September 2025
Chairs,
Leiden Model United Nations 2025

Mitigating the socioeconomic effects of the volatility of cryptocurrencies for under-30s

Economic and Social Council (ECOSOC)

Table of Contents

Table of Contents **1**
Introduction **2**
Definition of key terms **3**
- Cryptocurrency
- Decentralized Finance (DeFi)
- Digital Asset
- Financial Inclusion
- Financial Literacy
- Stablecoin
- Systemic Risk

General Overview **4**
Major parties involved **6**
- The European Union (EU) 6

Timeline of events **8**
Possible solutions **9**
- Promoting safe alternatives 9
- Strengthening regulation and consumer protection 9
- Expanding financial education for youth 9

Introduction

In today's world, cryptocurrencies have grown from a niche experiment to becoming a major party of the global economy. Over the last decade, currencies like Bitcoin and Ethereum have evolved from underground online forums to mainstream headlines and worldwide marketplaces. They are especially popular among people under the age of 30, who often view them as an opportunity to build wealth, invest in technology or move away from traditional banks. However, unlike stable national currencies, the value of cryptocurrencies can rise and fall very quickly and suddenly. This unpredictability has created serious risks, especially for younger investors who usually have lower incomes, smaller savings, and less experience in navigating financial markets.

Cryptocurrency exchanges are not always safe either. They are vulnerable to being hacked and becoming targets of other criminal activity. The rise of scams, unregulated trading platforms, and misinformation on social media has made young people even more vulnerable. Security breaches have led to sizable losses for inventors and the misleading information going around on the internet has been attracting more and more young investors who do not know what they are dealing with and end up losing a lot of money instead of gaining. These are not just individual problems, but broader socioeconomic issues that affect entire communities.

Image 1: Cryptocurrency issues [1]

Governments and international organizations have started to respond by introducing regulations, financial education campaigns, and stronger protection for retail investors. Cryptocurrencies is a relatively new idea, being first introduced in 2009, but having its peak in 2021, governments are still slowly accepting its concept and ensuring its safeness. For example, the European Union's Markets in Crypto-Assets (MiCA) regulation is the first large-scale framework of its kind, aiming to bring oversight to exchanges and stablecoins. Meanwhile, institutions like the OECD[2] and the World Bank have highlighted the need to improve financial literacy so that young people can better understand the risks before they invest.

Knowing and acknowledging the risks of crypto as well as given the position of people under 30s being the most active but most vulnerable participants in this market, international cooperation is needed. As the primary UN body dealing with economic and social issues, the Economic and Social Council is asked to examine how governments and organizations can mitigate the negative effects of cryptocurrency volatility. This report will explore the causes of crypto's instability, outline the socioeconomic risks that young people face and propose possible solutions that can help ensure sustainable financial security for future generations.

[1] Source : https://www.allerin.com/blog/the-main-barriers-to-the-global-acceptance-of-cryptocurrency

[2] Organization for Economic Co-Operation and Development

Definition of key terms

Cryptocurrency

A digital form of money that relies on cryptography for security. It usually operates on decentralized networks, such as blockchains, meaning no single bank or government controls it.

Decentralized Finance (DeFi)

A system of financial services built on blockchain technology. It allows people to lend, borrow, or trade directly without traditional intermediaries like banks.

Digital Asset

Any asset that exists in digital form and has ownership rights. This includes cryptocurrencies, tokens, and other blockchain-based instruments.

Financial Inclusion

The idea of making sure everyone has access to useful and affordable financial services, such as payments, savings, or credit. In this context, it refers to how cryptocurrencies might help people who cannot use traditional banking systems.

Financial Literacy

The knowledge and skills needed to make smart financial decisions. For cryptocurrencies, this means understanding the risks, possible benefits, and safe practices in digital markets.

Marginal Propensity to Consume (MPC)

An economics term describing how much of any extra income people spend instead of saving. In crypto, this shows how gains or losses affect the spending habits of investors, especially younger ones.

Stablecoin

A type of cryptocurrency designed to keep a steady value. It is usually tied to something stable, like a national currency (for example, the US dollar) or a commodity.

Systemic Risk

The risk that problems in one part of the financial system could spread and affect the entire economy. If cryptocurrency markets swing too wildly, they can sometimes create risks for traditional financial markets too.

