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Cryptocurrencies and a Fractured World

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The world is experiencing a reset. We appear to be heading back to an era when young German men used “hass” which means hate when referring to Russians and young American soldiers guarded the Fulda Gap in Germany with shoulder-launched tactical atomic weapons to keep Russian armor from rolling into Frankfurt and on across Europe. Europeans are looking at the atrocities committed by Russians and seeing themselves as the next victims. Finland and Sweden will join NATO and the world will enter a new prolonged Cold War. Meanwhile cryptocurrencies allow for financial transactions across borders. One of our concerns is about cryptocurrencies and a fractured world.

Cryptocurrencies and a Fractured World

Bitcoin was the first cryptocurrency. It is only a dozen years old and has gone from being worth pennies to being worth tens of thousands of dollars. It was designed to allow people to transfer money, buy things on the internet both in their own countries and anywhere in the world. It was meant to bypass traditional financial institutions and government controls to provide a safe, efficient, and equitable way to carry out financial transactions. Today the US, Europe, and others have imposed sanctions on Russia for its invasion of and atrocities committed in Ukraine. We wrote about Russia using [cryptocurrencies to bypass sanctions](#). To what extent will cryptocurrencies become the medium of exchange in a world with Russia and its allies on one side and the US, EU, and their allies on the other?

Crypto Regulation in a Fractured World

Bitcoin and other cryptocurrencies have moved past being simply a medium of exchange. Fortunes have been made (and lost) trading and investing in Bitcoin and others. As concerns have arisen about manipulation of the cryptocurrency markets, use of these currencies to avoid taxes, and movement of illicit funds via cryptocurrencies, the US and other nations have moved to regulate them. Biden recently issued an executive order designed to get the US regulatory agencies on the same page and to ready the US for its own digital currency. These will be factors to consider in regard to cryptocurrencies and a fractured world.

Are Cryptocurrencies Safe Havens in a Fractured World?

War, sanctions, the threat of widespread famine and civil unrest threaten the values of many world currencies. Traditionally people move their assets into gold, US Treasuries, Yen, Euros, or Swiss francs when troubles arise, and they are worried about the value of their assets in their home currencies. Likewise, sanctions and a lockdown of the global banking system may leave cryptocurrencies as the only way to move assets out of a given currency before the bottom falls out. Cryptocurrencies are not necessarily the safest havens because they fluctuate so much but they can be carried on a memory stick as one crosses out of a nation at war like Ukraine or Russia and are not subject to the \$10,000 limit on money carried from one nation to the next.

Reordering of Business Relationships in a Fractured World

China has been seen as an engine of global growth as it buys raw materials to run its industry. However, China's money comes from selling products to the EU and USA. Total trade between China and the US and EU exceeded \$1.37 trillion in 2021 and that with major supply chain disruptions. The EU was Russia's biggest trading partner in 2021 at €257.5 billion. The trade disruptions caused by Russia's invasion of Ukraine are already reordering Russia's trade relationships and its ability to do business. This situation could extend to China as well as the war drags on. There is the possibility that the only reliable way to do business in a fractured world will be with bitcoin or other cryptocurrencies as those supporting Russia's wars of expansion are excluded one by one from the world banking system.

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