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MARK HULBERT

North Korea's \$1.5 billion crypto hack exposes bitcoin's weakness

Crypto's vulnerability to theft will keep bitcoin from widespread use

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Referenced Symbols

↑ [BTCUSD](#) +2.04%

Cryptocurrency buyers should be prepared for more and bigger threats after North Korea's recent robbery of close to [\\$1.5 billion of cryptocurrency](#) from crypto exchange Bybit.

That's just one of the implications of a study appearing in the February 2025 issue of the Quarterly Journal of Economics. Another is that, because the cost of trying to prevent hacks such as North Korea's will continue to grow, bitcoin ↑ BTCUSD +1.89% will never become the major player in the global monetary system that its champions hope.

Entitled "[Trust at Scale: The Economic Limits of Cryptocurrencies and Blockchains](#)," the study was conducted by Eric Budish, professor of economics and entrepreneurship at the University of Chicago's Booth School of Business.

Risk happens fast!

Bitcoin' price since February 20



Source: FactSet, Hulbert Ratings

Though the North Korean hackers stole cryptocurrencies worth just 0.05% of crypto's global market cap, the theft has contributed to bitcoin shedding more than 10% of its value over just a few days. Nonetheless, many analysts remain sanguine, dismissing the recent days' price drop as nothing more than a temporary pullback.

Budish's research suggests that the threat symbolized by North Korea's hack is far more existential. I reached out to Budish because [I first interviewed him in 2018](#), when he was arguing that crypto is inherently vulnerable to attackers, including state actors. In an interview this week, Budish said that crypto investors should be cautious, because cryptocurrencies' vulnerability to attacks is growing — and there is no shortage of bad

actors with incentives to mount such attacks. (Budish keeps a running tally of the myriad crypto attacks, thefts and collapses [on his website](#).)

The price of trust

Budish's research focuses on what it takes to protect crypto from not just hacks as North Korea's but also from an even more devastating threat — what's known as a "majority," or a "51%," attack. In these more serious attacks, a bad actor would gain control of more than 50% of the crypto network, which could in turn lead the crypto's market value to plunge or even be wiped out altogether.

Enthusiasts believe that cryptocurrencies are protected from such attacks by the huge costs involved in gaining majority control — costs that are high enough to dissuade bad actors from wanting to mount such attacks in the first place. But Budish says there is an Achilles' heel to their argument: For this protection to be credible, the cost of majority control must grow in lockstep with a cryptocurrency as it becomes more economically significant. Budish points out that "securing against a \$1 billion attack is 1,000 times more expensive than securing against a \$1 million attack."

Budish's research therefore puts crypto enthusiasts in a dilemma. If the cost of protecting a crypto network is not huge, then it would be more vulnerable to a devastating majority attack. If the cost of protecting cryptocurrencies is high enough to protect against a majority attack, then they are destined to play no more than a minor role in the global economy.

In fact, Budish found, "in scenarios that represent [cryptocurrencies] ... becoming a more significant part of the global financial system, the cost of trust would exceed global GDP." Needless to say, that can never happen.

Many crypto enthusiasts think it's unfair to focus just on cryptocurrencies' challenges in maintaining trust. All currencies and stores of value are dependent on trust, they point out, so why single out cryptocurrencies for what is actually a universal problem?

Budish told me he doesn't disagree that trust is a universal need in the financial world. His argument instead is that the cost of that protection is much higher for crypto than for government-sponsored currencies. The cost for government protection and the rule of law does not scale up at anything close to the same rate as maintaining trust in cryptocurrencies, Budish points out.

Consider bitcoin. The cryptocurrency is "a completely anonymous and decentralized permissionless consensus, without any support from government or trusted intermediaries," Budish says. The problem is that it's expensive, and North Korea's recent crypto heist serves as a reminder of just how costly that is.

Mark Hulbert is a regular contributor to MarketWatch. His Hulbert Ratings tracks investment newsletters that pay a flat fee to be audited. He can be reached at mark@hulbertratings.com

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