A Crytpo Fable

There’s an interesting story going around the upper reaches of the investment world, that purports to explain cryptocurrency investments in a way that anybody can understand them. Some people think it’s funny; see if you agree.

The story starts when the villagers living in a deep African forest look up to see a crazy white man and a native assistant approaching along the trail. The assistant translates the crazy white man to say that he owns a company on the other side of the ocean that needs a supply of monkeys. So he will pay five dollars for any monkeys the villagers bring to him.

Of course, the villagers think this is crazy. What kind of company needs monkeys? But some of the young people in the village, with nothing better to do, manage to trap a few of the many monkeys that live in the surrounding trees, and sure enough, they are given five dollars for each of the monkeys they present to the crazy white man.

The crazy white man’s assistant cares for the captured monkeys in their cages, and when the crazy white man realizes how few monkeys his proposal has brought in, he decides to raise his price. He tells the villagers that when he returns in a week, he will pay ten dollars for every captured monkey.

A few of the men and women of the village, still skeptical, decide to give this arrangement a try, and at the end of the week, they double the number of monkeys in the crazy white man’s cages, and receive ten dollars for each of them.

Alas, the crazy white man is still dissatisfied, and asks that the villagers redouble their efforts while he’s away. He promises, when he returns, that he will pay 20 dollars per monkey.

As one might imagine, this new offer gets the attention of the entire village, who have been watching the previous purchases with something approaching astonishment. This time, the entire village goes out into the woods, and at the end of the week the number of captured monkeys has increased four-fold. The white man returns, pays the higher price for the monkeys, and confers with his assistant. The villagers, meanwhile, are enjoying their unaccustomed new wealth, and begin purchasing luxury items that they could not previously afford.

The crazy white man, meanwhile, has all but given up on the idea that he will ever get enough monkeys to satisfy the mysterious demands of his company. So he declares that when he returns in a week, he will pay 50 dollars per monkey, in hopes that the village would finally meet his quota. He leaves the village, leaving the assistant to tend the larger group of monkeys.

By now, the village has all but abandoned the traditional activities of tending crops and cattle, and every able-bodied person is focused on gathering monkeys. There is a brisk trade in something like a monkey futures market, where some of the more athletic villagers are pre-paid for the monkeys they will bring back to be sold by the investors, and pools of capital are used to build more and better traps. When the white man returns, there are many more monkeys for him to buy, and he pays 50 dollars for each of them, as promised. But, he says, he still has not quite reached his quota.

And so the crazy white man tells the astonished villagers that when he returns in a week, he will pay one hundred dollars per monkey that is presented to him.

But now the villagers are concerned that the supply of monkeys is drying up, just as they have the opportunity to score a maximum profit on them. What to do? This is when the assistant, who has been quietly tending the captured monkeys in their cages, approaches the village elders with a proposal. He says that he will sell the captured monkeys back to the villagers for 70 dollars each, and then leave, instructing them to say to the crazy white man that he has taken the current supply of monkeys with him for safekeeping.

Over the next week, the villagers borrow as much money as they can from the neighboring farms and villages, and by the end of the week, they have managed to buy the entire group of monkeys that the assistant has in his cages—for $70 each, anticipating an easy $30 profit on each of them. The assistant leaves, and the villagers look forward to the crazy white man’s return.

And they wait. A month passes, and then a year, and then two, and the now-indebted villagers are beginning to realize that a monkey, in and of itself, has no value at all to their village life.

But of course, a few are buying monkeys at a discount, and they are still waiting for the return of the crazy white man and his assistant.