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Advancing Blockchain Technologies and the World's New Banking System

Will technological advancements once again change the course of the world?

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Inventions like the wheel, the printing press, the steam engine, the light bulb, the computer and the Internet have dramatically changed our world. In some cases, technology has determined the fate of empires.

However, it is very hard to predict *which* new technology will change the world.

New financial technologies (Fintech) just might be a rising, world-changing technology. It will enable banks to be more interconnected and transfer assets within seconds instead of days. The investment world will have speed like it never had before. Tons of paperwork will be avoided; transactions and transfers will be digitized and secured. The world of trade will finally get its highway.

One form of Fintech, blockchain, first became famous for its use in Bitcoin—the first widespread digital currency. The challenge with any purely electronic currency is to prevent people from spending the same money twice. If the money is merely a set of numbers—as all electronic currencies must be—it can be copied, pasted and spent an unlimited number of times. The solution is blockchain. Encoded in the electronic currency itself is a list of all previous purchases. A quick glance at this list of previous transactions clearly shows who the rightful owner is. This is sometimes called a “distributed ledger.”

Bitcoin handled this task anonymously. But governments are very interested in a currency with a built-in audit trail. A state-backed currency using blockchain could make tax fraud almost impossible and give the central government unprecedented control over the economy and over everyone's money—as well as making financial transactions faster and cheaper.

Caitlin Long, the chairman of the board and president at Fintech firm Symbiont, said that the first major central bank that “offers its currency on a distributed ledger” will cause other users of foreign payments to “take their foreign exchange to that one central bank.”

Replacing the Dollar?

Today, central banks around the world recognize the potential of this technology and are experimenting with it. Could this revolution in the financial sector remove the United States dollar from its post as the global reserve currency?

With the U.S. withdrawing itself as a global player and trading partner, many nations are ready to ditch the dollar but lack an alternative. Last December, the *Wall Street Journal* published an article titled “Imagining a Dystopia of the Dying Dollar.” The article analyzes novelist Lionel Shriver's idea that the world could replace the dollar as the reserve currency as an “incompetent president” triggers a trade war. The U.S.'s loss of its global reserve currency status would be fatal, since it is one of the major reasons the U.S. can uphold its global superiority despite being the greatest debt holder. Although the *Wall Street Journal* dismisses this possibility, it admits that the dollar cannot remain an indispensable currency forever.

Currently, 63 percent of [global trade](#) is conducted in U.S. dollars. Next in line is the euro with 20 percent. The British pound and Japanese yen account for less than 5 percent of global trade each. None of the other currencies appear to be a real

threat to the U.S. dollar.

The current financial revolution could lead the way for the world to establish an alternative to the dollar. Two candidates most notable in this race for a high-tech solution are [Germany](#) and [China](#).

In 2016, China overtook the U.S. as Germany's top trading partner, and they are likely to increase their cooperation even more now that we have entered the Trump presidency. As global trade moves on without America, it makes sense for them to move on from the dollar too.

After President Donald Trump revealed his isolationist ambitions, China made a big effort at the economy congress of Davos to present itself as the defender of free trade. But although China has made incredible economic gains in recent years, its government controls and manipulates a lot of its economy. Hence, China is not seen as reliable enough to control the world's reserve currency.

Europe, on the other hand, shows greater leadership potential. At this year's Fonds Professional Congress in Mannheim, Germany, former German Defense and Economic Minister Karl-Theodor zu Guttenberg warned that although China obviously benefits if the U.S. withdraws from the trans-Pacific Partnership (tp) trade agreement and enforces tariff barriers, Germany "should not leave the leading role in free trade to the Chinese" (*Trumpet* translation throughout).

Germany has already proved stable and trustworthy in the euro crisis and has even profited financially all along. But it has one major challenge: It is surrounded by failing economies, and they are all bound to one common currency, the euro.

To solve this problem, politicians today are widely discussing the possibility of a Europe of different speeds in which smaller, more dedicated countries will work more closely together in, for example, the financial sector. The new developing technologies could give it the ability to not only overcome the current crises but also establish a trustworthy and reliable alternative to the dollar.

A German Digital Coin

In November, the Deutsche Bundesbank announced that it was working on a digital coin. *Die Welt* reported, "Bitcoin is currently the only practical application for an online currency. The Bundesbank is working on its own solution." Cooperating with German exchange operator Deutsche Börse, the Bundesbank worked on [a securities trading trial](#), using blockchain as a means of exchanging digitized securities, while also creating a record of those transactions.

Carl-Ludwig Thiele, member of the executive board of the Bundesbank, said in [a speech](#) at the G-20 conference on January 26:

Whenever a technical topic attracts as much media attention as blockchain technology has, it must mean it's something special, especially considering the topic itself is not an easy one.

It's safe to say that there is much anticipation surrounding distributed ledger technology—some feelings of hope, some of fear. And the influence this technology is likely to have extends far beyond the financial sector.

The Deutsche Bundesbank operates large financial market infrastructures and also develops these further in line with technological advances. For this reason, we need to be aware of the potential benefits and risks of this technology early on.

London is the Fintech capital in Europe. But Frankfurt is contesting this—and may have been given a boost by Brexit.

A Crisis That Brings New Life

Europe's constant outbreaks of financial crises mean the urgency to revolutionize the banking system has never been greater. There is an old saying in Europe: "Never let a serious crisis go to waste." These crises could force European nations to take a risk with this new Fintech. It certainly gives Europe more incentive than the U.S. to experiment with new financial techniques—the U.S. benefits from maintaining the status quo.

Emmanuel Macron, France's former minister of economy and leading contender for the French presidency, may be a man for such a job. During his time as economic minister, he was a strong advocate for technological advancements.

Germany's Guttenberg is another leader driving these technological advancements forward. Although he does not currently hold a political office, he is a highly regarded speaker in the Fintech industry in Europe.

The European Central Bank's (ecb) decision to abolish the 500-euro bill is also a move toward [a cash-free society](#). German Finance Minister Wolfgang Schäuble also realizes the current trend and has already created a [new online registry](#) against money laundering that will be shared among other European members. All indications show that Europe's future looks digital.

Today, the U.S. still trusts in the dollar as its security in world trade. But *Trumpet* editor in chief [Gerald Flurry](#) warned in the December 2014 issue of the *Trumpet* magazine that this will lead to America's downfall:

America's enemies are going to cause economic problems and bring on destruction in many ways "until thy high and fenced walls come down, wherein thou trustedst, throughout all thy land: and he shall besiege thee *in all thy gates* throughout all thy

land, which the Lord thy God hath given thee" [Deuteronomy 28:52]. The real pressure is coming from without. "In all thy gates" refers to a trade war. The enemies of America, Britain and the Jews will attack their currencies, their financial markets and their economic might.

Fintech could open up another front in this kind of trade war. It may be nothing, but it is a possibility worth watching, as the world looks for alternatives to the dollar. To understand more deeply what these technological advancements could mean to you, read "[How Technology Will Change your Life](#)."

Also read "[Could World War III Start With a Currency War?](#)" to understand how these seemingly insignificant events represent an imminent danger.