Nigerians Not Eager to Embrace Central Bank Digital Currency

Michael Maharrey

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Violent protests in Nigeria reveal that getting average people to embrace central bank digital currencies (CBDCs) might be more difficult than government officials would like.

Nigerians recently took to the streets to protest a cash shortage caused by government policies adopted in order to push the country into the adoption of its central bank digital currency (CBDC).

Protesters attacked bank ATMs and blocked streets, and demonstrations turned violent in some cities.

According to *The Guardian*, "Nigeria has been struggling with a shortage in physical cash since the central bank began to swap old bills of the local naira currency for new ones, leading to a shortfall in banknotes." According to reporting by the news outlet, the protests erupted when bank customers couldn't access their cash or change old banknotes for new ones. Tensions ratcheted up when the government set a February deadline to change old notes.

The problem is there aren't enough new banknotes to go around, and that appears to be on purpose. *Bloomberg* called the policy "demonetization."

According to the *Associated Press*, the Central Bank of Nigeria introduced the redesigned notes last fall. The plan was to recover about 85% of the total currency in circulation outside the banking system. The Nigerian central bank said the policy was implemented to remove counterfeit currency from the system and to discourage cash ransom payments to kidnappers and other criminals. But there is an underlying reason for the new policy that *The Guardian* only mentions in passing.

The policy was also to promote cashless transactions by limiting the use of cash for businesses." The *AP* report also noted that the central bank said the policy would help "make digital payments the norm."

What these corporate news outlets failed to report is that Central Bank of Nigeria Governor Godwin Emefiele said, "The destination, as far as I am concerned, is to achieve a 100% cashless economy in Nigeria."

The issue isn't just the banknote swap. In December, the central bank limited cash withdrawals to 100,000 naira (US$225) per week for individuals and 500,000 naira ($1,123) for businesses.

Thanks But No Thanks

That seems to be the basic attitude of Nigerians when it comes to the central bank's digital currency.

CBDCs exist as virtual banknotes or "coins" held in a digital wallet on a computer or smartphone. The difference between a central bank (government) digital currency and peer-to-peer electronic cash such as bitcoin is that the value of the digital currency is backed and controlled by the government, just like traditional fiat currency.

The Central Bank of Nigeria launched its CBDC, called the eNaira, in the fall of 2021. Last October, *Bloomberg* reported that only about 0.5% of Nigerians had adopted the digital currency. Ironically, about 50% of Nigerians use cryptocurrencies such as bitcoin. It's not that they spurn digital currency. They just spurn the government's digital currency.

Central Bank of Nigeria Deputy Governor Kingsley Obiora said people just need "a little push from the government," and they will embrace the eNaira.

The government tried several schemes to incentivize the adoption of the CBDC, including offering a 5% discount to taxi drivers and passengers. It also lifted a restriction that required people to have a bank account in order to use the eNaira.

But with those soft approaches failing to achieve the desired results, the government turned to more coercive measures, including limiting bank withdraws and the currency switch – a policy that will effectively reduce the amount of cash in circulation.

War on Cash

Central bank digital currencies are part of a broader "war on cash."

A cashless society is sold on the promise of providing a safe, convenient, and more secure alternative to physical cash. We're also told it will help stop dangerous criminals who like the intractability of cash.

But there is a darker side – the promise of control.

The elimination of cash creates the potential for the government to track and even control consumer spending. Digital economies would also make it even easier for central banks to engage in manipulative monetary policies such as negative interest rates.

Nigeria isn't the only country experimenting with CBDCs. In fact, most countries are interested in eliminating cash. China, India, and the US have all launched pilot programs to test CBDCs.

Imagine if there was no cash. It would be impossible to hide even the smallest transaction from the government's eyes. Something as simple as your morning trip to Starbucks wouldn't be a secret from government officials. As *Bloomberg* put it in an article published when China launched a digital yuan pilot program in 2020, digital currency "offers China's authorities a degree of control never possible with physical money."

The government could even "turn off" an individual's ability to make purchases. *Bloomberg* described just how much control a digital currency could give Chinese officials.

The PBOC has also indicated that it could put limits on the sizes of some transactions, or even require an appointment to make large ones. Some observers wonder whether payments could be linked to the emerging social-credit system, wherein citizens with exemplary behavior are 'whitelisted' for privileges, while those with criminal and other infractions find themselves left out. 'China's goal is not to make payments more convenient but to replace cash, so it can keep closer tabs on people than it already does,' argues Aaron Brown, a crypto investor who writes for Bloomberg Opinion."

Economist Thorsten Polleit outlined the potential for Big Brother-like government control with the advent of a digital euro in an article published by the Mises Wire. As he put it, "the path to becoming a surveillance state regime will accelerate considerably" if and when a digital currency is issued.

Coming to America

Last year, the Federal Reserve released a "discussion paper" examining the pros and cons of a potential US central bank digital dollar. According to the central bank's website, there has been no decision on implementing a digital currency, but this pilot program reveals the idea is further along than most people realized.

Ultimately, it would take a congressional act to establish a digital dollar as legal tender.
US officials toyed with the possibility of a digital dollar at the height of the pandemic. A Democratic proposal for stimulus payments in the wake of the coronavirus pandemic featured digital currency deposited into digital wallets.

But Americans don't seem to be any more interested in digital currency than Nigerians. When the Fed solicited comments on CBDCs, more than 66% of the 2,052 commenters were either concerned or completely opposed to the idea of a digital dollar. According to the Cato Institute, "The most common concerns were over financial privacy, financial oppression, and the risk of disintermediating the banking system."