
The Age of Financialisation: Bitcoin and the Prospects of a Democratised Monetary System

Obadiah Moyo¹, Malcom Chiororo², Oluwatobi Joseph Alabi³

¹Eduvos, Midrand, South Africa

²School of Built Environment and Development Studies, University of KwaZulu-Natal, Durban, South Africa

³School of Social Sciences, University of KwaZulu-Natal, Durban, South Africa

Abstract: This article investigates the implications of financialisation on emerging economies and explores the potential of blockchain technology, specifically Bitcoin, as a tool for financial resilience and economic development. The study highlights how traditional financial systems and reliance on the US dollar for international trade exacerbate economic imbalances and restrict monetary sovereignty in developing countries. The analysis begins with an overview of the challenges posed by the current international monetary system, heavily influenced by dollar hegemony. We argue that the current financial system creates significant trade and capital flow imbalances. We discuss the critical role of financialisation in these dynamics by showing a paradigm shift from production to finance in global socio-economic and political structures. The use of blockchain technology and cryptocurrencies, such as Bitcoin, is extensively discussed as potential alternative financial mechanisms capable of enhancing economic stability and autonomy. Blockchain technology provides the opportunity to facilitate cross-border transactions without the need for dollar conversion, reducing transaction costs and economic dependency on the dollar.

Keywords: financialization; blockchain technology; bitcoin; US dollar; monetary sovereignty

CORRESPONDENCE

Email: obaxmoyo@gmail.com

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Introduction

Attempts to discuss the challenges of economic development and growing economic inequality in emerging or developing countries have mostly focused on the limitations of the Neoliberal system (Fourie, 2024; Ignjatović & Filipović, 2022). A central component of Neoliberalism or capitalism is the role of finance, also known as financialisation. There is a variety of literature that looks at the role of finance in emerging or developing economies (Buallay et al., 2021; Koepke, 2019). However, such literature heavily focuses on issues such as exchange rate crises and international imbalances, while other discussions focus on capital flows between rich and poor countries (Eller et al., 2020). As argued by D'Arista 2001, Aharon et al. (2021), and Arslanalp and Simpson-Bell (2022), the monetary issues associated with the current international system

are not limited to exchange rate debates. One of the most critical features of the global system is the ability of countries to choose their preferred payment method for cross-border transactions. Financialisation has increasingly dominated the global economic landscape, shifting emphasis away from production-based economies to finance-based economies. Due to this transformation, which is largely characterized by an increasing reliance on financial markets and instruments, economic disparities have been exacerbated. This is often the case especially in emerging economies, where a dependence on the US dollar has weakened monetary autonomy. Current international monetary systems dominated by the US dollar perpetuate structural imbalances, limit the capacity of developing countries to achieve economic resilience and contribute to increasing capital flow inequalities (Fischer & Storm, 2023; Ivanova, 2013).

This article contributes to the discourse on economic inclusivity by critically examining blockchain technology and specifically Bitcoin. It examines these technologies as tools for promoting financial resilience within financialisation constraints. Blockchain's decentralized structure presents an unprecedented opportunity for emerging economies to bypass traditional financial channels. This reduces dollar dependence and enables direct transactions. For nations like the BRICS seeking trade alternatives to the dollar, digital assets may serve as potential reserves, provide alternative stores of value, and facilitate cross-border trade without dollar conversion. This study explores these prospects, analysing the potential of blockchain to lower transaction costs, foster economic stability, and supports a shift towards de-dollarization. Although blockchain offers a promising path toward democratizing the financial system, this article acknowledges the risks and complexities associated with its widespread implementation. These include regulatory hurdles, volatility, and infrastructure demands. The paper will start by providing an overview of the financialisation theory and its importance to the study. It acknowledges that the theory is broad, but it can be useful in guiding the increasing influence of financial markets on economic development. The second section will provide updates on the current global financial situation, in particular the dominance of the US Dollar in financial markets and its impact on emerging economies. This will guide the discussion to reflect on the challenges of dollar hegemony and the imbalanced monetary system. The paper will then conclude by proposing and exploring the potential of Bitcoin as an alternative monetary system that can restore a balanced global monetary system and restore economic sovereignty for emerging economies.

