Crypto market capitalisation hits $4 trillion

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After the price of Bitcoin passed $120,000 last week, the crypto market reached a new milestone. With legislation going through the US Congress opening new avenues for cryptocurrencies and trading, the market capitalization of crypto reached $4 trillion as investors prepare to pour billions of dollars into the market.

In less than three years, the market value of crypto has expanded five-fold. In December 2022, in the wake of the collapse of Sam Bankman-Fried's crypto exchange FTX, the price of Bitcoin fell to $16,000 and the market capitalization was $800 billion.

Since then, crypto has been on a steady rise, accelerating rapidly after the coming to power of Trump and his pledge to the crypto speculators, of which he is one, raking in billions of dollars, to make the US the crypto capital of the world.

Three pieces of legislation have been presented. The so-called GENIUS Act, which has passed both the House and the Senate, facilitates the establishment of stablecoins that aid the entry of major finance houses, as well as non-financial corporations, into the crypto world.

The Clarity Act, which has passed the House and now awaits approval in the Senate, is possibly even more significant because it removes regulation of the crypto market from the Securities and Exchange Commission and gives it to the Commodity Futures Trading Commission, which is regarded as being more "crypto friendly."

In comments to the *New York Times*, Kara Calvert, a top official at the major crypto exchange Coinbase, said it "has been absolutely the most important thing we have been pushing for."

The third piece of legislation is the ban on the Federal Reserve creating a digital currency, regarded as less significant because the Fed has not announced any plan to do so.

The latest legislation has been characterized by crypto advocates as "one of the most significant moves" towards the mainstream adoption of crypto. The GENIUS Act opens the way for Wall Street banks, money managers and major corporations to create their own stablecoins as a pathway for entry into the crypto world.

Stablecoins are different from the thousands of coins that have been created, of which Bitcoin is the most prominent.

They are touted as providing stability because they are supposedly backed one-for-one by underlying assets, chiefly US dollars or Treasury bonds. The heads of Bank of America, Citigroup, and JPMorgan Chase have said they intend to create their own stablecoins, and other non-financial firms, such as Walmart and Amazon, are expected to follow.

The expanded development of stablecoins, which the latest legislation facilitates, means that the regular financial system, including the US Treasury market, is more intimately connected to the Ponzi scheme that constitutes the crypto market. None of the crypto coins, including Bitcoin, has any intrinsic value—there is no underlying real asset. Its market value only rises insofar as more money flows in, and this is the aim of the new legislation.

By forming what has been described as the "connective tissue" between the banking and financial system and the Ponzi crypto market, stablecoins add a new source of financial instability, despite their supposed one-for-one backing with the dollar. Commercial paper has been similarly supported but played a part in the 2008 crisis, and there are fears stablecoins could be a source of instability if they "break the buck."

As *Financial Times* (FT) columnist Katie Martin noted in an article published in June: "Up to now, what happened in crypto stayed in crypto."

But the situation has changed, and "we are now rapidly reaching the point where the crypto ecosystem poses risks to mainstream markets."

If for any reason a stablecoin were forced to sell its assets to meet redemptions or because it had to fold, this would have ramifications for the whole financial system, particularly the short-term US Treasury market. It is now estimated that stablecoin operators hold more short-term US debt securities than big foreign investors, such as China.

This is not a matter of conjecture. In May 2022, the collapse of the TerraUSD stablecoin, promoted by fears about the quality of its backing, resulted in $40 billion in market value being wiped out.

It did not have great flow-on effects at that time. But the crypto market has expanded by several orders of magnitude since then and has become much more connected to the broader financial system.

No one really knows the extent of that connection because of the lack of data. But a survey conducted by EY Parthenon concluded that 73 percent of institutional investors had exposure to crypto, and that 85 percent of these had increased their holdings in 2024.

The Bank for International Settlements, the umbrella organization for the world's central banks, commented extensively on the issue of stablecoins and the crypto markets in its annual report issued at the end of last month, pointing to potential sources of instability.