Volatility

How much and how quickly the price of an asset changes over time. In cryptocurrencies, volatility means prices can rise or fall sharply within hours or even minutes.

General Overview

Cryptocurrencies are well known for their *volatility*; their prices can rise or fall by large amounts within short periods. This instability comes from many factors, such as market speculation, shifting regulations, global economic events, or simply changes in supply and demand.
For people under 30, this issue is particularly important. Young people are among the most active users of digital technologies and are more likely to invest in or use cryptocurrencies for savings, remittances, or everyday payments. However, because many under 30s have lower incomes and fewer savings, sudden drops in value can have a stronger negative effect on their financial security compared to older age groups.

The socioeconomic effects of volatility are diverse. On one hand, young investors may experience sudden wealth gains, which can increase their spending power and allow them to participate more actively in the economy. For example, studies have shown that households often increase their mortgage borrowing and even drive up local real estate prices when crypto values rise. On the other hand, rapid declines can force cutbacks in spending, reduce savings, and create financial stress. These effects can be amplified when young people rely too heavily on crypto as a main form of investment or saving.

Another concern is the connection between cryptocurrency markets and the broader financial system. In some countries, researchers have discovered that shocks in crypto markets spill over into traditional assets like stocks and bonds. This means that even young people who do not directly invest in cryptocurrencies can be affected indirectly. For example, if their job sector or local economy is tied to wider financial conditions. In parts of Africa, for instance, studies show that crypto volatility has influenced national financial stability. This shows the need for stronger monitoring.
The risks faced by young people are not only financial but also psychological and social. Social media hype, peer influence, and fear of missing out often drive young investors to take on risks without fully understanding them. Losses can lead to stress, anxiety, and in some cases reckless behaviour. The lack of strong regulation in many jurisdictions further increases risks, as young people may fall victim to scams, unregulated exchanges, or sudden legal changes. For example, governments that impose bans or tax changes can cause abrupt losses for holders.

However, it is important to remain neutral and recognise that there are also *opportunities*. The same volatility that creates risks can also generate large gains. For some under 30s, cryptocurrencies represent a chance to build wealth or diversify investments, especially if they lack access to traditional financial tools. In regions where banking services are limited, cryptocurrencies can even provide an alternative system for payments, remittances, and financial inclusion. The challenge lies in balancing these potential benefits with the dangers of instability. Several strategies are being discussed to reduce the negative effects. Governments can regulate exchanges, strengthen consumer protection, and ensure that stablecoins (cryptocurrencies designed to maintain stable value) are properly backed by reliable assets. Financial education is also a powerful tool: teaching young people about risk, diversification, and the dangers of speculation can reduce unnecessary harm. At the same time, the private sector can improve transparency, provide insurance or risk-management tools, and encourage more secure trading platforms. On a personal level, young people are encouraged to invest responsibly. Using only money they can afford to lose, diversifying their savings, and avoiding hype-driven decisions.

Examples of such measures already exist. In the European Union, the *Markets in Crypto-Assets Regulation (MiCA)* introduces stricter rules on transparency and consumer protection. In the Netherlands, the central bank has openly stated that unbacked cryptocurrencies are too risky to be considered real money and has called for proper regulation. Academic studies across regions also recommend monitoring how crypto movements interact with the wider economy so that governments can act before risks become systemic.

Despite these steps, major challenges remain. Data on how young people use and are affected by cryptocurrencies is still limited, especially in developing regions. Measuring impacts on savings, debt, and mental health requires more research. In addition, not all countries have the same digital infrastructure, legal systems, or financial literacy levels, meaning that solutions must be tailored to local conditions.

In conclusion, the volatility of cryptocurrencies creates both opportunities and risks for those under 30. While some may benefit from new forms of wealth creation and financial access, others face the risk of significant losses, inequality, or stress. Effective responses must combine regulation, education, private-sector responsibility, and individual awareness.

Major parties involved

The European Union (EU)

The EU is one of the most active groups when it comes to regulating cryptocurrency markets. In 2023 it adopted the Markets in Crypto-Assets Regulation (MiCA), which became applicable in 2024. MiCA is the first comprehensive framework for crypto in such a major region, introducing stricter requirements for transparency, consumer protection and stablecoin backing. For under 30s living in Europe, this means greater protection against unregulated platforms and misleading advertising. The EU's actions are important because they set an example for other countries and regions that are still debating how to approach the risk of crypto volatility.

