

# Digital Money: A Financial Trap or a New Economic Salvation

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## Introduction

To substantiate the possible consequences of these hypotheses, it is necessary to briefly review the entire history of the development of money as a means of payment.

The primary reason for the emergence of money was the search for a universal means of exchange (barter) within the social division of labor. Various forms of currency then served as money, ranging from iron, bronze, or other consumer goods, depending on people's location. As a result, gold and silver became universal means of payment.

Gold and silver became universal due to a set of physical and technical properties that make them indispensable for the exchange and storage of value.

Factors for their dominance:

- A. Relatively rare;
- B. Security and maintenance;
- C. Compactness and flexibility for easy travel.

Table 1 of particular interest is the modern financial system that has developed over time. Several key factors in its evolution can be identified:

- A. The Bretton Woods System (1944):** Following the Second World War, it was decided that the US dollar would become the world's reserve currency, while all other currencies would be pegged to the dollar. Central banks were able to exchange their dollar reserves for gold, while the free movement of capital enabled other countries' central banks to transfer funds without significant restrictions.
- B. The collapse of the gold standard (late 1960s–1971):** In the late 1960s and early 1971, French President Charles de Gaulle, in response to domestic economic challenges, decided to exchange part of France's dollar reserves for gold. However, due to the US budget deficit and inflationary pressures, President Richard Nixon suspended the convertibility of the US dollar into gold. From that point onward, the world gradually transitioned to a system of fiat money, whose value is based not on gold reserves but on trust in the state, its economy, and national strength. Gold ceased to function as a means of payment and became primarily an investment asset and financial instrument.
- C. The global economic crisis of 1973 and the emergence of the petrodollar system:** The economic crisis of 1973 led to the emergence of the term petrodollar, referring to the practice of pricing and trading oil predominantly in US dollars. In 1973, Saudi Arabia, one of the world's leading oil producers and exporters, signed a 50-year agreement with the United States to sell oil exclusively in US dollars.

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- D. The collapse of the Soviet Union:** The financial system of the USSR also included support of the national currency through gold and other state assets. The dissolution of the Soviet Union significantly transformed the global financial environment.
- E. The introduction of the Euro (1995):** The European Union currently accounts for approximately 18–20% of global GDP (with total world GDP exceeding USD 100 trillion), making it one of the largest economies in the world.
- F. China's economic and political development following reforms initiated in the late 1970s:** The strengthening of the Chinese yuan in global settlements reached approximately 4.5% by early 2024. Two key factors contributed to the increase in the yuan's role: the development and promotion of the Belt and Road Initiative and the agreement concluded with Saudi Arabia in 2024 regarding the sale of a portion of oil exports in yuan.
- G. The increasing influence of transnational and multinational corporations (TNCs and MNCs):** Companies such as BlackRock (USD 11.6 trillion in assets under management), Vanguard Group (USD 10.4 trillion), and Fidelity Investments (USD 5.9 trillion) have significantly strengthened their role in the global economy. These corporations can effectively be viewed as “states within states,” managing investment and capital flows worth trillions of dollars.
- H. In the author's opinion, the primary trigger for changes in financial rules was the global financial crisis of 2007:** During this period, the two largest economies—the United States and the European Union—introduced large-scale support programs for their national economies, commonly referred to as quantitative easing (QE) programs. The total amount of newly created and effectively unsecured liquidity in these economies reached several trillion US dollars (approximately USD 5–6 trillion each for the United States and the EU). Other countries followed similar approaches to support their domestic economies. For example, in 2009 Kazakhstan allocated more than USD 10 billion to support its national economy.

**Table 1:** Stages of Demonstrating the Form of Money.

No.	What Served as a Measure of Value	Beginning Period	Formation / Social System	Form of Circulation
1	Consumer goods and commodities	7–8 thousand years ago	Primitive communal society	Any goods exchanged for consumer value
2	Metal money	7 <sup>th</sup> century BC – present	Slave-owning society	Gold, silver
3	Copper money	—	Feudal society	Copper and various alloys
4	Paper money	Since the 10 <sup>th</sup> century (China)	Capitalist society	Banknotes, stocks, securities, bonds, cashless money
5	Digital money	Beginning of the 21 <sup>st</sup> century	Post-industrial society	Cryptocurrency, digital currency

**\*SDR (Special Drawing Rights)** are an artificial international reserve and payment asset created by the **International Monetary Fund (IMF)**.

The COVID-19 pandemic in 2020 further reinforced these financial support measures. Such practices continue today, although on a smaller scale. In effect, the global economy has experienced the continuous expansion of financial resources that are not directly backed by tangible assets. Under the classical financial system, monetary resources were traditionally expected to be supported by goods, gold, or other assets.

This development has significantly influenced both global and domestic inflation. Furthermore, governments around the world have strengthened control over both cash and non-cash monetary circulation. Various instruments, including sanctions, asset confiscation measures, and changes in tax regulations, have increasingly been used by individual countries.

As a result of these governmental actions and growing business demands, the issue of trust in both international and national institutions has become increasingly significant. Unrestricted money creation and the growing use of non-cash financial instruments (stocks, liabilities, securities, and others) contribute to increased financial speculation.

Indirect evidence supporting these developments can be illustrated by the following figures:

- A. Global debt reached a record level of approximately USD 110 trillion by early 2026, approaching nearly 100% of global GDP and thereby increasing the risks of financial and economic instability.
- B. The number of millionaires increased by 5.1% in 2025, reaching approximately 25 million individuals worldwide.

