



Bitcoin & Economic Empowerment

FOR MARGINALIZED COMMUNITIES,
BITCOIN HAS BECOME A LIFEBOAT

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Bitcoin Is More Than Just An Asset, It's A Lifeboat¹

Where economic turmoil has upended lives, Bitcoin is a means of surviving from one day to the next. In countries like Sudan, Afghanistan, Nigeria and Cuba, Bitcoin protects what wealth remains after inflation has waged its toll. In less dramatic circumstances, marginalized communities are using Bitcoin to gain a foothold in a global economic system that has cast them aside.

Bitcoin is a permissionless network that doesn't care who you are, what you do, or where you're from. As a result, Bitcoin can safeguard the future you've worked so hard to create, and all you need is an internet connection.

Yes, Bitcoin can transform anyone's financial outlook, but more importantly, it can save lives. This article will give a few of the many examples as to how Bitcoin is doing just that. Bitcoin's mass adoption will hinge as much on how it economically empowers the powerless as it will on how it fits in a well-crafted portfolio.

Lifeboat

Alex Gladstein is the Chief Strategy Officer at the Human Rights Foundation. In a series of essays, he shares stories from around the world on how Bitcoin protects human rights and serves as an "escape hatch from tyranny."² In this section, we share some of the harrowing stories Alex has uncovered.

In Nigeria, an entrepreneur built a Bitcoin exchange in response to the depreciation of the naira and established a BTCPay Server³ after the government cracked down on the bank accounts of human rights activists.⁴ Next, a Sudanese doctor spoke about how bitcoin provides hope for a people tormented by war. Finally, a businessman in Ethiopia explained that bitcoin is already a preferred medium of exchange in a

1 <https://www.stoneridgefunds.com/documents/AnnualReport.pdf>

2 <https://reason.com/video/2021/02/05/bitcoin-is-protecting-human-rights-around-the-world>

3 A self-hosted, payment processing application that is impervious to censorship.

4 <https://bitcoinmagazine.com/culture/check-your-financial-privilege>

country where dollars are illegal, gold is hard to come by, and inflation is rampant.

In another article, Afghani women relayed how bitcoin is a tool for battling oppression.⁵ For example, the first female CEO of an Afghani technology company, Roya Mahboob, said that her employees preferred to be paid in bitcoin because it was challenging to confiscate.

“If I gave them cash,” Mahboob said, “their fathers or husbands or brothers might find out and take it away.”

One of Mahboob's employees, Laleh Farzan, relocated her family to Europe with the help of bitcoin. In 2016, Farzan's family sold all their possessions and fled the country after being threatened by the Taliban. During the treacherous journey from Central Asia to Germany, Farzan's family was robbed. They lost their remaining possessions in a boat crash. Thankfully, Farzan kept her bitcoin throughout the ordeal. She had written her bitcoin wallet's seed phrase on a slip of paper. That inconspicuous piece of paper was the key to her and her family beginning a new life.

Finally, in Cuba, bitcoin is a "cheat code" to get around punishing economic restraints.⁶ One Cuban, Erich García Cruz, said that bitcoin "has become a way to connect to the outside world" in a country cut off from traditional payment rails. Another person remarked that they believed bitcoin adoption on the island already surpassed Canada or Europe per capita.

“I can't imagine my life right now without Bitcoin,” a man named Jorge said.

Remittances

Globally, \$646 billion of remittances were sent in 2020, according to the World Bank.⁷ Few countries are as reliant on the payments as El Salvador. Nearly a quarter of the Central American nation's gross domestic product is attributable to money being sent home by citizens that have left to live abroad.⁸

5 <https://bitcoinmagazine.com/culture/bitcoin-financial-freedom-in-afghanistan>

6 <https://bitcoinmagazine.com/culture/cubas-bitcoin-revolution>

7 https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?end=2020&locations=SV&most_recent_value_desc=true&start=1976&view=chart

8 https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?end=2020&locations=SV&most_recent_value_desc=true&start=1976&view=chart

Payment networks weren't built with El Salvador's best interest in mind. On a percent basis, remittances are among the most expensive financial transactions anyone can make. But, perversely, smaller transfers can be relatively more costly because payment services impose minimum fees. And in El Salvador, where the average monthly remittance was just \$195 as of 2016, almost all transfers are small.⁹

In a CNBC article shortly after the country officially adopted Bitcoin as legal tender, one Salvadoran living in Canada detailed the cost of remittances.¹⁰ He said that \$10 sent through a traditional money transmitter came with a 33% fee. A \$100 payment made via the same company's online application would come with a 12.5% surcharge. And then there's the wait. It can take three or more days for one of his payments to make its way home.

Bitcoin fixes this.

Now with the Lightning Network, those payments can be made in an instant at nearly zero cost. Anyone with an internet-connected device can set up a Lightning-enabled wallet and enjoy the benefits.

Assume someone sends the average amount of \$195 per month and that they, conservatively, pay 10% in transaction fees on each transfer. Using traditional money transmitters, that person would be paying about \$20 a month in surcharges alone. Over a year, that adds up to \$240, more than an additional month worth of relief for a struggling family.

In the CNBC story mentioned above, one Salvadoran banker pegged the total potential savings from adopting bitcoin at close to \$1 billion a year. Assuming the savings would become additional remittances, the country's GDP would jump 4% based on 2020 figures. For some perspective, only six countries posted GDP growth of 4% or more from 2019 to 2020.¹¹ Consequently, the widespread use of Lightning would almost immediately make El Salvador one of the fastest-growing economies in the world.

9 <https://publications.iadb.org/publications/english/document/Remittance-Recipients-in-El-Salvador-A-Socioeconomic-Profile.pdf>

10 <https://www.cnbc.com/2021/09/09/el-salvador-bitcoin-move-could-cost-western-union-400-million-a-year.html>

11 https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?most_recent_value_desc=true

Key Takeaways

01

Bitcoin fundamentally alters how people store their wealth. For the first time, an asset can be kept out of the reach of oppressive regimes and provide a lifeline to people suffering under tyranny.

02

Bitcoin is an inflation hedge, can be taken across borders without being detected and is difficult to confiscate.

03

The Lightning network has the potential to upend the global remittance industry. Billions of dollars that are paid in fees alone can become additional aid for struggling families.

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