International Monetary Fund (IMF)

The IMF monitors global financial stability and has raised concerns about crypto volatility and how it can spill over into traditional markets, especially in countries where young people are heavily involved in trading. The IMF's interest lies in preventing crises that could spread across borders. It has called for international regulatory coordination, improved data collection and stricter supervision of transactions. For all cryptocurrency investors, but especially for under 30s, the IMF plays a crucial but indirect role; its recommendations guide how national governments prepare policies that can protect vulnerable groups from systemic risks.

Nigeria

Nigeria is one of the leading countries in cryptocurrency adoption, particularly among young people. With limited access to traditional banking for large parts of the population, crypto has become a tool for savings and everyday payments. This use has created opportunities for financial inclusion, but yet again risks have also been raised. Volatility and mostly scams have left many young people vulnerable to losses, while the authorities worry about crypto being used for money laundering, terrorism financing, and unregulated capital outflows. According to the IMF, Nigeria is now strengthening its regulatory framework by identifying and shutting down unlicensed firms, taxing capital gains, and stopping platforms from being used as unofficial channels to bypass capital controls. Nigeria's case illustrates both sides of the use of crypto; while it offers new financial access in a country with a few banking options, without robust enforcement the risks can outweigh the benefits.

United Nations Children's Fund (UNICEF)

Although best known for its humanitarian work, UNICEF has experimented with blockchain[3] and crypto in order to fund programs. In 2019 it launched the CryptoFund allowing UNICEF to receive, hold and disburse cryptocurrency, a first for a UN body. UNICEF claims to choose cryptocurrency because of its transparency, efficiency and most of all the increased desire for donors to contribute by using crypto. The organization still is aware of the risks and is not promoting crypto but simply wanted to create a fund that is accessible to everyone.

[3] The technology behind crypto - it's like a digital ledger that stores transactions, recording a "block". These blocks are linked together forming a blockchain

Image 2[4] : (UNICEF implementation of bitcoin)

United States

The United States still remains one of the largest markets for cryptocurrencies in the world and home to many major crypto companies. Yet, its regulatory environment[5] is highly fragmented since some agencies define crypto as a commodity, others as a security, while individual states have built their own licensing systems. For young investors, this patchwork means uncertainty and, at times, exposure to collapses like FTX in 2022 which wipes out billions of dollars in savings. The U.S. is also at the center of debates on stablecoins and the possible introduction of a central bank digital currency (CBDC), both of which could reshape how investors interact with digital money. Because of its influence on global finance, the direction the U.S. chooses will expand far beyond its borders and have a global impact.

[4] Source : Brief.com

[5] A set of rules, laws and government agencies that control something - how the government sets and enforces rules around crypto

Timeline of events

2009 January 3rd	Bitcoin is launched by Satoshi Nakamoto, introducing the first decentralized cryptocurrency and blockchain system.
2011 June 8th	Bitcoin price falls from $32 to $2 in a matter of days, marking the first major example of crypto volatility.
2013 December 5th	The People's Bank of China bans financial institutions from handling Bitcoin transactions, citing risks of fraud and instability.
2017 December 17th	Bitcoin reaches nearly $20,000 before crashing by more than 60% in the following months, causing major losses for retail investors.
2020 March 12th	On "Black Thursday," Bitcoin loses nearly half its value in a single day during the COVID-19 market crash, showing crypto's vulnerability to global events.
2021 November 10th	Bitcoin hits its all-time high of over $68,000 before entering a prolonged downturn, wiping out trillions in market value.
2022 November 11th	FTX, one of the largest crypto exchanges, collapses, causing billions in losses and shaking global confidence in the industry, especially among young retail investors.
2024 December 30th	The EU begins full implementation of MiCA,the first major comprehensive crypto law in the world, requiring stricter consumer protection rules, especially for stablecoins.
2025 June 24th	The Bank for International Settlements warns that stablecoins pose systemic risks if not properly regulated, calling for coordinated international oversight.

Possible solutions

Promoting safe alternatives

Safer alternatives, such as stable coins. Can provide a more stable digital assent for savings and payment. If it's properly regulated, they could offer young people a safer way to engage with digital finance. In the long run, this may help reduce the risks of volatility. Yet, stablecoins bring their own challenges, such as transparency, global regulation and possible overreliance of private issuers.

