



Written by [Bob Adelman](#) on May 13, 2022

Is Bitcoin Collapse a Setback for Global Cryptocurrency Plans?

[The collapse in the price of digital currencies](#), particularly Bitcoin, has not only significantly damaged Americans who invested or traded in the currency but its credibility as a tool for governments to control its citizens.

An estimated one in every six Americans has owned, invested, traded, or used a cryptocurrency at least once, taking advantage of its encrypted property: No outside agency, including government, can track its ownership or use.

The collapse has been staggering: In November Bitcoin (stock symbol BTC-USD) peaked at \$67,802. It closed on Thursday at \$28,315, a breathtaking decline of nearly 60 percent. At the same time, Wall Street's S&P 500 Index (stock symbol SPX) declined by just 16 percent.

Commentators blame a combination of factors, including inflation, the decline on Wall Street, and the tweet from Elon Musk that Tesla will no longer be accepting Bitcoin to purchase his company's cars.

One underlying cause, however, enjoyed scant exposure: the announcement by the White House, by executive order, that it was moving ahead with plans to develop a "central bank digital currency" (CBDC) as a tool to replace not only the dollar but the entire commercial banking system. Once in place, the U.S. CBDC would be melded into CBDCs of other central banks around the globe, making private cryptocurrencies not only irrelevant, but illegal.

It's already happening in China, where the communists have banned Bitcoin while developing their own CBDC.

The Executive Order released by the White House on March 9 is just now resonating among supporters of cryptocurrencies who are seeing the implications. As that EO states explicitly, America "must play a leading role in international engagement and global governance of digital assets." It orders Federal Reserve Chairman Jerome Powell "to continue its research, development, and assessment efforts for a U.S. CBDC."

Powell is only too happy to oblige, declaring that a CBDC "could serve as a complement to, and not a replacement of, cash and current private-sector digital forms of the dollars, such as deposits at commercial banks."

This is a canard of the first order. Once installed, all financial transactions will take place with the new digital currency, making those commercial banks irrelevant. Norbert Michel, writing in *Forbes*, makes



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it clear that CBDCs will not “complement” the existing private banking system in the U.S. but will replace it altogether. He wrote:

I believe that the Fed should not launch a CBDC. Ever.

And I think Congress should amend the Federal Reserve Act, just to be on the safe side....

[Under a CBDC] the federal government, not privately owned commercial banks, would be responsible for issuing deposits [which is] a major problem for anything that resembles a free society....

The problem is that there is no limit to the level of control that the government could exert over people if money is purely electronic *and* provided directly by the government. A CBDC would give federal officials full control over the money going into — and coming out of — every person’s account.

No less a worthy than Warren Buffet and his partner, Charlie Munger, have come out opposed to digital currencies, but only for practical and not political reasons. Buffet told his audience of shareholders in April that bitcoins aren’t a “productive asset,” that they don’t produce anything tangible:

Whether it goes up or down in the next year, or five or 10 years, I don’t know. But the one thing I’m pretty sure of is that it doesn’t produce anything.

It’s got a magic to it and people have attached magic to lots of things.

But with the collapse in the price of Bitcoin and its close relatives, the magic is gone, and along with it the excitement the White House is trying to gin up over replacing the dollar with it.

Buffet made clear that he wouldn’t touch a Bitcoin even if one were handed to him:

If you said ... for a 1% interest in all the farmland in the United States, pay our group \$25 billion, I’ll write you a check this afternoon. [For] \$25 billion I now own 1% of the farmland.

[If] you offer me 1% of all the apartment houses in the country and you want another \$25 billion, I’ll write you a check. It’s very simple.

[But] if you told me you own all of the bitcoin in the world and you offered it to me for \$25, I wouldn’t take it. Because what would I do with it? I’d have to sell it back to you one way or another.

It isn’t going to do anything. The apartments are going to produce rent and the farms are going to produce food.

Buffet’s partner Charlie Munger added:

In my life, I try to avoid things that are stupid and evil and make me look bad ... and bitcoin does all three.

In the first place, it’s stupid because it’s still likely to go to zero. It’s evil because it undermines the Federal Reserve System....

And third, it makes us look foolish compared to the Communist leader in China. He was



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smart enough to ban bitcoin in China.

Munger is mostly correct (China is moving ahead with its own CBDC). But the losses the free market has inflicted on cryptocurrencies since last November have severely damaged their credibility along the way. That damage is likely to delay significantly any immediate implementation of the totalitarian scheme by the Fed.

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