The theory of financialisation

Financialisation theory can provide a more detailed understanding of the current monetary system. According to the theory of financialisation, cross-border payments are increasingly dominated by financial markets and institutions (Karwowski, 2020; Shkolnyk et al., 2019). Furthermore, banks and the SWIFT system, blockchain technology, CBDCs, and cryptocurrencies are discussed critically in this paper. Also included are monetary reserves for countries, debt crises, and devaluations of currencies (Fourie, 2024; Ignjatović & Filipović, 2022). Financialisation theory shows that access to liquidity, efficient monetary systems and economic infrastructures can influence economic development. It is argued in this paper that Bitcoin plays an important role in creating a balanced monetary system and providing financial alternatives to emerging economies' dependency on traditional financial systems such as the World Bank, the International Monetary Fund and the United States Dollar. Additionally, the theory may be used to support the proposition that innovative policies can contribute to the development of emerging economies by improving their financial institutions and sovereignty. Consequently, the opportunities and challenges associated with Bitcoin as a digital currency and a digital asset deserve greater attention.

Financialisation's impact on domestic institutions and households can be observed by their increasing reliance on credit to operate. Therefore, institutions like banks are able to provide loans and maximize their funds. Credit cards and having a high credit score have become normal in modern societies (Helleiner, 2010). Financial markets, particularly stock markets, are, however, susceptible to economic recessions, which ultimately result in market collapses. Banks often accept residential property as collateral to protect against market crashes or bear markets. In fact, the credit system has led to an increase in house debts in the form of mortgages (Taşkın & Yaman, 2023). The phenomenon of financialisation is also evident in the financial sector. Financialisation led to the development of shadow banking, a form of banking not governed by traditional banking practices or well-regulated insurance policies. Stockhammer (2010:6) describes shadow banking as "institutions less regulated, such as investment funds, money market funds, hedge funds, private equity funds, and special purpose vehicles". Shadow banking contributes to financial innovation, for example, the acceptance of cryptocurrencies like Bitcoin as collateral now. These assets provide a lot of liquidity since they can be easily transferred or

converted into any other currency on various cryptocurrency exchange platforms. Consequently, countries with the capability to participate in these untraditional financial reforms without sidelining their central banks are much more likely to see economic growth. Witko (2016) asserts that socio-economic growth is significantly correlated with financialisation.

The current situation: Dollar dominance

The dollar dominates the global financial system. The dollar standard emerged after Bretton Woods fell in 1971, marking the end of the gold standard era (D'Arista, 2007). The post 1971 era witnessed the rise of the privatised international monetary system. Following the Bretton Woods era, the US Treasury began to play a more significant role, asking countries that held dollar reserves in the United States to invest them in U.S. government securities (D'Arista 2001:4). For example, in 1973 Saudi Arabia became a major oil exporter after the oil crisis. This forced the US to strategically enter into a petrodollar pact with Saudi Arabia, which required Saudi Arabia to price its oil and sell it in US dollars and invest any surplus oil revenues in US Treasury bonds (Hoffman, 2024; Issawi, 1978). In return, Saudi Arabia would get security support for 50 years (Hoffman 2024).

Consequently, the US Treasury held reserves instead of the Federal Reserve. It is through this system that the Treasury succeeded in establishing dollar hegemony by persuading countries to hold their reserves in dollars. Through the implementation of this system, a large amount of wealth was attracted from developing countries with unstable economies and from other developed countries to protect their currencies (Herr & Nettekoven, 2021; Raheem, 2020). Holding international reserves in foreign exchange facilitated the adoption of the dollar and other strong currencies, such as the Yen and the Euro, which represented the peak of the financialisation era (Arslanalp & Simpson-Bell, 2022; D'Arista, 2009; International Monetary Fund 2021). According to the IMF, the year 2001 marked the peak allocation of dollars, with 73% of international reserves held in US dollars amounting to almost \$2 billion (Chavez-Dreyfuss, 2021). However, IMF data revealed that international reserves in US dollars had decreased from 73% in 2001–60% in 2021 (Chavez-Dreyfuss, 2021). A large portion of this decrease in dollar reserves is attributed to the growing challenges associated with this system. These challenges force countries to explore alternative methods of maintaining reserves. Increasing geopolitical events, technological advancements and trade tariffs also add pressure to reducing the US currency as international monetary reserves (International Monetary Fund 2021).

