

Bitcoin price rising again after the recent Chinese government clampdown

Bitcoin \$BTC is rising in price again after the recent setback prompted by the Chinese government ordering local Bitcoin exchanges to close.

There is a danger of the “cobra effect” if people take risks to circumvent the new rules.

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Will the Chinese government's actions have unintended consequences?

Bitcoin \$BTC has recently fallen back from the highs, and become rangebound, after the Chinese government announced they were ordering local Bitcoin exchanges to close, seemingly in a

desperate attempt to restrict currency flight.

Other commentators suggest the government is trying to protect their citizens from making losses with Bitcoin trading, but I don't buy that idea, I think it is capital flight that is their chief concern, and Bitcoin facilitates a way around their rules, anonymously.

Frequently when governments tinker with markets, the law of unintended consequences comes into play, and you wonder whether this will occur here too?

Currently Chinese citizens can trade their coins/tokens in regulated exchanges, so have a good degree of security over their funds. Given the massive gains made in the price of Bitcoin recently, and the Chinese propensity for gambling, it's not a hard stretch of the imagination to predict they will seek to workaroud the exchange ban and find another way of trading the coins.

This if course will be less or not secure at all, and therefore if the government's actions are indeed to protect their citizens, they could in fact jeopardise their investment by making them trade off exchange in an unregulated environment.

The "cobra effect" could come into play here, government meddling in the markets inevitably has unintended consequences, and it's easy to see what they might be here.

I believe the Chinese government have made a mistake in closing their crypto exchanges, but the anonymity of the transactions forced their hand. They may not be the last government to take this action either, I can see the USA taking some action against crypto in a similar fashion in order to regulate and tax it.

The consequences for the people of China will be realised in due course, but it's difficult to see a positive outcome, and I fear many small Chinese investors being defrauded in some dark trading zone run by the unscrupulous.