

# Why War and Sanctions Are Good for Bitcoin

By [Daren Fonda](#) Updated March 4, 2022 8:05 pm ET / Original March 4, 2022 7:59 pm ET

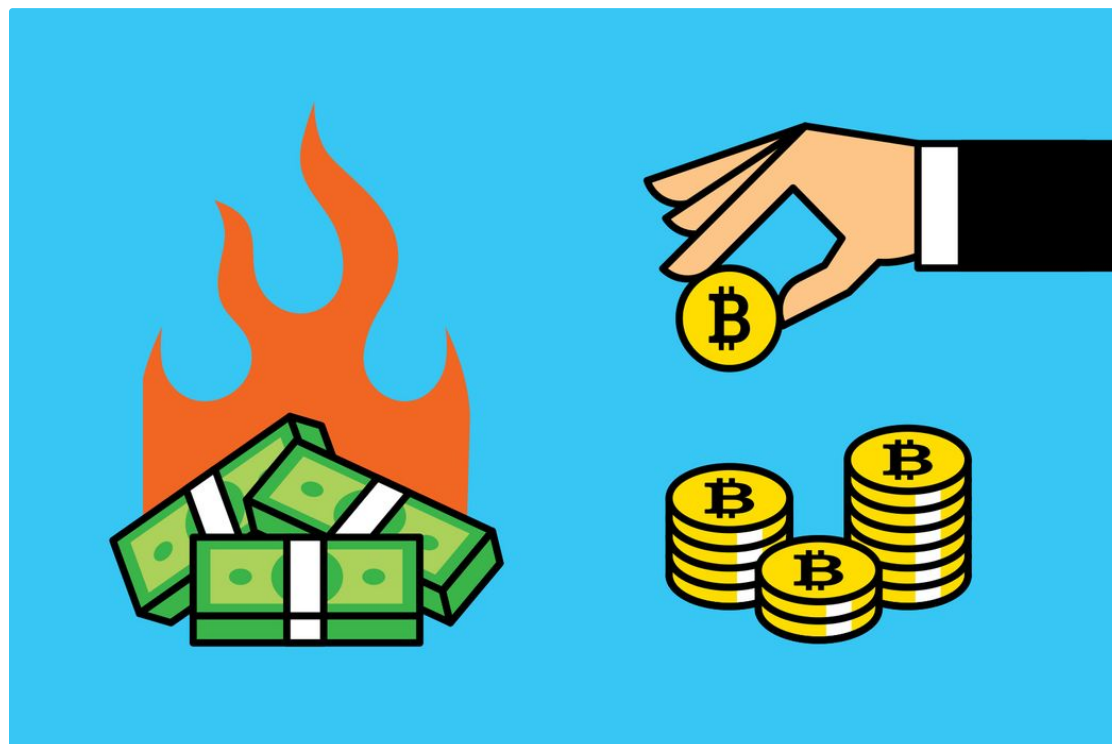


Illustration by Elias Stein



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Russia's invasion of Ukraine is pressuring equities, pumping up oil prices, and scrambling Federal Reserve plans to raise rates. Through it all, [Bitcoin](#) has been rising, up around 13% to \$39,500 since fighting broke out.

The crypto may be benefitting from demand as a currency or store of value in countries hit by war and sanctions. Bitcoin purchases in Russia and Ukraine have picked up. Demand for stablecoins, which aim to maintain a fixed \$1 value, has also been rising. And crypto is being deployed to aid Ukraine: Some \$55 million has been raised through more than 100,000 crypto-asset donations, says blockchain data analysis firm Elliptic.

## A Crypto's Ride

Bitcoin prices plunged as risk assets fell on rate fears, then rallied as the Ukraine crisis turned to war.

### Bitcoin Prices, Nov. 1, 2021 to 2022, Year to Date



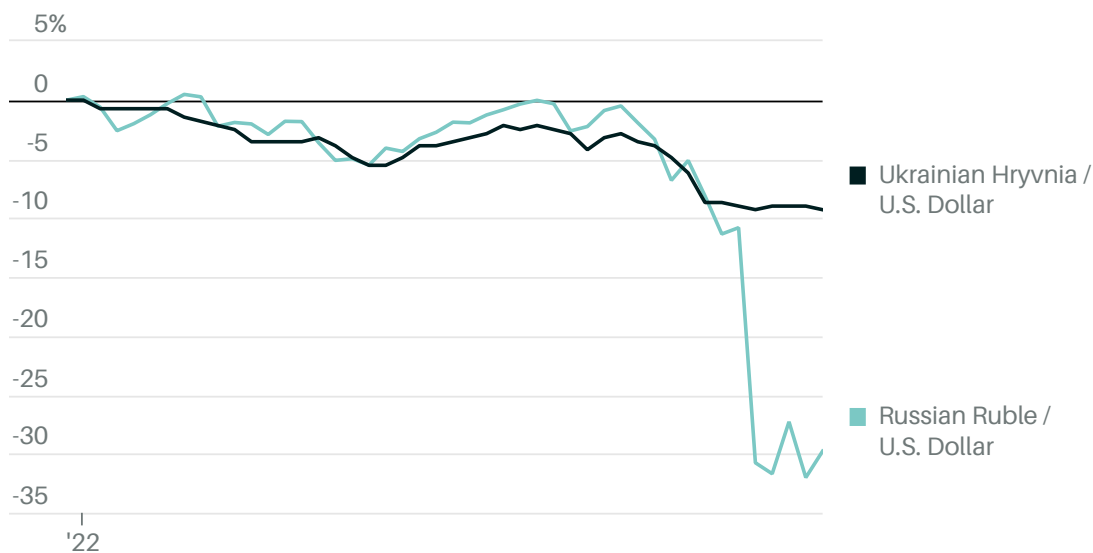
Source: CoinDesk

This could have long-term repercussions for crypto, positive and negative. Ongoing geopolitical instability and economic crises could fuel demand for cryptos that can bypass government controls. "It might not be the technology you want to buy a loaf of bread, but if you need funds quickly and want to know they're really yours, then it's a technology that plays a useful role," says William Luther, an economist and fellow with the Bitcoin Policy Institute. Yet, cryptos' anonymity also makes it useful for evading sanctions. Democratic senators sent a letter to the Treasury this past week warning that crypto could be used to undermine sanctions on Russia.

## Economic Warfare

War and sanctions have devastated the value of the ruble and hryvnia over the last few weeks.

### Russian ruble and Ukrainian hryvnia to the U.S. Dollar, 2022 Year to Date



Source: Tullett Prebon

This crisis might hasten efforts to develop sovereign digital currencies, set rules for stablecoins, and coordinate efforts to track global crypto flow. For now, crypto isn't a "reliable and scalable workaround" for governments aiming to bypass sanctions or the global monetary system, says Cornell economist Eswar Prasad. If it becomes more of a threat, governments will surely crack down.

## Last Week

### Monday 3/7

**The Federal Reserve** reports consumer credit data for January. Total consumer debt is expected to rise \$20 billion to a record \$4.44 trillion. Following a slight decline in 2020, consumer credit increased 5.9% last year.

### Tuesday 3/8

[Dick's Sporting Goods](#) and [MongoDB](#) release earnings.

**The National Federation** of Independent Business releases its Small Business Optimism Index for February. Consensus estimate is for a 97.4 reading, roughly even with the January data. The net percentage of small-business owners raising selling