The challenges of the US hegemony and imbalanced monetary system

Post-Bretton Woods reforms resulted in financial innovation but also contributed to economic challenges. This growing global and financial crisis stimulated or renewed discussions among scholars regarding the challenges of the current monetary system and possible alternatives. Scholars have documented extensively the challenges with the current monetary system and how it affects trade among countries with dollar-based reserves (Zhang et al., 2023; Vernengo, 2021; Brown & Simonnot, 2020). Criticising the dollar hegemony system, D'Arista 2001 believes that this system “has been the driving force behind the export-led growth paradigm that has elevated trade surpluses to priority status as an objective of economic policy in all countries but one”. A concern is that many private international transactions are conducted in US dollars, so countries that participate in international trade must seek ways to settle payments that they cannot issue on their own, outside of their own economies. For a country to participate in this payment system, it will need to borrow dollars or export more goods for dollars than it imports. Further, countries that borrow dollars will have to export more goods to repay the debt. D'Arista (2007) argues that this system is imbalanced, as it benefits primarily the country that issued the dollars.

Several supporters of the dollar hegemony monetary system believed that the post-Bretton Woods system would benefit emerging economies and developing countries (Koráb, Fidrmuc, and Dibooglu, 2023). As pointed out by Stockhammer (2010:7), it created an “expectation that capital will flow from rich countries to poor countries”. However, the opposite has been true as capital appears to flow from developing countries to developed nations. Nevertheless, some staunch supporters of this system continue to believe that once developing countries practice good governance, the benefits of this monetary system will eventually manifest themselves. Besides weakening trade power, the current monetary system has also undermined central banks' ability to facilitate economic growth in developing economies (Korab, Fidrmuc and Dibooglu, 2023). Most developing economies receive most of their liquidity in the form of foreign currencies, and so they are generally encouraged to hold more foreign reserves as a means of hedging their exchange rate exposure (). According to the International Monetary Fund 2021, developing economies' holdings of foreign reserves increased from 39 percent in 2000 to 59 percent in 2021. The challenge is that the fate of the country that holds foreign reserves rests with the government of the

country issuing the foreign currency. In this sense, the continuous flow of foreign currency can only be ensured if the country issuing the foreign currency remains willing to buy goods that other countries offer or sell to obtain foreign currency.

Despite the growing challenges associated with the current monetary system, it is crucial to understand why most countries continue to use the dollarization model. The countries include Ecuador, Panama, El Salvador and Zimbabwe. As stated by Park and Son (2022), the primary reason is dollar hegemony, as a country with a weak currency due to inflation or other factors may realize at some point that other countries will not accept its currency. Additionally, foreign and long-term borrowing will not be possible using the country's national currency, resulting in a decline in the country's financial stability. Dollarisation proponents argue that such a country would be better off adopting another country's currency, such as the US dollar, to participate in international transactions (Fantacci & Gobbi, 2021). Zimbabwe's 2008 hyper-inflation crisis is one practical example. In November 2008, Zimbabwe's inflation recorded an all-time high of 79,6 Billion percent per month. This made people lose faith in Zimbabwe's currency both domestically and internationally. The introduction of the US dollar and South African Rand in 2009 stabilised the economy and drastically reduced the country's inflation (Kavila & Le Roux, 2016).

