

Bitcoin Lessons in Hindsight, Aspirations and Risk

ACADEMIC PERSPECTIVE

Time magazine interviewed me several years ago, and I said the concept of Bitcoin (BTC) ledger and associated technology would prove to be very useful. “My question is why rush?” I said. “Why not wait for the technology to develop? Is it fascination with technology? A way to demonstrate that one is a true libertarian? A good currency is pretty stable in purchasing power from day to day. Dollars, euros and yen qualify, but Bitcoins do not.”

My comments were picked up, not favorably, by members of the Reddit Bitcoin community. One wrote: “Let’s all wait to buy shares of Google until after it’s been around 20 years and the share price is stable (as measured in Holy USD). Bitcoin is useful today, professor.”

BTC’s price was \$461 in December 2015. Today as I write this article, BTC’s price is \$56,590.¹

In hindsight, I know buying a good many Bitcoins in 2015 would have made me wealthy. In hindsight, I also know buying a good many condominiums in Manhattan in 1973, when I arrived there, would have made me wealthy.

But in hindsight I also know completing my Ph.D. at Columbia University gradually made me wealthy. Since then, I have saved good portions of my income, investing most of my savings in diversified, low-cost index mutual funds that have grown slowly into substantial wealth. And I have found much satisfaction in my vocation as a teacher and scholar during the decades since finishing my Ph.D.

As I often note, it is not wise to argue with wealthy people. Too many wealthy people fail to distinguish foresight from hindsight, and too many wealthy people fail to distinguish effort and skill from luck. In 2015, it was not clear in foresight that Bitcoin had the potential to make people wealthy. Nor was it clear in foresight in 1973 that Manhattan condominiums would make people wealthy. And it was not clear in foresight in 1973 that my Ph.D. and subsequent work would serve to make me wealthy. I continue to distinguish foresight from hindsight, and I continue to exercise effort and apply skill in my work. But I know much of my success belongs to luck.



MEIR STATMAN, PH.D.

Glenn Klimek Professor of Finance
Santa Clara University

¹CoinMarketCap.com. Data as of 12/12/2015 and 3/10/2021.

As I often also note, risk is the price we pay for a chance to reach our aspirations. Investors who buy Bitcoin are not seeking risk, they are seeking a chance to reach their aspirations. They hope Bitcoin profits will lift them from living paycheck-to-paycheck to middle-class, from middle-class to upper-middle-class, or from upper-middle-class to wealthy. They hope Bitcoin profits will let them retire early or quit boring jobs to follow their passions or seek more satisfying careers and vocations.

I empathize with Bitcoin investors because my aspirations, and likely yours, are no different from theirs. I had a job as a financial analyst at a high technology company in Israel soon after I graduated from the Hebrew University in Jerusalem. The job was interesting for a while, and then it was not. As I would say later, projects lasted longer than my interest in them. I left that job to come to the U.S. for a Ph.D. program.

Judged objectively, I took much risk. My job in Israel was secure and offered a pension at retirement. I was already married and expecting a baby daughter. What if I failed to earn the Ph.D.? I would have had to return to Israel with fewer resources, lagging classmates who had moved up.

But I was not thinking about risk. I was thinking about my aspirations for a satisfying vocation and decent

income. And risk was payment for a chance to reach my aspirations. (I remember a conversation, many years ago, with an accountant preparing my tax return who said, "Meir, you are paying a lot of taxes!" And I said, "I never expected to earn as much as I pay in taxes. I will not spend my life complaining about taxes.")

Our aspirations extend beyond riches. They even extend beyond family, health and vocation. They also extend to freedom from poverty. We aspire for both upside potential and downside protection. Indeed, protection from poverty underlies family, health and vocation.

We are wise to balance our aspirations for riches with our aspirations for protection from poverty. There is nothing wrong with buying a few lottery tickets from time to time to satisfy our aspiration for riches. But it is not wise to sacrifice protection from poverty by buying a lot of lottery tickets. There is nothing wrong with buying a Bitcoin from time to time to satisfy our aspiration for riches. But I don't believe it is wise to sacrifice protection from poverty by buying a lot of Bitcoins.

Moreover, the wise route to riches is not via lottery tickets or Bitcoin. It is via education and enterprise, providing more secure slow riches rather than unsecure fast riches, and increasing well-being along the way.

MEIR STATMAN

Meir Statman is the Glenn Klimek Professor of Finance at Santa Clara University and a consultant to Avantis Investors. His research focuses on behavioral finance. He attempts to understand how investors and managers make financial decisions and how these decisions are reflected in financial markets. His most recent book is *Behavioral Finance: The Second Generation*, published by the CFA Institute Research Foundation.

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