One of the major issues it raised was what it referred to as the "singleness of money" in a world where financial firms and corporations are issuing their own stablecoins. In the present system, money issued by central banks is "accepted by all without hesitation," the BIS said.

But questions are raised where there are multiple stablecoins. The "singleness of money" cannot be guaranteed, the BIS noted, because depending on how the strength of its asset backing is assessed, one stablecoin may be traded at a discount or a premium for another.

On the issue of crypto coins, it said that despite the claims of their proponents that they redefine money "they do not resemble a stable monetary instrument, but rather a speculative asset."

Stablecoins have been designed as a "gateway to the crypto ecosystem" and if they continue to grow "they could pose financial stability risks, including the tail risk of fire sales of safe assets."

The proponents of the crypto system endlessly claim that it represents a "democratisation" of finance and provides the opportunity for ordinary people to partake of the benefits to be derived from the world of finance, ignoring the fact that, according to the FBI, Americans lost $9 billion to crypto fraud last year, a 66 percent increase from the year before.

As Hilary J. Allen a professor of law at American University Washington College of Law stated in a submission to the House Committee on Financial Services on June 24: "When roughly half of all Americans (some surveys say more) are living paycheck-to-paycheck, the problem is not lack of investment opportunities but a lack of money to invest in the first place."

Crypto assets were "Ponzi-like" because their value was not based on real-world assets but depended "entirely on whether another buyer can be found for them."

She said that if tokenised assets (of which stablecoins are one) take off then "it is undeniable that it will result in the creation of more financial assets that can be traded speculatively, and that can serve as collateral for leveraged transactions. … The bigger the supply of available financial assets, the greater the opportunities for asset bubbles to grow, and then for assets to be dumped during fire sales."

But the creation of such bubbles is the aim of the crypto legislation, promoted by the Trump administration but which is being waved through Congress by the Democrats. The strongest criticism, if it can be called that, came from Massachusetts Senator Elizabeth Warren.

In her statement to a Senate committee, she expressed concern that "what my Republican colleagues are aiming for is another industry handout that gives the crypto lobby exactly its wish list" as she declared she was "looking forward to working with my colleagues to get this done—the right way."

There is no right way—the bringing of crypto into the financial mainstream emanates from the rot and decay at the heart of the US capitalist system—the accumulation of wealth by ever more parasitic and criminal means.

Warren, who has described herself as "capitalist to the bone," was carrying out her assigned function within this system by seeking to create a smokescreen for its operations with the claim that it can be somehow regulated.

But as she knows full well there is no prospect of this. As she herself explained, the Clarity Act will allow companies to tokenise their assets to evade regulations.

"Under the House bill, a publicly traded company like Meta or Tesla could simply decide to put its stock on the blockchain and POOF! It would escape all SEC regulation."

Meanwhile Trump is looking for more ways to meet the insatiable demands of finance, while feathering his own nest.

According to a report in the FT last week, Trump is preparing to open the US $9 trillion retirement system to crypto investments. It said that Trump was looking to issuing an executive order "that would open up 401k plans to alternative investments beyond traditional stocks and bonds."

These investments would "run a broad spectrum of asset classes, from digital assets to metal and funds focused on corporate takeovers, private loans and infrastructure deals," according to three people the newspaper said had been briefed on the plan.

The White House said nothing had yet been decided and no decision was official unless it came from Trump himself.

Whether this plan or another is adopted, the essential logic is clear.

The crypto market is a Ponzi scheme which requires the injection of ever greater amounts of money to push market value ever higher, enabling those at the apex of the financial system to expropriate ever greater amounts of wealth before the house of cards collapses with the consequences borne by the mass of the population—on a far greater a scale even than the crisis of 2008.

Just as the growing Epstein scandal is exposing the lifestyles and mores of the ultra wealthy, revealing the ruling classes to be a corrupt cancer on the body politic which must be removed, so their promotion of crypto is revealing the necessity to end the profit system and its ever steeper descent into parasitism, fraud and criminality, which is their economic foundation.