According to D'Arista 2001:7), in her paper *The Role of the International Monetary System in Financialisation*, she notes that dollarisation negatively affects the central bank's ability to act as a lender of last resort to the financial system in their home country. This process results in the central bank losing its capacity to conduct monetary policy and act as a lender of last resort. Zimbabwe experienced this problem when the reserve bank lost the ability to print money since it used the US Dollar and South African Rand for domestic and international transactions (Noko, 2011). As a result, the government could no longer benefit from seigniorage but rely more on taxes and borrowing for public funding. Since the reserve bank could not control the monetary supply as a lender of last resort, many Zimbabwean banks faced liquidity challenges, forcing citizens to only withdraw a limited amount of USD per day (Noko, 2011). Thus, apart from controlling inflation and stabilising the economy, the adoption of another country's currency also has economic development limitations for the country adopting it. One of the main reasons for the strength of the US financial system is that the Federal Reserve retains control of the supply of money. It continues to act as a lender of last resort. This is not the case for countries that have adopted the dollar, such as Zimbabwe, Panama, and Ecuador. These countries compromised their rights to participate in global decisions that affect their economies. This is supported by D'Arista 2001:7) who asserts that "all decisions affecting interest rates, exchange rates and the rate of expansion of money and credit are made by the central bank in the issuing country". For example, quantitative easing is often employed to control exchange rates to respond to economic needs. It is used to loosen or tighten spending and consequently controls inflation. A government using another country's currency loses this ability and becomes a monetary policy taker instead of a monetary policy maker (International Monetary Fund 2021).

Despite the fact that the dollarisation of economies might help stabilize emerging markets by eliminating inflation and allowing foreign companies to invest, these measures may not be sustainable since they are not applicable to every country (International Monetary Fund 2021). According to Black (2019) the prerequisite for adopting another country's currency is its capability to produce and maintain growth at a rate similar to the rate of that country issuing the currency. Most developing economies that have adopted the dollar fail this test. When a country loses its central bank's power to issue its circulating currency, it becomes a mountainous task to ensure steady and adequate money is circulating. In addition, credit is issued to the local population, like in the case of Zimbabwe and to a lesser extent El Salvador. Moreover, Castillo-Ponce et al. (2021) pointed out that dollarisation also creates a dependency relationship between the issuing country and the receiving country. The country adopting the dollar becomes a client of the country issuing it. However, scholars like Kirshner (2020) highlight that dollar adoption does not always lead to political submission since a country can resist political influence by exploring other alternatives. This was the case with Zimbabwe which adopted the US dollar but continues to trade closely with China. Despite such political resistance, Zimbabwe paid the price for lacking strong monetary policies and increasing its reliance on the black market (Noko, 2011). The easiest way to manage the consequences for the client country will be to realign its political and economic goals to complement those of the issuing country (McCormack, 2020). Business growth in the client state is adversely affected because the central bank of the client state is unable to provide liquidity since it cannot print money or act as a lender of last resort. The end result is dependence, yet the consequences for economic growth are well documented, ranging from increased debt, economic subordination, lack of sovereignty, resource exploitation, and lack of industrialization (Vinueza 2022; Bitar, 2021).

In a world where financialisation dictates a country's economy, liquidity is a crucial part of sustainable socio-economic growth (Aharon et al., 2021). Yet, adopting another country's currency may result in liquidity problems in the future since liquidity will be managed by the issuing country. To ensure liquidity and economic growth, the client country must do more than adopt a currency. Its political goals must also align with those of the issuing country. There is no benefit to this approach because, as Lord Palmerston (John Henry Temple) once put it, in international relations there are no permanent friends or permanent enemies, but only permanent interests (Panganiban, 2017:1). As a result, countries choosing the dollarization route knowingly agree to sign the Devil's bargain in an effort to control inflation and strengthen credit availability. While these tactics are not permanent, they are often effective when a government faces strong opposition and seeks to stabilize the economy without guaranteeing economic growth (Park & Son, 2022). Consequently, client countries are likely to be able to create easier payment methods. However, they will not develop this capability unless the country issuing the currency allows them to do so. This issue is well illustrated in Zimbabwe. Despite the use of US dollars by Zimbabwe, the country has not been able to attract significant foreign direct investment or US support due to its poor diplomatic relations (Noko, 2011).

