

What is the world's first country to accept Bitcoin as legal currency like now?

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On September 7, 2021, El Salvador - a country in Central America recognized Bitcoin as its national currency. One year after becoming the first country to accept Bitcoin as legal currency, El Salvador is now facing the risk of bankruptcy and many other problems.

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El Salvador's controversial decision

Before the Bitcoin law came into effect, President Nayib Bukele did not announce his Bitcoin-related plans to the people, but he announced them at a digital currency conference in May 2021 in Miami (USA).

Previously, the president has also shared many times on Twitter about his habit of buying Bitcoin spontaneously, such as when in the toilet or when naked.

After the Bitcoin law was passed after 5 days of announcement, President Bukele expressed his ambition to mine Bitcoin using geothermal energy as well as shared his vision for digital currency on Twitter but the content was written in English.



After Bitcoin was accepted, President Nayib Bukele decided to launch Chivo Wallet, a government-developed digital wallet, and build a series of Bitcoin ATMs. He also promised to give each citizen \$30 in digital currency to use. However, since its launch, Chivo has been prone to errors and has become an ideal target for criminal groups. In the first 3 months of its launch, nearly 1,000 cases of wallet fraud and identity theft occurred.

A survey by the University of Central America found that 70% of El Salvadorans oppose the Bitcoin law. On September 15, 2021, thousands of people with the slogan 'No to Bitcoin' took to the streets to protest the Bitcoin law.



In November 2021, President Bukele announced plans to build a Bitcoin City along the Gulf of Fonseca, near a volcano. A power plant will be built next to the volcano to power both the city and Bitcoin mining. This is the world's first city based on cryptocurrency. However, this continues to cause controversy.

Not stopping there, the government of this Central American country also plans to issue 'Bitcoin bonds' worth 1 billion USD to build the infrastructure and energy needed to mine Bitcoin and buy more of this cryptocurrency.

To date, El Salvador has purchased a total of 2,400 Bitcoins for more than \$100 million.

El Salvador is drowning in debt.

Bitcoin prices have plummeted, causing El Salvador's Bitcoin holdings to lose 60% of their value. Meanwhile, the Central American country currently owes \$23 billion and must repay \$800 million to the International Monetary Fund (IMF) in 2023. According to IMF estimates, by 2026, the country's public debt will account for more than 95% of GDP.

In addition, the plan to build Bitcoin City is said to have an impact on the environment during implementation. The construction of power plants will consume a lot of water, while people lack clean water to use.

Many experts believe that Bitcoin does not benefit the people of El Salvador. The government is 'gambling' with people's money, depriving them of access to other resources.

After El Salvador's decision to legalize Bitcoin, the government focused its budget and resources on the digital currency Bitcoin. This has exacerbated the country's economic and political problems and crises. Since March 2022, at least 50,000 people have been arrested due to conflicts in El Salvador. The US has also sanctioned many

politicians in this Central American country for alleged money laundering and illegal drug trafficking.

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