

Currency Events



by Theodore Dalrymple

The following sentence ought to be enough to send shivers down anyone's spine, at least if it accurately reflects a reality:

US attorneys plan to extract a multi-billion-dollar payment from crypto exchange Binance in exchange for discontinuing their criminal investigation of it.

In other words, U.S. attorneys are acting like mafiosi running a protection racket. Justice, so-called, is here not even like a game of poker, in which the players at least start out from an equal position, though some, of course, may be better, more experienced players than others. It is blackmail, for even the innocent have reason to fear the legal and rhetorical resources of Leviathan, which will not likely be denied

whatever it wants or decrees.

This does not automatically translate into great sympathy for the victims of the shakedown. I confess to a visceral distaste when I see pictures of the founder of Binance, Changpeng Zhao. My distaste is for a reason that some people might find strange: Though he is a billionaire (perhaps soon to be an ex-billionaire), he dresses with studied casualness to make himself appear as if were just any slobbish student. There is here hypocritically combined a ravening appetite for wealth and a desire to appear egalitarian. But we know that if it came to a choice between wealth and equality which he would choose.

Does this casualness of dress bespeak a guilty conscience about great wealth, or a desire to divert possible criticism of it? One of the justifications of great wealth is that it promotes the civilized arts of life, but the modern moguls seem to have little inclination, or perhaps ability, to do so. Their taste is often abominable, and they make the late King Farouk look like Lorenzo the Magnificent.

Although I know one or two people who have made a considerable sum of money from it, I have never really understood cryptocurrency and have not dared to dip my toes into its turbulent waters. I have always suspected that if it was not actually fraudulent in itself, it would promote fraud, and in my ignorance of its workings, I would be one of the defrauded.

Cryptocurrency is no doubt a response to the fraud that makes the world's financial system go round. Curiously enough, it is the mutual assured rottenness of all currencies that keeps the system afloat (if one can go round and keep afloat at the same time). The American dollar is rotten to the core, but so are all the other currencies with which it "competes"; and if by chance a sound currency were to emerge, it would soon have to be debauched by whoever emitted it, if the market mechanism did not do so automatically, for the effects of a very

valuable currency are not altogether favorable to the economy that uses it. The only time I was in Afghanistan, I was told that the Afghan currency, the *Afghani*, was the strongest in the region and much sought after. This was because there was practically no economic activity in the country other than subsistence, and the supply of Afghans remained constant, though whether this was a cause or effect of the strength of the currency, or a dialectical relationship, I cannot say.

But why are all currencies rotten, albeit that the mutuality of their rottenness gives to the system whatever fragile stability it may have? Why must all governments emit more currency than growth in economic activity necessitates or justifies?

We are all Peronists now. Juan Domingo Perón was in a sense a harbinger or herald of the modern world. He was a typical demagogue, in that his first victim, in the sense of believing what he said, was probably himself. He was not very intelligent, but his wife was beautiful, and that counted for a lot.

Argentina was a rich and developed country, but it was not a paradise. Nowhere is; the only true paradise, said Marcel Proust, is the paradise lost. Despite its wealth, there was poverty in Argentina, and it was this that Perón set about reducing, thereby increasing it.

A mixture of social reform, corporatism, and economic nationalism soon created a spiral, mainly downward, from which Argentina did not emerge for eighty years. Whether the newly elected president-designate, Sr. Milei, will succeed in breaking the cycle remains to be seen: I think it at least as likely that he will provoke civil conflict or even civil war as that he will succeed.

The problem with downward spirals is that they create a population fearful of change. Where people believe in an

economy as a zero-sum game, or as a cake of fixed size whose slices can only be enlarged at the expense of other slices, they become desperate to preserve their slice, no matter how small it is because of the very policies that have made it so. Thus, they want the continuation of the policy that guarantees them a slice, even if that slice is ever smaller and cannot expand. The fact that Peronists can still exist after eighty years is one of the wonders of the political world but is explicable by the mechanism cited above. Hilaire Belloc, in his Cautionary Tale for children titled *Jim (who ran away from his Nurse and was eaten by a Lion)*, summarized the psychology very succinctly. Having been informed of Jim's death by lion in the zoo:

*His Father, who was self-controlled,
Bade all the children round attend
To James's miserable end,
And always keep a-hold of Nurse
For fear of finding something worse.*

This mechanism is far from inoperative in democracies more stable than Argentina's. It is one of the reasons, perhaps the strongest, why countries find it so difficult to alter course, even though it is clearly leading to disaster. Another great political thinker and fine flower of the political class, the former prime minister of Luxembourg and president of the European Commission, who at least was not without wit, once put it succinctly: We all know what to do, we just don't know how to get elected afterward.

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