The dollarisation system also strengthens the US as global hegemony economically and politically. Despite the fact that the system was designed to facilitate wealth transfer from developed to developing countries, as it was popularised, it is actually doing the opposite. For others, the dollarization process reinforces colonialism, since developing countries lose their ability to dictate national policy once they engage in the dollarisation process. By doing so, the issuing country can assume this role without or with very limited assistance from the client country. As an example, Crawford (2023) notes that when formulating policy, the US will prioritize its interests and will not commit to extensive lengths to meet the needs of the dollarised country. Therefore, if a dollarised country is a commodity exporter, it must consider that its survival depends upon the United States' willingness to buy these commodities. The dollarisation system demonstrates the trade-off between self-sufficiency and economic stability. However, economic stability cannot be guaranteed in its entirety. The credit system plays a major role in financialisation and economic stability. For example, stable economies enable citizens with high credit scores to obtain loans and purchase properties like cars and houses on credit (Ryan-Collins, 2021). It is possible to compromise this credit system in a dollarised country. This is due to the fact that the export sector or any company that receives US dollars from its clients would be given priority to receive credit. Consequently, the dollarised country will likely not be in a position to finance demand-led growth or support local small businesses that produce items for domestic consumption, resulting in lack of new employment opportunities. As a result, income disparities are likely to widen, and poverty is projected to increase. This is if monetary and fiscal policies are unable to mitigate these downward pressures on demand. It becomes more complicated when the central bank is unable to intervene because it has lost its power to act as a lender of last resort to foreign banks.

In the past, critics of dollarisation have explored bloc solutions, such as the Euro, to break away from dollar hegemony (D'Arista, 2009). While the Euro does not guarantee an alternative means of payment for international transactions, it is not unilaterally controlled by one nation. However, the Euro has not lived up to expectations in creating a genuinely democratic monetary system or providing strong competition against the dollar outside of Europe. Any alternative to the US dollar must also contend with the power of corporations and financial institutions benefitting from the current system. Forster (2010) notes that private financial institutions are heavily involved in international payments and foreign exchange transactions. This involvement leads to more capital outflows from Europe and other developing countries to US-based markets, strengthening the US economic system (D'Arista, 2009). With such dominance of the private sector, creating reserve assets to replace foreign exchange will be difficult (D'Arista, 2009). Scholars like Triffin suggested a more inclusive post-Bretton Woods system. In the 1960s, Triffin proposed that the IMF create Special Drawing Rights (SDRs) as an alternative to the dollarised standard (Triffin, 1968). However, SDRs are problematic since the IMF is dominated by the US as its largest shareholder. The dollar's hegemony has been criticised since the 1960s. The following proposals aim to develop a multilateral governance monetary system that enables developing countries to reform without compromising their sovereignty.

How bitcoin is decentralising financial transaction on a global scale

The invention of blockchain technology and cryptocurrency like Bitcoin has led some scholars to question whether the dollar is now seriously under threat for the first time since the fall of the Bretton Woods system (Seetharaman et al., 2017; Trouble, 2020; Kiviat, 2015). The following section examines the events that show how blockchain technology, in particular Bitcoin, is increasingly challenging dollar hegemony. It demonstrates

how such adoptions decentralise financialisation. However, it is imperative to stress that there are various digital currencies in the payment ecosystem such as Central Bank Digital Currencies, Bitcoin, Ethereum and XRP/Ripple. There is one common factor among them: they use blockchain technology, which is capable of scalability or of processing high volumes of transactions more quickly than traditional banking methods (Sanjalawe, 2025). Still, apart from faster transactions, CBDCs are backed by national currencies unlike Bitcoin. Due to its limited supply and ability to make instant payments with low fees, Bitcoin is discussed here as an alternative digital currency to facilitate international trade. According to the International Monetary Fund (2021), new technology such as digital currencies and payment ecosystems accelerates the transition to new currency reserves. The rise of blockchain-based cryptocurrencies like Bitcoin weakens economic sanctions, a tool the US uses advantageously due to its dollar hegemony. Should geopolitical tensions lead to sanctions, countries that have adopted the dollar or kept their reserves in USD will be more affected (Meredith 2022). Accordingly, from a realistic perspective, using Bitcoin to diversify a country's reserves and mitigate some of the challenges associated with dollarisation should be exploited as was the case in El Salvador. Recently, countries such as Panama, Zimbabwe, and Russia have experienced US sanctions as a powerful political weapon. Russia, for instance, is open to adopting cryptocurrency like Bitcoin. Russia's Industry and Trade Minister, Denis Manturov, hinted that the country might legalise cryptocurrencies sooner than expected. Asked to comment on this at an educational forum on May 18, 2022, his response was: "The question is, when this occurs, how will it be regulated, given that the central bank and government are actively working on it?" (Quarmby, 2022:1).

