Nigeria’s government is blaming Binance for its own mismanagement

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The naira is failing, and Nigerians are looking to alternatives. Yet, the Nigerian government is looking for anything other than its own actions to blame. In doing so, the government has somehow named Binance as the culprit for the naira’s crash and detained two of its employees in the process.

As far as the value of the naira is concerned, it’s time for the Nigerian government to take accountability for years of currency mismanagement. Better yet, it’s time for the Nigerian government to welcome currency competition.

While the naira has been falling for years, tensions escalated back in February after the naira’s most recent crash. At the time, Bayo Onanuga — President Bola Tinubu’s adviser on information and strategy — accused Nigerian citizens of being unpatriotic for trading naira for cryptocurrency. He went on to say, “Crypto should be banned in our country or else this bleeding of our currency will continue unabated.”

Authorities then accused Binance of moving $26 billion out of the country illegally, and invited Binance to send employees to discuss the issue. Binance thus sent two staffers — Tigran Gambaryan and Nadeem Anjarwalla. Nigerian authorities responded by placing them under house arrest. Anjarwalla has escaped, but Gambaryan — an American citizen and former IRS agent — is still in the country. Both men now face charges that include tax evasion, money laundering and providing financial services without a license.

This behavior by Nigerian officials is unfortunately all too common among government officials around the world. Rather than creating money that people choose to run to, governments often look to instead create restrictions that trap people with money they wouldn’t otherwise use.

As Nobel laureate F.A. Hayek explained in 1976, one of the key purposes of currency competition “is to impose upon existing monetary and financial agencies a … much needed discipline by making it impossible for any of them … to issue a kind of money substantially less reliable and useful than the money of any other.”

From this perspective, it should not be a surprise that Nigerian citizens have turned to cryptocurrencies — stablecoins, in particular — to get dollar exposure. The Nigerian government supplied an unreliable store of value and the public turned to better options.

By enacting restrictions to bar these alternatives, the Nigerian government is doubling down on its mistakes. It's failing to recognize that cryptocurrency use is a symptom, not a cause, of the naira's failure. The government is punishing its own citizens by trapping them on a sinking ship.

Things are not looking good from an international perspective either. Consider the government's actions over just the past few years. The Nigerian government created a central bank digital currency (CBDC), caused a cash shortage, banned cryptocurrency, lifted the ban on cryptocurrency, blocked access to exchanges, detained foreign citizens, and is now considering a ban on cryptocurrency once again.

Whether it be cryptocurrency developers, exchange platforms, or even traditional financial institutions, it's likely many companies are becoming increasingly hesitant from doing business in the country. And this lack of investment will again result in Nigerian citizens suffering the costs of the government's mistake.

The Nigerian government desperately needs the discipline competition can provide.

Taking accountability for mismanaging the naira begins with letting the market, and the market alone, decide the exchange rate for the naira. The government's on-again, off-again price controls have largely made a mess of the economy. In fact, had the government not placed such a heavy hand on exchange rates, it's unlikely that Binance would have ever been blamed for the naira's latest crash considering part of the accusation was that Binance manipulated the exchange rates.

The Nigerian government should also drop its CBDC. Reporting suggests that the central bank has spared no expense working with contractors to build, repair, and re-build the CBDC. This time and effort would be better spent focusing on the naira itself — especially since it ultimately took a government-created cash shortage to get CBDC adoption above 1 percent.

Turning back to 1976, Hayek wrote, "As soon as one succeeds in freeing oneself of the universally but tacitly accepted creed that a country must be supplied by its government with its own distinctive and exclusive currency, all sorts of interesting questions arise which have never been examined." As evident by their use of cryptocurrency, Nigerian citizens have already recognized what Hayek described. Now the only question is whether the government will follow suit.

The government can continue years of currency mismanagement. Or, it can embrace competition and work to create something every citizen will want to use.

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