone passed virtually unremarked last month – the 150th anniversary of the first woman to vote in a UK parliamentary election. Women couldn't officially vote until 1918, but Manchester shopkeeper Lily Maxwell's name appeared on the register by mistake. It was decided that, being registered, she was entitled to vote and so she took part in an 1867 by-election, backing the Liberal Jacob Bright.

● It's official: we have reached peak Markle. Dr Adam Hamawy, a plastic surgeon in Princeton, New Jersey, has made it known that he is available to speak to the press about Meghan Markle's "beautiful" nose. A spokesman explains: "Dr Hamawy is available to comment on what it is about Ms Markle that women find so intriguing about her nose." Perhaps Pippa Middleton's bottom can seize back the limelight with an appearance on *Celebrity Big Brother*?

QUOTES
OF THE WEEK

"I want to know if Boris is still foreign secretary"

The *I'm a Celebrity* contestant Stanley Johnson, father of Boris, reveals his first thoughts on being voted out of the jungle

"Stay away from my kids"

The health secretary Jeremy Hunt sees danger in a new Facebook app aimed at children as young as six

"I'm no good at being raunchy. I'm not sexy"

That's why I won't be writing a novel, says the former chancellor Lord Lamont

"Berating world leaders is not at all who I am"

The rocker Midge Ure says he was happy to leave all that to Bob Geldof

"Whenever I'm not looking forward to getting up in the morning, I think of the Queen"

Her Majesty is probably off to open a factory, muses Dame Eileen Atkins (who plays Queen Mary in *The Crown*), and she won't be complaining



Niall Ferguson

Bitcoin may go pop, but its revolution will go on



Alarmists warning of a collapse miss crypto-currencies' true potential

A little more than three years ago I made the worst investment decision of my entire life. It was October. "You know, Dad," my then 15-year-old son said, "you really ought to buy some bitcoin." Yes, that's right, bitcoin: the newfangled "crypto-currency" based on some weird thing called blockchain technology, invented back in 2008 by a mysterious individual using the alias Satoshi Nakamoto.

Listen, son, said the omniscient historian of finance, that is no way to invest my hard-earned pounds, shillings and pence. Son: Dad, what are shillings? Me: Never mind. The point is that since ancient Mesopotamia, money has tended to be monopolised by states. That's why the Queen's head appears on the notes in my wallet and the coins in your pocket.

Son: Actually, I don't bother with notes and coins these days. I can pay with my phone – look, I'll show you...

Me: Trust me, the governments of the world are not about to let their monopolies on national currencies be undermined by a currency that's already being used for nefarious purposes by criminals and money launderers.

Son: Yes, but... Me: No buts – and no bits, for that matter – I'm not throwing real money down the virtual drain.

On October 7, 2014 – when something like that exchange took place – the dollar price of one bitcoin was \$334. As I write, it is \$15,150 (£11,323). Yes, you read that correctly. If I had listened to my son, I would have increased the dollar value of my investment by a factor of 45 – or, if you prefer, I'd have made a return on the investment of 4,436%.

The moral of the story is clear: when it comes to technology, pay heed to teenagers. It's never too late to recover from an investment blunder, of course. But now the terrible question arises: what if buying bitcoin now would make me the "greater fool" – the last man in, who gets left holding the bitcoin when the bubble bursts and the price plummets back to \$334, if not \$0?

That fear is not groundless. Financial history is full of examples of investment manias that at some point turned into panics and crashes. Like the five stages of grief (denial, anger, bargaining, depression and acceptance), there are five stages to most financial bubbles.

1 Displacement: a change in economic circumstances creates new and profitable opportunities. A new financial asset is born. 2 Euphoria: a feedback process sets in: expectations of rising profits lead to a rapid growth in the price of the new asset.

3 Mania: the prospect of easy money attracts first-time investors as well as swindlers eager to part them from their cash.

4 Distress: the insiders discern no future gains can possibly justify the now exorbitant prices and begin to take profits by selling.

5 Revulsion or discredit: as prices fall, the outsiders all stampede for the exits, causing the bubble to burst altogether.

Typically, in other words, the insiders make the money by selling at the 11th hour to the outsiders, otherwise known as suckers. Precisely this fear was what caused me to hold back when my present son, now 18, came to visit me in September this year. The price of bitcoin was \$3,672 at that point. If I'd taken his advice and bought then, I'd still have quadrupled my money. Did I do it? Is the moon made of green cheese?

The analogy favoured by bitcoin sceptics is the mania for tulip bulbs that swept Holland between 1634 and 1637. Bitcoin is "worse than tulip bulbs", said Jamie Dimon, JP Morgan's chief executive, at a conference in September. "It's a fraud," he declared.

"Bitcoin is a sort of tulip," observed European Central Bank vice-president Vitor Constancio at around the same time. "It's... an instrument of speculation for those that want to bet on something that can go up and down 50% or 40% in a few days, but certainly not a currency." The Nobel laureate and vituperative New York Times columnist Paul Krugman has been taking bites at bitcoin since December 2013. "Can [it] actually work?" he asked then. "I have to say that I'm still deeply unconvinced." Ten months later he dismissed "bitcoin fever" as the product of "libertarian anti-government fantasies".

That should have been my signal to buy. After all, this was the same Krugman who in 1998 predicted that "the growth of the internet [would] slow drastically" as "most people have nothing to say to each other".

"By 2005 or so," Krugman famously predicted, "it will become clear that the internet's impact on the economy has been no greater than the fax machine's."

“In September my son advised me again to buy bitcoin. I'd have quadrupled my money

Tulip mania is not the right analogy for understanding bitcoin, any more than the fax machine was the right analogy for understanding the internet. As the South Sea Bubble of 1719-21 revealed, financial innovations are often accompanied in their initial stages by bubbles; the inevitable bust doesn't necessarily kill the innovation. The price of shares in the South Sea Company may have inflated and then collapsed, but that didn't spell the end of tradable shares as financial instruments. On the contrary, shares went on to become the foundation of corporate finance.

Something similar, I now believe, will prove to be true of bitcoin and crypto-currencies in general. It's not so much that blockchain-based coins and tokens will replace the fiat money we have grown accustomed to using since the demise of the gold standard. Rather, there are at least three other uses for the new financial technology that will persist even after this bubble bursts.

First, bitcoin has established itself as a kind of digital gold: a store of value for wealthy investors, especially those located in countries with weak rule of law and high political risk.

Second, "initial coin offerings" that raise money in bitcoin and another big crypto-currency, ethereum, have emerged as a quick and easy way to finance innovation – a digital alternative to issuing shares.

Third, because blockchains are a near-unhackable, cryptographic method for preserving data across a computer network, they can be used for a whole variety of transactions. In future the title deeds for property will take this form. Indeed, this is already happening in the republic of Georgia. Meanwhile, Estonia is planning to store its citizens' medical records on blockchain.

At some point, no doubt, regulatory changes in the US will deflate the current bitcoin bubble. But they will not halt, much less undo, this financial revolution.

Think about it this way. The maximum number of bitcoins that can be created is 21m. The number of millionaires in the world, according to Credit Suisse, is 36m. Their total wealth is \$128.7 trillion. If millionaires collectively decided to hold just 1% of their wealth as bitcoin, the price would be not \$15,000 but north of \$60,000. If they raised that to 5%, the right price for bitcoin would be above \$300,000.

I am not saying this is certain to happen. I'm just saying my teenage son thinks it could.

Niall Ferguson's new book is *The Square and the Tower: Networks, Hierarchies and the Struggle for Global Power* (Allen Lane)