Prior to being sanctioned by the United States and its allies for invading Ukraine and being cut off from the SWIFT monetary system, Russia was a major opponent of crypto. This shift is likely not a coincidence. US officials worry that if Russia stabilises its economy through Bitcoin, the US will lose its primary political weapon. As a matter of fact, the US Deputy Treasury Secretary warned that crypto exchanges that assist Russia in evading sanctions would be held accountable (Meredith 2022). It would, however, be difficult to implement this if other countries adopt Bitcoin, or if crypto exchanges are not registered in the United States. The unilateral monetary system affects trade, as many countries struggle to trade among themselves without the dollar (D'Arista, 2005). More countries seek alternatives. For example, BRICS countries announced that they were considering trading in their own currencies instead of the dollar (Mukherjee, 2024). Though this de-dollarisation process remains complex and a long-term objective for the BRICS, it shows the willingness of countries to embark on the de-dollarization journey to counter the challenges of an imbalanced financial system in international trade. Thus, if countries adopt Bitcoin as a means of payment or even place their reserves in Bitcoin, it will threaten dollar hegemony. This is not a far-fetched assumption, as two countries have already adopted Bitcoin as a legal currency: El Salvador in 2021 and the Central African Republic in 2022 (Browne, 2022). Moreover, dollarization stabilizes inflation but creates dependency and does not guarantee economic development. Bitcoin can help stop the one-way transfer of wealth from poorer countries to richer countries. By using Bitcoin as a method of payment, developing countries would not have to seek out foreign currency-exchange partners. This would allow countries to trade directly using Bitcoin.

The challenge with dollar hegemony is that the US is the sole supplier of this currency, printing as much as it needs or freezing accounts as a political weapon. It further benefits from seigniorage, a profit made by central banks and governments for issuing a currency (Sigalos, 2021). Unlike fiat currencies, Bitcoin cannot be controlled by any state and has a limited supply of 21 million Bitcoins (Grinberg, 2012). Trade could also be facilitated between Bitcoin-based countries without using the dollar, yen, or euro, and reduce conversion costs and intermediary fees. For example, countries like El Salvador and the Central Republic of Africa have legalised Bitcoin as a medium of exchange, meaning they can easily trade with one another using Bitcoin (Orgi, 2022). In the US, private institutions invest in Bitcoin. For example, financial institutions like JPMorgan provide Bitcoin services to their clients (Sigalos, 2021). Importantly, institutions like Fidelity offer Bitcoin for retirement plans, and others offer Bitcoin bonds and home loans (Duggan & Curry, 2022). In January 2024, SEC approved spot ETFs for Blackrock (US's based company considered the world's largest asset manager) and other eleven firms like Grayscale, allowing them to trade Bitcoin through traditional financial institutions (Yaffe-Bellany, 2024). Digital currencies such as Bitcoin are increasing on an institutional level, with companies like Microsoft and KFC already accepting Bitcoin while companies like Tesla, Fly Emirates and Uber will likely accept Bitcoin in the future (Zimwara, 2022).

