Bitcoin hits new record as Wall Street mania continues

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The year 2020 saw the greatest speculative binge in history on Wall Street, with all major indexes finishing at record highs on the back of the supply of essentially free money by the US Federal Reserve. The New Year has started the same way.

On Sunday, the price of bitcoin rose to $34,000 before sliding slightly to $33,000. In January 2020, it was trading at around $7,194. And it may have further to go.

According to Marcus Swanepoel, chief executive of the London-based cryptocurrency platform Luno, the persistent build-up to the latest high “sets bitcoin up extremely well for this year.” Swanepoel added that it could reach “something approaching the $100,000 mark” before the year is out.

The latest rise, which has seen bitcoin surge by 10 percent in the first few days of January, has been fuelled, at least in part, by the fact that the cryptocurrency is becoming more integrated into the global financial system amid rampant speculation that has lifted all financial assets.

In October, PayPal said US customers would have the option of holding bitcoin in their digital holdings. Major investors, including Paul Tudor Jones and Stanley Druckenmiller, have moved into the bitcoin market, as hedge funds focusing on cryptocurrencies have recorded bigger returns than others.

The basis of bitcoin is blockchain technology, which provides a ledger system for recording transactions without the need for a central authority, such as a central bank. This technology has some applications that are productive in monitoring and recording economic transactions.

But the rise and rise of the cryptocurrency bitcoin is purely speculative. It is the most egregious expression of the mania that has gripped Wall Street since the Fed stepped forward in mid-March as the guarantor of all asset classes following the freeze of financial markets as the first wave of the COVID-19 pandemic hit. The Fed alone has expanded its balance sheet by more than $3 trillion and is purchasing bonds at the rate of $120 billion a month—more than $1.4 trillion a year.

Fed chief Jerome Powell has committed to continue the central bank’s purchases indefinitely, and will hand out even more money if the markets undergo a meltdown.

As *Financial Times* columnist Edward Luce noted in a piece published yesterday: “Courtesy of the US Federal Reserve, asset buyers in general have had a stellar pandemic. Whether it was US Treasuries or junk bonds, equity portfolios or high-end property, the free money gusher has lifted all asset prices. Nor is he Fed inclined to stop the party. This year could offer a similar kind of boom to last.”

While it has justified its actions on the grounds that it is “rescuing the economy” and preventing a plunge into a depression, the Fed, amidst death and economic devastation for millions of workers, has organised the greatest transfer of wealth to the financial elites ever seen in history.

And there are warning signs that a massive financial disaster is in the making. For example, one of the reasons for the rise in bitcoin is the fear that the steady decline in the value of the US dollar, which has been accompanied by a sharp rise in the price of gold, could undermine the dollar’s role as the world economy’s reserve currency.

As Luce noted in his comment, the Fed is reprising the role it played after the 2008 crisis on a bigger scale, with the risk that “each new chapter tightens a doom loop in which the US sovereign must eventually reckon with the ever-widening class of risk it is underwriting.”

US national debt has doubled since 2008 and is on the rise again, a trend that has particular significance because of the dollar's global role.

But an even greater fear is what Luce termed a "Great Gatsby-style boom at the top" while "the majority of people are suffering" will bring a resurgence of class struggle that he designated as a rise of "populism."

Those such as Luce who point to the threats to the ruling class and the system over which they preside call for some kind of reform, in the form of fiscal measures to provide a boost to the real economy. But if there were reforms to be had, they would have already been implemented. The reality is that there are no reforms in the offing.

The present crisis did not emerge overnight as a result of the pandemic. Rather, it is the outcome of the program initiated under Reagan and Thatcher some four decades ago, which involved a new mode of profit accumulation based on financial market operations, coupled with the evisceration of the social gains made by the working class during the post-World War II boom.

No reforms were implemented after the 2008 crisis. Rather, the attack on the working class was stepped up. Now it is further accelerated. This is because any reform measures, starting with meaningful measures to deal with the pandemic, would necessitate a deduction from the flow of surplus value extracted from the working class, needed to sustain the mountain of fictitious capital created by the stock market. This would sooner or later bring about a collapse in the financial house of cards.

Consequently, as Marx noted, every capitalist and every capitalist nation operates according to the watchword *après moi, le déluge*, and so the speculative mania continues.

Just when one might have concluded that the means of speculation and the development of further arcane mechanisms for the making of money had been exhausted, a new scheme emerges.

With the share markets reaching new highs—the S&P 500 has risen by 66 percent since the mid-March meltdown—this year has seen a record for initial public offerings (IPOs). Companies raised $167.2 billion this year, compared to the previous high of $107.9 billion in 1999 at the height of the dot-com bubble. Much of that, some $67.3 billion, was raised in the last three months in a bid to take advantage of the market mania financed by the Fed.

But there is a new twist. The IPO market received a major boost through the expansion of special purpose acquisition companies (SPACs). These are empty or shell companies that raise money and then look for firms with which to merge. The investors in the SPACs count on finding a company whose stock value will rapidly rise, while the company merging with the SPAC can get into the share market without the often lengthy procedures associated with a regular IPO.

According to the *Wall Street Journal,* nearly half of all funds raised in the IPO market last year were for SPACs, with the total raised by this means some six times the previous record year of 2019.

The Wall Street mania has vast political implications. It arises from the contradictions of a terminally diseased social and economic order and is creating the conditions for the eruption of explosive social struggles, for which the working class must prepare through the building of a new revolutionary leadership.