



By: Nouriel Roubini

Will policymakers wake up before the crypto apocalypse?



A year ago, the most pro-crypto president in US history had just returned to power after pandering to clueless retail crypto investors and receiving massive financial backing from semi-corrupt crypto insiders.

Donald Trump's second coming was supposed to be a new dawn for crypto, leading various self-dealing evangelists to predict that Bitcoin would become "digital gold," reaching at least **\$200,000** by the end of 2025.

As promised, Trump did gut most crypto regulations. He also signed the Guiding and Establishing National Innovation for US Stable Coins (GENIUS) Act; pushed for the Digital Asset Market Clarity (CLARITY) Act; profited personally from shady domestic and foreign crypto deals; promoted his own useless meme coin; pardoned crypto crooks who had allegedly **aided terrorist organizations**; and hosted private dinners for crypto insiders at the White House.

Moreover, crypto was supposed to benefit from various macro and geopolitical risks, such as the ballooning of US and other advanced economies' debt and deficits; the debasement of the dollar and other fiat currencies; new trade wars; and growing tensions between the US and Iran, China, and many others.

Indeed, the heightened risk environment helps to explain why **gold rose by over 60%** in 2025.

But "**digital gold**" fell by 6% in 2025. As of this writing, Bitcoin is down 35% from its October peak, below where it was when Trump was elected, and the \$TRUMP and \$MELANIA meme coins are down 95%.

Every time gold has spiked in response to trade or geopolitical ructions over the past year, **Bitcoin has fallen** sharply.

Far from being a hedge, it is a way to leverage risk, showing a strong correlation with other risky assets like speculative stocks.

Crypto is not an asset

Calling Bitcoin or any other crypto vehicle a "currency" has always been bogus. It is neither a unit of account, a scalable means of payment, nor a stable store of value.

Even though **El Salvador** made Bitcoin legal tender, it accounts for less than 5% of transactions for goods and services.

Crypto is not even an asset, as it has no income stream, function, or industrial or real-world use (unlike gold and silver).

Seventeen years after Bitcoin's launch, the one and only "killer app" in crypto is the stablecoin

Seventeen years after Bitcoin's launch, the one and only "killer app" in crypto is the stablecoin: a digital version of old-fashioned fiat money, which the financial and banking industry already digitalized decades ago.

Yes, whether digital money and financial services should be on a blockchain (distributed ledger) or a traditional double-ledger platform remains a question.

But 95% of "blockchain" monies and digital services are blockchain in name only.

They are private rather than public, centralized rather than decentralized, permissioned rather than permissionless, and validated by a small group of trusted authenticators (as in traditional digital finance and banking) rather than by decentralized agents in jurisdictions with no rule of law.

True decentralized finance will never reach scale

True decentralized finance will never reach scale. No serious government – not even the Trump administration – will ever allow full anonymity of monetary and financial transactions, because that would be a boon for criminals, terrorists, rogue states, non-state actors, human traffickers, assorted crooks, and

tax dodgers.

Moreover, because digital wallets and regulated exchanges must be subjected to standard anti-money laundering and know-your-customer (AML/KYC) rules, it is not even clear that transaction costs through permissioned and private “blockchains” are any lower – especially now that traditional financial ledgers have improved with real-time settlement and faster clearing tools.

The future of money and payments will feature gradual evolution, not the revolution that crypto-grifters promised

The future of money and payments will feature **gradual evolution**, not the revolution that crypto-grifters promised. Bitcoin and other cryptocurrencies’ latest plunge further underscores the highly volatile nature of this pseudo-asset class.

As for the GENIUS Act, having set the stage for another destructive experiment in free banking, like the one that ended in tears during the 19th century, it may well be remembered as the Reckless Idiot Act.

Under the law, stablecoins are not regulated as narrow banks (meaning deposits and payments are separated from riskier lending and investing), nor do they have access to the lender-of-last-resort or deposit-insurance benefits provided by central banks.

Thus, all it would take to incite a panic and trigger a bank run is for a few bad apples in pseudo-libertarian US states to mis-invest their holdings or place their deposits in weak institutions like Silicon Valley Bank.

As in the 19th century, the current US approach – thanks to Trump’s venality and cluelessness, and to the crypto industry’s corrupt influence peddling – is a recipe for financial and economic instability.

A political and financial stability issue

The recent fight between real banks and the crypto industry over the CLARITY Act is another example of Trump not understanding monetary and financial basics.

The issue is not about banks wanting to keep their near-monopoly on monetary transactions.



If Trump has any advisers who are not corrupted by crypto cash, one hopes they can teach him how the banking system works before he allows his own personal interests to destroy its foundations

In a fractional reserve banking system, banks are involved in both payments and credit creation via the maturity transformation of short-term deposits into longer-term loans and credit. That means they provide a very valuable semi-public good.

Obviously, short-term deposits don’t pay interest because they are nearly equivalent to currency.

Yet the crypto industry is pushing to allow interest payments for stablecoins – directly or indirectly via exchanges – which would undermine the foundations of the banking system that we all take for granted.

So, we must either radically change our financial system to separate payments from credit creation (via narrow banks for payments and new loanable funds from financial institutions for credit), or prohibit stablecoins from paying interest and disintermediating

banks.

This is a political and financial stability issue, and few are as serious or as sensitive.

Jamie Dimon, Chairman and CEO of JPMorgan Chase, is rightly raising the alarm about the changes the crypto industry wants, and Brian Armstrong of Coinbase could not be more wrong in nonchalantly dismissing such concerns.

If Trump has any advisers who are not corrupted by crypto cash, one hopes they can teach him how the banking system works before he allows his own personal interests to destroy its foundations. Treasury Secretary Scott Bessent, are you listening?

Nouriel Roubini is a senior adviser at Hudson Bay Capital Management LP and Professor Emeritus of Economics at New York University's Stern School of Business.