Developing economies must focus on financial infrastructure rather than exporting our products for foreign currency. Forster (2010:2) notes that we are living in the age of Great Financialisation, where "the center of gravity for capitalist economies has shifted from production to finance." Financial innovation and experiments

such as adopting Bitcoin as legal tender instead of dollarization can help emerging economies fight poverty and stimulate economic development. Bitcoin provides better liquidity than the dollar system. For example, large international transactions are costly and take days to clear (Nakamoto, 2008). Additionally, high fees are involved due to intermediary institutions like SWIFT. On the other hand, Bitcoin transactions are cheaper and faster as they do not require intermediaries. Unfortunately, infrastructure constraints in developing countries remain a huge challenge affecting Bitcoin adoption, including a lack of education about cryptocurrencies. El Salvador tried to mitigate this by introducing the Chivo wallet, which allowed citizens to transact with Bitcoin. According to , first timers' Chivo wallet holders were rewarded \$30 to encourage adoption, provided one had a smart phone and access to the internet. This strategy aimed to also reduce the challenges of fee remittances in El Salvador, where almost 70% of the population still receive money from abroad (Guignard, 2024).

Crypto currencies like Bitcoin, Ethereum and Tether were also accepted by the Ukrainian government as donations for the ongoing war against Russia. When the war started in Ukraine, Ukrainian president declared martial law. The central bank suspended currency trading, cross-border payments were limited and money withdrawal from local banks in Ukraine were difficult (Maltsev, 2022). Despite such financial challenges, the Ukrainian government managed to raise money 2 weeks into the war by posting its Bitcoin and Ethereum addresses on social media such as Twitter and YouTube for donations (The Economist, 2022). Alex Bornyakov, Ukraine's Deputy Minister of Digital Transformation also commented that "Crypto really helped during the first few days because we were able to cover some immediate needs" (The Economist, 2022:2). The ease through which crypto currencies were instantly sent to Ukrainian government crypto addresses supports Bitcoiners' vision of free money that is durable but also easy to transfer without a third party.

Bitcoin critics rightly cite its volatility as danger and argue that it is a speculative asset with no intrinsic value. Since 2008, Bitcoin volatility has decreased over time as the market cap of Bitcoin has increased. However, Bitcoin remains highly volatile with fluctuations of minus 20% or plus 20% in just one month (Meredith, 2022). This volatility can cause retail investors to lose money when Bitcoin's value drops. For example, in the 2022 bear market, Bitcoin dropped from USD64000 to USD16000. Since 2022, Bitcoin has rallied from USD16000 to USD71000 in 2024 and currently sits at USD107000. Understanding volatility and navigating through it is essential for investors. Despite these arguments, El Salvador and the Central African Republic have adopted Bitcoin as a legal currency (Bukele 2022). Figure 1 below shows the all-time value of Bitcoin from 2010 to 2025.



Figure 1. The all-time value of Bitcoin from 2010 to 2025.

Bitcoin is also criticised for being used for illicit activities such as scams, pyramid schemes, money laundering, financing terrorism and drug activities (Meredith, 2022). Due to online scams and hacking, resulting in many losing their money, Bitcoin and other cryptocurrencies are associated with a negative sentiment among the public. To improve this sentiment, governments are opting for centralised exchanges that verify the personal information of investors and operate as intermediaries (Meredith, 2022). Moreover, most scams, hacking and pyramid schemes are mostly criminals taking advantage of the evolving system, just like internet banking and credit cards faced challenges in their early implementation phases (Karwowski, 2020). Such loopholes in crypto can delay or prevent the use of bitcoin as an alternative monetary system. XRP, otherwise known as Ripple, also plays a significant role in digital currencies and offers faster banking technology. Blockchain technology offered by Ripple is not only quicker, but also cheaper than traditional swift technology currently used by the majority of banks (Arnone, 2024). According to Arnone (2024), Ripple was formed in 2012 and has partnered with over 300 banks and financial institutions across the globe. These include BBVA, Banco Santander and UniCredit. According to Binance 2025, some of the famous banks that Ripple has partnered with for cross border payments include Santander (a leading European Bank), American Express or AMEX, Standard Chattered MoneyGram, SBI Holding from Japan and Euro Exim Bank.

