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with RIC EDELMAN

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DOGECOIN IS A DANGER TO US ALL

By Ric Edelman, Founder, Digital Assets Council of Financial Professionals

Blockchain and digital assets, which have already entered the mainstream, continue to gain momentum. Naysayers look increasingly foolish with their wave-of-the-hand dismissiveness ("It's just a fraud!," "It's just a fad!") and name-calling ("It's rat poison squared!") as investors demand better reasons to reject the legitimate and undeniable investment thesis these revolutionary technologies offer.

Blockchain and digital assets offer commercial benefits and value to virtually every business sector on the planet. That's why 100 million people worldwide own bitcoin, including 17% of Americans. It's also why corporations, pension funds, university endowments, fund managers and billionaires own bitcoin, and why analysts from Citibank, Tiburon Strategic Advisors, Guggenheim, ARK Invest, Stanford and others all predict 5x to 10x price increases.

And of course, it's not just about bitcoin. It can be argued that Ethereum is even more important (and exciting), along with DeFi (such as UniSwap), CBDCs, stablecoins (Diem!) and NFTs – lots of jargon for sure, and all illustrating that if you don't know what I'm talking about, it's time you learned – for your sake and that of your clients.

Now, in the midst of all this, comes Dogecoin.

Back in 2013, after bitcoin began to catch attention, two software engineers from IBM and Adobe created Dogecoin as a joke, satirizing bitcoin's rapid growth and appreciation. As part of the prank, dogecoin was used to raise money for the Jamaican Bobsled Team. Even the name was a gag: the misspelling of doggy, leading to many mispronunciations of the name.

Dogecoin is not, and was never intended to be, a legitimate digital asset. Dogecoin doesn't have its own blockchain, mining network or development activity. Bitcoin has 500,000 times the computing power, and bitcoin is scarce (only 21 million coins will ever be created), while Dogecoin's supply is unlimited. (There are already 113 billion dogecoin in circulation and 14 million more are minted every day.) Scarcity allows bitcoin's price to rise, while dogecoin's abundance makes its price far riskier.

Despite all this, dogecoin's price has risen an incredible 14,000% in the past year.

For many Americans, dogecoin is their first awareness of digital assets. The problem is that dogecoin has enjoyed gains for all the wrong reasons. It's not helpful when Elon Musk, the richest man in the world, touts dogecoin in a way that looks to me like a pump and dump scheme.

His actions, and those of many others, worry me because dogecoin was intended to be a short-lived joke. There's no legitimacy because there's no business use case. It can't possibly be anything other than a fad.

Bitcoin is called "digital gold" by many. I'd call dogecoin a "digital pet rock." That fad of the 1970s disappeared before the decade was out. Likewise, dogecoin will disappear, and when it does, a lot of people are going to get hurt. The scandal will be a stain that has the potential to interfere with the serious efforts being undertaken by serious people who are working hard with regulators and legislators to establish legitimacy for this emerging asset class.

Dogecoin is a distraction and a dangerous one, and it bothers me greatly that it's getting the prominence and attention that it is, however fleeting that may prove to be.

You need to warn your clients against buying dogecoin, and to assure them that this phenomenon has little in common with other developments in the blockchain and digital asset ecosystem.

Ric Edelman is founder of the Digital Assets Council of Financial Professionals, creator of the Certificate in Blockchain and Digital Assets®.