

# Are We Witnessing the End of the Bitcoin Era?

The Bitcoin revolution seemed unstoppable. Despite suffering multiple large [corrections](#) over the last years, Bitcoin's price kept reaching new highs until almost surpassing the \$20,000 threshold, something unimaginable when Bitcoin emerged in 2009. I remember watching in 2015 the documentary *The Rise and Rise of Bitcoin*, whose title may now look pretentious, but at the time seemed totally justified

Unfortunately for some, those times are over. Since Bitcoin's price peaked on December 17, 2017, it has lost 80 percent of its value.

Are we witnessing the end of the Bitcoin era? Were those who claimed that Bitcoin was just a bubble right?

It should be noted that, despite the drastic fall in price, Bitcoin still trades at over \$3,000, which is ten times more than its price in late 2013. Yet, since the last correction, Bitcoin's price has shown no signs of recovery, which might indicate that the December 2017 peak price was just an illusion.

Several factors could explain this downward trend. The emergence of hundreds of new cryptocurrencies over the last decade might have diverted attention away from Bitcoin, leading investors to put their money into other crypto-related investments. Yet this doesn't seem to be the case. As shown in the graph below, the total market cap of the main cryptocurrencies excluding Bitcoin went down dramatically in 2018. This means that disinvestments in Bitcoin didn't go into other cryptocurrencies.

Source: [coinmarketcap.com](https://coinmarketcap.com)

Some argue that the last price correction is the ultimate evidence that Bitcoin was no more than huge bubble, and as such, it was bound to burst sooner or later. This is what *Bloomberg View* columnist Noah Smith claims in a [recent article](#).

The bubble-theory supporters have a point. Part of the cryptocurrencies boom can be explained by an irrational enthusiasm for a new technology that, for the moment, hasn't delivered the promised results.

Yet Bitcoin doesn't seem to fit in with the classic definition of an asset bubble, according to which a bubble exists when the price of an asset diverges persistently from fundamentals. The fundamentals of a stock are easy (in theory) to calculate: you just need to look at the expected profits of the business in question and discount them at the appropriate interest rate (future profits aren't worth the same as present profits).

Since Bitcoin doesn't generate any income, its fundamentals, if they exist, its fundamentals if they exist, Bitcoin allows for black-market transactions, which means that it provides some utility (although not in the form of income) to its users and, thus, it can be argued to possess some kind of fundamental value. The problem is, [as pointed out](#) by economist Scott Sumner, that we are clueless about how to calculate the fundamental value of Bitcoin. How can we qualify Bitcoin as a bubble if we don't even know what its fundamental price is?

In any case, it seems that we have entered a new time, not only for Bitcoin but for the cryptocurrency landscape as a whole. After a first moment of *irrational exuberance*, to paraphrase Alan Greenspan, we are now in a different stage that will shape the future of blockchain technology. Will cryptocurrencies endure the test of time?

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