UN Says Restrict Market and Expand Government When it Comes to Cryptocurrency

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The United Nations issued a new report calling for countries to restrict the use of cryptocurrency and provide a central bank digital currency (CBDC). The recommendation could not be more flawed.

A few months ago, I wrote a briefing paper on the importance of currency competition and why Congress should take lessons from cryptocurrency so the dollar can be improved. Specifically, part of the reason that people want cryptocurrency is due to the potentially stronger financial privacy protections, faster payments clearing, and better transparency in monetary policy governance. Instead of restricting or prohibiting currency competition, governments should learn from it and incorporate these features. Nowhere else is that more important than in emerging economies with failing domestic currencies.

Restricting the competition and issuing a CBDC, as the United Nations recommends, does nothing more than increase the government's control of money while forcing citizens to take a currency they don't want.

Alex Gladstein, Chief Strategy Officer of the Human Rights Foundation, has shown time and time again just how real and how important it is for people across the world to have the freedom to choose alternative currencies. Whether it be someone donating to Ukraine, a woman storing an emergency fund in a hostile country, people sending money across borders, or people trying to hedge against hyperinflation or political uncertainty, cryptocurrencies have offered an unprecedented opportunity for citizens to have greater financial freedom.

So while the United Nations may have tried to hedge its way out of listing every benefit, there are clearly more benefits than profit opportunities when it comes to emerging nations where people regularly face financial oppression and failing currencies.

Nigeria offers an excellent case study to better understand how the recommendation from the United Nations fails in practice. The Nigerian government has been hostile toward cryptocurrency and launched its own CBDC. How did that turn out? Reports show that the adoption of Nigeria's CBDC (the e-Naira) has been slow. This makes sense considering a CBDC seems to be, at best, a solution in search of a problem to call its own. At its core, a CBDC is nothing more than an expansion of government control of the financial system.

So while the United Nations calls for governments to restrict or prohibit cryptocurrencies and welcome CBDCs, both developed and emerging countries would be better off doing the exact opposite.

Nicholas Anthony is a policy analyst in the Cato Institute's Center for Monetary and Financial Alternatives. Anthony's research covers a wide range of topics within the field of monetary and financial economics, including financial privacy, cryptocurrencies, and the use of money in society. His work has been published in MarketWatch, Business Insider, the Foundation for Economic Education, and others.