

## COULD VIRTUAL CURRENCIES CAUSE THE NEXT FINANCIAL CRISIS AND WHAT WOULD BE THE IMPACT ON EUROPEAN DEFENCE?

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**Abstract:** *This study set out to examine if a potential crash of the virtual currencies market could cause the next global financial crisis, given its continuous growth and popularity and the risks associated with their use, and at the same time what would be the impact on European Defence and the future of the Common Security and Defence Policy (CSDP), by making a parallel with the effect that the 2008 financial crisis had. A series of methods, techniques and tools have been adapted to the research objectives, specifically: gathering sources, data collection, analysis method, descriptive method, deductive, inductive, and comparative methods. As the financial institutions started to invest in the new currencies seeking high returns, the market finds itself in an uncanny similar position as it was before the Great Recession. A new recession may represent an opportunity for the EU defence sector considering that lower budgets allocated for defence would put an increased pressure on the states to have better cooperation and solve the exiting issues related to the capability development and at the same time would force them to restructure the defence industry and markets. Nevertheless, a financial crisis could represent a risk for the member states to be forced to cut their budgets allocated to the military in an uncoordinated manner which could lead to even bigger gaps related to capability development which could be translated into diminished opportunities to implement the Common Security and Defence Policy*

**Keywords:** *Financial crisis; Risks; Virtual currencies; market crash; European Defence, CSDP*

### **Introduction**

- **Aim of the research:** This research aims to analyse if the virtual currencies market crash could affect the global economy, leading to a new financial crisis and how could this affect the European Defence.
- **Research question:** What are the impacts of a potential financial crisis, produced by a virtual currencies market crash, on the European Defence?

Virtual currencies gained huge popularity worldwide and they continue to rapidly grow as individuals are becoming wary of the monetary politics of the centralized banks. As their rapid spread is not essentially an issue, some of the effects that this phenomenon is producing are concerning.<sup>1</sup>

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<sup>1</sup> HALIM, A. (2021). *Taming the Crypto-Bear: Why Cryptocurrencies Will Cause the Next Recession and How to Soften the Blow*, Fordham Journal of Corporate & Financial Law.