

Warren buffett
fundamentally
misunderstands
bitcoin



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The “ Oracle of Omaha” is not a devotee of the world’s most popular cryptocurrency. That much was clear when Berkshire Hathaway CEO and the world’s 4th-richest man, Warren Buffett was asked about Bitcoin on CNBC on Friday.

“ Stay away from it,” Buffett responded. “ It’s a mirage basically, it’s a method of transmitting money, it’s a very effective way of transmitting money and you can do it anonymously and all that... a check is a way of transmitting money, too. Are checks worth a whole lot of money?”

The CNBC roundtable accepted and briefly pondered the Oracle’s argument before moving on without pressing him on what would appear to be his fundamental misunderstanding of what Bitcoin is and how it is currently functioning in the wild. Buffett also compared Bitcoin to a “ very fast money order.”

Now, I’m not normally in the habit of being particularly bullish on Bitcoin, nor of arguing with perhaps the most successful self-made human ever, but Buffett is just wrong here and he wasn’t questioned by the business press around him, either because they view the totality of his words as gospel or because they don’t understand Bitcoin any better themselves.

To be clear, I’m not saying his advice to stay away from Bitcoin is wrong, but the comparison of Bitcoin to a check or money order or other method of transmitting money is the same as lumping Bitcoin in with the likes of PayPal. This is clearly wrong.

However, unlike gold, Bitcoin also has a higher degree of liquidity on its own (admittedly among a tiny but growing number of companies, most notably Overstock.com). Bitcoin, for the most part of the past year has been treated essentially as a volatile commodity that has encouraged rampant speculation. In that respect, it's more like gold than a check, which has no intrinsic value in and of itself.

This combination of perceived value and the ability to function as a currency put Bitcoin in the same category as the U.S. dollars in your wallet on a trip to Toronto or Montreal (if dollars were very volatile) — they're not official, but they do have intrinsic value and you could probably find someone to accept them for goods and services. If not, they're easy to exchange into a more widely accepted currency.

On the other hand, I can't say I've ever been able to walk in to ScotiaBank in Montreal and convince them to hand over \$600 in exchange for a blank check.

So far, the Bitcoin faithful have not taken the Oracle's warning to heart. The price of Bitcoin on U.S.-based exchange Coinbase has continued to hover around \$630 today.