

# The New York Times

## In Global First, El Salvador Adopts Bitcoin as Currency

*President Nayib Bukele has promoted the cryptocurrency as a path to financial freedom, but economic experts and many Salvadorans worry the move brings great risks.*

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MEXICO CITY — El Salvador on Tuesday became the first country to adopt Bitcoin as legal tender, allowing the cryptocurrency to be used in any transaction, from buying a cup of coffee to paying taxes.

The bold move, largely celebrated by the international bitcoin community, has found a more skeptical reception at home and in the traditional financial world, amid concerns that it could bring instability and unnecessary risk to the Central American country's fragile economy.

President Nayib Bukele, a tech-savvy millennial, has promoted the digital currency's adoption, pitching it as a way of bringing more Salvadorans, about 70 percent of whom don't have bank accounts, into the formal economy. Using the cryptocurrency would make it faster and cheaper to get remittances from abroad, he argues, and could free the indebted nation from the hold of the traditional global financial system.

Making Bitcoin legal tender — alongside the dollar, which the country has relied on since 2001 — is also part of Mr. Bukele's charm offensive toward crypto entrepreneurs, who often seem like his primary audience.

The country learned of the plan when Mr. Bukele announced it, in English, at a Bitcoin conference in Miami. Days later, while congress voted to approve the measure, the president chatted with American crypto enthusiasts on a social media hangout.

In El Salvador, many are viewing the move with confusion and distrust, afraid that the volatility inherent to using virtual tokens with no physical backing, which are apt to soar and crash in value, could be dangerous for the economy — and their own savings.

“We really don't know how that system is going to work,” said Evelin Vásquez, 52, who sells mobile phones in San Salvador, the capital, and knows Bitcoin's fluctuations in value could make her savings disappear.

“You can lose what you invest and not gain anything,” she added.

“Having that risky exchange rate volatility is what was trying to be avoided when El Salvador adopted the dollar,” said Jaime Reusche, of the rating service Moody’s, which downgraded El Salvador in July partly because of the Bitcoin law. “This clearly has no precedent.”

The development of Bitcoin and thousands of other cryptocurrencies in a little over a decade has changed the definition of money and is transforming financial services, leaving officials around the world scrambling to catch up.

El Salvador’s move puts it at the forefront of a revolution in finance on the blockchain, where a parallel universe of crypto-based alternative banking services is booming and eliciting alarm from officials in Washington and beyond.

It is unclear how it will all unfold.

The new law stipulates that all businesses must accept Bitcoin as payment. The government will also create a trust with \$150 million dollars in public funds to facilitate dollar conversions, among other things.

To promote Bitcoin’s use, the government launched a digital wallet, called “Chivo,” which is Salvadoran slang for cool, and will pay a \$30 Bitcoin bonus to citizens who download it. Salvadorans will also be able to withdraw funds in cash from 200 ATMs and 50 consulting centers across the country, according to Mr. Bukele.

But only about a third of Salvadorans use the internet, and almost a quarter live below the poverty line. Most have said they have little intention of using Bitcoin, according to a recent survey in La Prensa Gráfica newspaper.

The enthusiasm from abroad also rings hollow to some in El Salvador, who hear in it echoes of the financial colonialism that the global crypto movement claims to undermine.

“It seems that for them El Salvador is just a tool to promote their cryptocurrency,” said Tatiana Marroquín, a Salvadoran economist. “El Salvador isn’t just a means to an end — for us, El Salvador is the end.”

Even some Bitcoin advocates are wary, said Jerry Brito, of the crypto research group Coin Center in Washington: There are “obvious contradictions” to the official adoption by a national government of a currency designed to thwart governmental control over money.

International financial regulators have also voiced legal concerns. The World Bank and the International Monetary Fund, which is considering a separate financing deal with El Salvador, have said that adopting Bitcoin could leave a country open to money laundering and other illicit financial activity.

El Zonte, a seaside village in El Salvador, became a litmus test for the currency’s national adoption after an anonymous donor began seeding Bitcoin in the community in 2019. While acceptance of Bitcoin among residents has been mixed, some locals are adamant about the experiment’s success.

Naotoshi Yamasaki, a surfer, said Bitcoin ATMs can be quickly depleted of dollars, but overall the project has worked.

“We all use Bitcoin,” he said, even though there is awareness that with cryptocurrency, your money can “increase, just like it could go down.”

This volatility is one of many obstacles to applying the lessons from a sleepy beach town to a national financial system. Bitcoin price swings could challenge the government’s ability to meet conversion needs. And if the trust fund is liquidated, taxpayers may be left holding the bag, argues George Selgin, a monetary economist at the Cato Institute.

But crypto advocates say Bitcoin is just the first step into a bigger world of alternative financial services that could facilitate receiving remittances from abroad — which Salvadorans increasingly rely upon — and attract investors.

Matthew Sigel, head of digital assets research at the global asset management firm VanEck, has questions about how the government fund will operate but believes crypto can help El Salvador “shake off the yoke of dollar colonialism,” perhaps with creative investment vehicles that bypass traditional channels and Bitcoin mining operations that harness natural resources.

To many observers, the move is emblematic of Mr. Bukele’s tendency toward autocracy.

A charismatic young leader who wields social media to amass fans and spar with enemies, Mr. Bukele has increasingly used his grip on the country to concentrate power and silence opponents.

Last week, Mario Gómez, an outspoken critic of the Bitcoin law, was briefly detained without a warrant and had his cellphones seized by police.

“There is a deterioration in the freedom of the press and in freedom of expression,” said Otto Flores, a lawyer representing Mr. Gómez. “It’s worrying — you can’t deny it.”

A spokeswoman for the government declined a request for comment. The national police said on Twitter that Mr. Gómez is being investigated for “financial fraud.”

Mr. Bukele is firm in the face of criticism. “Salvadorans already know me and know that I would never do anything that was not for their benefit,” he said on Twitter in June.

And despite the widespread opposition to Bitcoin, the president himself maintains sky-high popularity, with 85 percent approval, according to a poll last week from La Prensa Gráfica.

With such support and an absolute control over the levers of power, it is unlikely that anything will halt Mr. Bukele’s plans — for Bitcoin or any other reforms.

“The regime has very powerful control,” said Noah Bullock, executive director of Cristosal, a human rights organization. “He is everything.”