

Crypto Divergence

di Francesco Sisci

Stable-currency could further divide the USA and China, with one country embracing it and the other rejecting it. The two are re-engineering themselves in different directions. Who will be right?

American stable currency, based on crypto, promises to change the US and the world with it. Yet China is very cautious. It's not just money; it's about facing the future.

Dan Wang (see [here](#)) in his forthcoming *Breakneck* avers “that Americans and Chinese are fundamentally alike: restless, eager for shortcuts, and ultimately driving most of the world's big changes... The simplest idea I present is that China is an engineering state, which brings a sledgehammer to problems—both physical and social—in contrast with America's lawyerly society, which brings a gavel to block almost everything, good and bad.”

The angle is fascinating because it seems self-evident, and only the superficial don't look at appearances. Yet, sight is in the eye of the beholder; tainted glasses condition one's vision. The tectonic shifts brought about by US President Donald Trump may belie Wang's assertion.

Surely, for at least a century—well before the Communists took over—China has been experimenting with social engineering. It has been wiring and rewiring ethical norms, rules for behavior, and expectations for the present and the future, both for oneself, one's family, and the state.

Look at families, the most intimate and direct element of personal life. For millennia, an ideal family consisted of a patriarch and multiple wives, as well as numerous children and grandchildren. It was what we would now call a clan that took pride in its large numbers. There's an echo of that past in the tens of millions who bear the same

surnames—Zhang, Li, or Wang. People are proud to have names that produced gigantic lineages.

However, this traditional family was shattered, even before the communists took power in 1949. First, people could no longer have many wives; then, they could no longer have many children—only one. The Party was officially puritan, harshly punishing affairs. Now we are back to encouraging more children and allowing some tolerance for mistresses or lovers on the side.

China is not new to social engineering. The states fighting each other in the first millennium BC had been experimenting with it for centuries. In the 4th century BC, Mozi advocated for family policies as a countermeasure to the prevailing trend of large states attacking smaller ones. He argued that territory is not the key to power; population is. Then, to have more people, one needs young men who are married with children by the age of 20. Humans like cattle? Perhaps more than that: around the same time, Guanzi prescribed organizing nine families around a well to increase production and recruit people for the army.

It was a matter of survival. The weaker states would be defeated and annihilated (*mie*). Practically all their grown men would be killed; their temples and culture destroyed; the women married off to winners; and children adopted— a systematic genocide, in modern terms. To avoid this, states had to adapt and become stronger.

Today, China doesn't face the risk of annihilation like the small states did when they were first unified 2,300 years ago. Still, the fall of the Qing dynasty in 1911—the collapse of a millennia-old world built on tradition—makes the competition with the USA intensely felt.

As such, social engineering seems to be the key answer. Of course, the challenge is getting the right formula. Mozi's advice against attacking other states was discarded. The swings in family planning are a crucial indicator of Beijing's efforts to find new ways. It's about reinventing China—not merely changing it but reshaping it. This is what Chinese leaders have been preoccupied with for a century.

The US

Then, strangely, the USA may be at a similar crossroads. Trump is reconfiguring the power structure, utilizing laws to further consolidate power through executive orders

and support from the Supreme Court. But this is not the only transformation in the country. Pope Francis, and now Pope Leo, are transforming the US from its Puritan, White, anti-Papist roots into something different—more open to Catholic influence. It's not just that Leo is the first American pope; it's that the US has abandoned its fear of losing its white majority. That fear kept America from admitting Cuba or the Philippines as new states a century ago.

It's uncertain how these trends will reconcile or whether they will clash. However, just as the republic was transitioning into an empire and power was becoming increasingly concentrated in the hands of one man, Ancient Rome faced earth-shattering slave rebellions and the emergence of an egalitarian faith—Christianity. Now, the United States is changing too, and neo-authoritarianism is not its only path. A more diverse America is taking shape. Here, people of many different heritages are coming together. It will have a profound impact on the future of America and its self-understanding. In ancient times, Christianity prevailed, and the Roman Empire morphed into something else.

Meanwhile, the movements of the two countries aren't converging. A new battleground may be centered on currency. China blocks the RMB's full convertibility and opposes overtures to cryptocurrency. Money is never just "money"; it is a domestic power structure and an international reach. A fully convertible currency subjects the country to inflows and outflows of investment that could scuttle a government and a nation. Chinese exchange controls guarantee economic, social, and political stability.

The United States has taken a diametrically opposite route. While the dollar remains the globally dominant medium of exchange, it is opening to cryptocurrency, with the approval of stablecoins backed by dollar-denominated assets. The current valuation of all cryptocurrencies is approximately \$4 trillion, not all of which will become a stable currency.

There are concerns about volatility, but most Western media, after some hesitation and emphasizing that regulation will be crucial, seem convinced that this is the right way forward. It is a shock bigger than in 1971, when the US dollar broke its peg with gold. Consequences are far-reaching and hard to predict.

China may be justified in resisting, as the enormous inflow and possible volatility of cryptocurrencies could spark an economic crisis. If that happens, China's closed market would shield it from turbulence.

But even a financial crunch triggered by cryptos might hardly be fatal for the United States. Capitalism has bounced back from crisis to crisis over the past two or three centuries, constantly emerging stronger. In 2008, the financial emergency seemed to be the end of America and its world, then the US was back. This time may be no different.

China could then be lagging in something that promises to revolutionize money as we know it. And without reliable cash, no state can thrive in the long run. It may be time for more, not less, engineering.

(I have to thank Professors Paolo Savona and Francesco Giavazzi for their support in understanding cryptocurrencies.)