At the same time, much of this process is increasingly based not on the creation of tangible goods and products, but rather on opportunities for speculative profit generation, primarily in financial forms. Governments themselves have also become active participants in these processes.

Thus, a precedent emerged in which the state effectively no longer imposed strict limitations on the creation of additional financial resources and was no longer tied to gold reserves, commodity reserves, or other assets, often under the justification of supporting socially vulnerable groups or large oligarchic businesses. On the other hand, some segments of society seek to

preserve their financial and other resources while limiting the influence of the state on these processes.

As a result, following negative economic consequences and declining trust in state and supranational financial institutions at the beginning of the 21<sup>st</sup> century, new financial instruments began to emerge that bypassed governmental intervention and regulatory restrictions. This process ultimately led to the emergence of new forms of money, commonly referred to as digital money. In academic literature, various terms and definitions are used to describe these forms of money, including cryptocurrency (as well as related terms such as tokens and memecoins), Bitcoin, digital currency, and others.

Summarizing these trends, in our opinion, three key factors contributed to the emergence of digital money:

- A. The globalization of the world economy and the growing necessity for supranational money amid declining trust in state-backed currencies (resulting from uncontrolled money creation, financial bubbles, and the issuance of stocks and securities under insufficient financial discipline);
- B. The need for economic digitalization based on knowledge development and technological advancement in communication systems;
- C. Consideration of the increasing need to protect private investments from government intervention and potential pressure on wealthy individuals.

In our view, the platform for creating such currencies emerged from the convergence of two sectors of the economy:

1. Energy, due to the increasing demand for energy consumption required for the production of goods and services;
2. Education, driven by the expansion of knowledge and the growing number of educated individuals within society.

As of early 2026, the capitalization of the global cryptocurrency market is estimated at approximately USD 2.3–2.4 trillion. At the same time, the market remains highly volatile, with Bitcoin accounting for the largest share. According to experts, daily trading volumes amount to hundreds of billions of US dollars, while the number of users exceeds 700 million people.

In effect, we are witnessing the emergence of a new financial reality — digital money, whose value is supported primarily by the existence and development of digital and software technologies, reinforced by knowledge in the field of cryptography. For the first time in market economics, the principal product is no longer a tangible good in the traditional sense, but rather a social and ethical category — TRUST.

In the field of economics and management, this concept may be understood as:

A qualitative and dynamic characteristic of interactions among economic actors that reduces transaction costs and contributes to business development.

Thus, digital money lacks direct backing by tangible goods or conventional financial assets; nevertheless, it can be exchanged for real goods and traditional currency.

Following the example of large corporations, many influential business figures have also attempted to issue their own cryptocurrencies, including Elon Musk, Donald Trump, and others.

Therefore, Karl Marx's classical formula:

**Money → Commodity → Money**

can be reformulated in modern conditions as:

**Money → Commodity → Money → Digital Value (Digital Money)**

From a political economy perspective, the emergence of a new monetary unit may indicate the appearance of a new, fifth factor of production in the modern economy — **knowledge (information) or education**.

At present, many technologically advanced countries have begun introducing state-backed digital currencies in order to simplify administrative procedures and increase the efficiency of financial systems.

Furthermore, in my opinion, the introduction of a digital dollar could potentially influence the external debt of the United States. One possible scenario is that debt obligations could be restructured or selectively settled with strategic partner countries, potentially leading to significant global economic consequences.

Kazakhstan also requires investment, and from this perspective, the emergence of digital money creates additional opportunities.

On the one hand, a digital currency with a real nominal value may be introduced into circulation; on the other hand, it also promotes technological development and the establishment of national digital platforms. While digital currencies were initially viewed primarily as investment and savings instruments, they are increasingly being integrated into the real economy and practical sectors of activity.

For this purpose, the **National Payment Corporation** was established under the management of the **National Bank of the Republic of Kazakhstan**, along with a national platform intended for the industrial-scale implementation and use of the national digital currency.

Within the framework of digital tenge pilot projects, eight use-case scenarios had been implemented by the end of 2025. The platform was utilized to ensure the targeted allocation of budget funds across various areas, including infrastructure financing, public procurement implementation, entrepreneurship support, and several other state programs.

The application of programmable mechanisms made it possible to ensure transparency in financial flows and improve the management of budget expenditures. During the platform's operation, 336.6 billion digital tenge were issued, and more than one thousand transactions were conducted.

If compared with the classical monetary system, the amount of cash in circulation was approximately **5 trillion tenge**, while the volume of cash increased by **20% over the year**. Over recent years, the amount of cash in circulation has shown a steady upward trend (Table 2).

**Table 2:** Dynamics of Cash Volume Growth.

No	Year	Amount (in trillions)
1	2021	3
2	2022	3.4
3	2023	3.6
4	2024	4.4
5	2025 (November)	5.1
<b>According to the data of the National Bank of the Republic of Kazakhstan (NBRK) for 2026</b>		

The growth of cash circulation has also occurred against the backdrop of a sharp increase in non-cash transactions. By the end of 2025, the volume of non-cash card transactions in the country reached **KZT 186 trillion** (+13% year-on-year), which is equivalent to 187% of GDP. Based on these figures, the share of the **digital tenge** still represents a negligible proportion of the total amount of cash and non-cash money in circulation and, therefore, can currently be integrated into the economy without causing significant disruptions.

This creates a mechanism through which the government may use digital currency as an instrument to finance budget expenditures without relying on additional monetary issuance or increasing domestic debt. However, sooner or later, this process may negatively affect economic indicators within the fiscal and budgetary sphere, with the peak impact expected during **2028–2029**.