At the 2018 Singapore FinTech Festival, a discussion between Ripple's CEO Brad Garlinghouse and the IMF's Deputy General Counsel Ross Leckow suggested that countries and institutions like the IMF might invest in crypto assets in the future. Leckow stated that for the IMF to own crypto, a country would have to use crypto assets as its currency (Singapore FinTech Festival, 2018). If Leckow's comment holds true, the IMF may eventually hold crypto assets, allowing more countries to borrow Bitcoin. While Bitcoin may offer opportunities for developing economies, developed countries that benefit from the current monetary system, such as China, are likely to oppose the system. China banned Bitcoin but legalised holding crypto assets while promoting its digital currency, the Digital Yen (Rapoza, 2021). However, countries like Algeria in 2018 and Bolivia in 2014 completely banned Bitcoin citing reasons such as lack of regulation by central banks (Orgi, 2022). Other countries like Canada treat Bitcoin as a commodity and tax individual gains 50% and day traders 100% (Orgi, 2022). Many have labelled the high tax on cryptocurrencies an attempt to discourage crypto adoption.

The case of el salvador's bitcoin national reserves

One of the countries that has demonstrated that small countries can take advantage of early Bitcoin adoption to navigate the complexities of global trade, the debt crisis, and international reserves is El Salvador. It all started in 2021 when El Salvador bought 1,120 Bitcoins at an average price of \$46500/BT (Binance 2025). The country continued to add more Bitcoins using a dollar cost averaging strategy. Currently, the country holds 5,690 Bitcoins as its national reserves at an average price of \$19000 per Bitcoin (BITBO 2025). Many criticised the country in 2022 when Bitcoin prices dropped as low as \$16000/BT but the country kept on accumulating its reserves. Currently as of 6 June 2025, the price of Bitcoin is now \$108,000/BT, meaning that El Salvador used a total of \$108 Million to purchase 5,690 Bitcoins at a price of \$19000 per Bitcoin. Thus, the country's Bitcoins are now worth \$620 Million, a profit of \$512 Million or a 473% return on investment. While some might view this as one of the successful crypto bets by a country, this paper argues that this is what innovative thinking can bring to small countries. Since 2024, the country has now paid over \$800 million IMF debt, showing its ability to rely on Bitcoin as a national reserve.

Conclusion

Discussions on development and poverty elimination in developing economies often neglect financialisation and dollar hegemony. These are key structural limitations of genuine sustainable development. As a means to facilitate economic growth in emerging economies, scholars such as Forster, D'Arista, and Triffin call for an improved system over dollar hegemony. D'Arista criticised dollarisation, or the adoption of another country's currency, as a flawed solution to economic challenges. This paper discusses how the post-Bretton Woods monetary system has left most economies except one relying on exports. This system has been dominated by the US since most countries use the US dollar to settle international transactions, with some also using the Yen and the Euro. As the world grew into a financialised one where finance, rather than production, yielded more profits, the US greatly benefited from this system. Developing countries needing US dollars to settle international transactions are often forced to export goods to US-based companies or take loans in US dollars. Consequently, many countries, including the developed, keep their reserves in America. Thus, the monetary authority remains in the hands of US politicians, who can use it as a weapon to enforce compliance. While a nation may be able

to survive sanctions imposed by nations such as Britain, sanctions imposed by the United States require more serious consideration due to the role that the dollar plays in international trade, reserves, and bonds, and the fact that the US is the only source of dollars in the world. An inclusive system would allow emerging economies to develop without being manipulated by developed countries or dependent on US currency. Although scholars such as D'Arista 2007 and Triffin (1968) have suggested the use of bloc currencies such as the Euro and SDRs to create an inclusive system, these suggestions have not proved to be effective in challenging the hegemony of the dollar. This paper argues that cryptocurrencies such as Bitcoin disrupt the global financial system. Bitcoin's decentralised nature provides liquidity and is faster and easier to transfer than traditional currencies. With financialisation and technological advancements, developing countries and emerging economies cannot export their way out of poverty. Instead, they should adopt innovative financial systems.

Declarations

Interdisciplinary Scope: The interdisciplinarity is established by looking at the growing link between economics and politics. It explores the opportunities of blockchain technologies like Bitcoin for developing countries as a way of navigating economic challenges. El Salvador was used as a case study to explore the feasibility of developing countries holding international reserves in Bitcoin to tackle some of their economic challenges like debt crisis.

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