Strengthening regulation and consumer protection

Governments can introduce clearer rules for cryptocurrency platforms, such as licensing requirements, transparency standards, and consumer protection laws.This would make it harder for scams and unregulated exchanges to harm young investors. While this could create safer markets quickly, it also risks driving activity to unregulated areas or slowing innovation.

Expanding financial education for youth

Providing financial literacy programs in schools, universities, and online platforms could help young people understand the risks of volatility and the importance of diversification. This solution can be implemented relatively quickly and empowers individuals to make informed decisions. The challenge lies in keeping education updated as crypto markets evolve and ensuring equal access for all youth, including those in developing regions.

Works Cited

Jose De Luna Martinez, and Deeksha Kale. "Regulating the Crypto Market in Nigeria", Selected Issues Papers 2025, 096 (2025), Summary available at https://www.imf.org/en/Publications/selected-issues-papers/Issues/2025/07/11/Regulating-the-Crypto-Market-in-Nigeria-568580

Amure, T. O. (2025, September 4). Newer investors favor crypto over ETFs—Here's why Experts warn against it. Investopedia. https://www.investopedia.com/newer-investors-favor-crypto-over-etfs-11800786

Corbet, S., et al. (2021). *Cryptocurrency market reaction to COVID-19*. The Journal of Behavioral Finance. Retrieved from https://www.tandfonline.com/doi/full/10.1080/15427560.2021.1975285

De Nederlandsche Bank (DNB). (2022). *Proper regulation indispensable for risky cryptos*. Press release. Retrieved from https://www.dnb.nl/en/general-news/press-release-2022/proper-regulation-indispensable-for-risky-cryptos

European Union. (2023). *Markets in Crypto-Assets Regulation (MiCA)*. Official EU Legislative Documents. Summary available at: https://en.wikipedia.org/wiki/Stablecoin

Hermans, L., Ianiro, A., Kochanska, U., Törmälehto, V., Anton, V. D. K., & Simón, J. M. V. (2022, May 24). Decrypting financial stability risks in crypto-asset markets. European Central Bank. https://www.ecb.europa.eu/press/financial-stability-publications/fsr/special/html/ecb.fsrart202205_02~1cc6b111b4.en.htm

Ibrahim, B., et al. (2023). *Crypto market volatility and financial stability in Africa*. Financial Innovation (SpringerOpen). Retrieved from https://jfin-swufe.springeropen.com/articles/10.1186/s40854-023-00580-5

International Monetary Fund. (2022). *Crypto Prices Move More in Sync With Stocks, Posing New Risks*. IMF Global Financial Stability Report. Retrieved from https://www.elibrary.imf.org/view/journals/065/2022/001/article-A001-en.xml

Jose De Luna Martinez, and Deeksha Kale. "Regulating the Crypto Market in Nigeria", Selected Issues Papers 2025, 096 (2025), Summary available at https://www.imf.org/en/Publications/selected-issues-papers/Issues/2025/07/11/Regulating-the-Crypto-Market-in-Nigeria-568580

Kou, G., et al. (2022). *Liquidity, volatility and spillover risks in cryptocurrency markets*. Journal of International Financial Markets, Institutions & Money. Retrieved from https://pubmed.ncbi.nlm.nih.gov/35221811/

Lomazzo, C. L. (2020, December 23). The UNICEF CryptoFund: What is it all about? UNICEF. Retrieved from https://www.unicef.org/innovation/stories/unicef-cryptofund

Makarov, I., & Schoar, A. (2023). *Crypto, Households, and Consumption*. National Bureau of Economic Research, Working Paper 31445. Retrieved from https://www.nber.org/papers/w31445

Markets in Crypto-Assets Regulation (MICA). (n.d.). https://www.esma.europa.eu/esmas-activities/digital-finance-and-innovation/markets-crypto-assets-regulation-mica

Risk-Taking Behaviors and Cryptocurrency Trading (REACT) in young Adults - Addictions, Drug & Alcohol Institute. (n.d.). Addictions, Drug & Alcohol Institute. https://adai.uw.edu/research_project/risk-taking-behaviors-and-cryptocurrency-trading-react-in-young-adults/

Lomazzo, C. L. (2020, December 23). The UNICEF CryptoFund: What is it all about? UNICEF. Retrieved from https://www.unicef.org/innovation/stories/unicef-cryptofund