

Why Bitcoin's Fallen by Half

By [Dr. Jack Rasmus](#)

Theme: [Global Economy](#)

Global Research, January 19, 2018

[Jack Rasmus](#) 18 January 2018

I recently was asked for my view of why Bitcoin prices have collapsed nearly by half this past week. From a high of near \$20,000, it fell below \$10,000. Other 'altcoins' (Ethereum, Ripple, etc.) have collapsed in price as much or more. Why after rising from \$900 this time in 2017, and peaking at nearly \$20,000 by late last year, has the price collapsed? Will it recover to prior peaks? Is this the beginning of the crypto currency bubble implosion?

Here are the two questions the news agency asked me to answer:

- 1) Why did Bitcoin fell 45% comparing to December 2017? (if you look closely at graphics there's a definite connection between Chinese New Year in January and bitcoin's fall for at least last four years.)
- 2) Is bitcoin a bubble? Please give a short argument on your answer.

Here's my explanation for the bubble, the current correction, and what's driving bitcoin and crypto currencies. It's an economic analysis, in contrast to the many simplistic historical correlations that purport to pass as explanations.

To address your specific questions 1 and 2:

The reason bitcoin fell 45% is the reversal, or anticipated reversal, of the same forces in 2017 that drove its price from around \$1k to almost \$20k. The escalation of its price was due to intensifying demand while supply was held more or less controlled by the initial offerings. Demand forces included the prospect in 2017 that bitcoin would remain unregulated and untaxed. That enabled investor 'pumping and dumping'. Another demand factor was the emerging legitimization of bitcoin by the launching of futures trading by the US commodity exchanges, CME and CBOE at year end. Another was the stagnant price of gold futures, and money flowing from gold price speculation to crypto currencies (a substitution effect). Another was the general 'risk on' speculative investing psychology of the year. Another was the spread of companies trying to raise equity funding by proclaiming they were a 'blockchain' developer, whether they were or not. Another was the proliferation of other initial altcoin offerings, as their prices rose a complimentary price effect boosted bitcoin (and vice versa). All these factors played a role in driving bitcoin demand, while its supply did not rise in tandem.

Nearly all these forces reversed after the end of 2017 and prices collapsed for bitcoin and other altcoins. Profit taking by large initial investors played a role, as they sold their coins (thereby increasing the supply on the market that also depressed prices as falling demand did so as well). Talk of regulation grew by governments and central banks. China, Korea and

other countries announced they banned or would intervene, especially with the manipulation of new companies raising equity funding by renaming themselves with some reference to 'blockchain'. Central banks globally planned to meet to discuss what to do, as well as regulatory institutions. (Should central banks issue their own digital currencies, which they eventually will do, that will sharply depress altcoin prices by boosting supply). Sellers in general flooded the market for coins, as they dumped their holdings. With the possibility of more regulation comes the likelihood of some kind of taxation as well, a big factor in price speculation. Money flowed back from bitcoin to gold futures speculation—the substitute commodity speculative play. Spillover effects from bitcoin price declines impacted other altcoins, and vice-versa.

All these are 'causal' explanations. In contrast, to argue simply that it is Chinese new year correlation effects is nonsense. Most of the bitcoin buying is in Asia, but not in China where it is banned and where the central bank and government are now cracking down on speculators in general. 40% of bitcoin buying was located in late 2017 in Japan—the origin of the market by Nakamoto—and much of it a 'retail buyer' herd frenzy.

This may not be as short an answer as you like, but the truth is seldom 'short'.

The original source of this article is [Jack Rasmus](#)
Copyright © [Dr. Jack Rasmus](#), [Jack Rasmus](#), 2018

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Dr. Jack Rasmus](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca