Financial Self-Determination as a Right:

The Ethics of Cryptocurrency Prohibition in Hyperinflationary States

Masoud Rezaeian grew up in the Bandar Abbas province of Iran, worked on a government oil rig for decades, and saved carefully to leave something for his wife and grandchildren. In 2023, those savings lost half their value in a single year as the Rial collapsed under government mismanagement. When Masoud asked his broker about converting his savings to Bitcoin, the answer was simple: the government prohibits it. Is that prohibition morally defensible? While states may legitimately regulate monetary systems, a government that both destroys citizens' savings through hyperinflationary policy and prohibits access to cryptocurrency as their only viable exit violates Kant's Formula of Humanity by treating people merely as instruments of monetary control, a violation that appeals to monetary sovereignty cannot justify.

I will cover the factual conditions that my argument requires, a combination of state-caused hyperinflation and crypto prohibition found in cases like Iran. Then, I will introduce Kant's Formula of Humanity and the concept of structural entrapment. Following that, I will apply this framework to show why the combination of policies constitutes a moral violation considering three main objections: that Kant's own political philosophy licenses state monetary authority, that Dierksmeier and Seele's critique of crypto's social harms undermines my argument, and that the appropriate remedy is political reform instead of crypto access. I conclude that none of these objections succeed and that the prohibition, under these outlined conditions, is morally impermissible.

The cases that this paper addresses are not economic accidents, but rather the predictable result of specific government choices that trap citizens in a two-part bind. The first case arises from government spending more than it collects. In this case, the government must borrow, cut spending, or print money. Iran, Venezuela, Argentina, and Turkey have all chosen the latter option at various points. Printing money increases the currency supply without increasing the supply of goods, meaning each unit of currency will buy less. This is inflation by government design, not by market forces. Second is artificial exchange rate fixing. Several of the

previously mentioned governments fix the official exchange rate of their currency at an artificially high value. Meaning, on paper, one Rial or one Bolivar is "worth" more than markets would price it. This creates a gap between the official rate and the black market rate. Citizens who try to exchange money at real market rates are effectively punished for revealing this discrepancy. The government then maintains the fiction of a strong currency while in reality, it deteriorates. This is a deliberate policy choice with deliberate consequences. Lastly, the final form of government intervention is capital controls. To prevent citizens from protecting themselves by moving money into foreign countries or assets, governments impose capital controls, legal restrictions on converting domestic currency into foreign currency or moving money abroad. Capital controls are not a response to hyperinflation. They are a mechanism for trapping citizens inside a depreciating currency so that the effects of printing money fall on the population. This is the first half of the trap. For example. Iran's inflation rate exceeded 40% in 2023 by most foreign estimates, with some measures placing it much higher.[1] Turkey's inflation was 85% in late 2022.[2] These numbers quantify what destroying citizens' savings looks like in practice. A 40% annual inflation rate means that savings held in the domestic currency lose nearly half their purchasing power in a single year. This is what happened to Masoud.

Governments do not ban crypto because they have philosophical objections to decentralized finance. They ban it because crypto works as an exit from their monetary regime, and allowing that exit would undermine the effectiveness of government policies. Crypto is an effective exit in a way that traditional investing and foreign exchange investments are not. Foreign exchange requires going through banks and financial institutions that operate under state supervision and are subject to capital controls. Traditional investments, stocks, bonds, and real estate are denominated in the same collapsing domestic currency. Gold is physical, trackable, and confiscable. Cryptocurrency is different. It is decentralized, meaning no institution controls it. It is pseudonymous, meaning transactions are harder to trace to specific individuals, and borderless. It can be transferred internationally without going through supervised financial channels. These properties make

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[1] "Explainer: Rising Prices, Falling Currency: Iran's Economy Faces Rocky Road," Anadolu Agency, January 15, 2026, https://www.aa.com.tr/en/economy/explainer-rising-prices-falling-currency-iran-s-economy-faces-rocky-road/3800027.
[2] "Turkey Embraces Crypto Amid Currency Woes," *AGBI*, October 27, 2023, https://www.agbi.com/banking-finance/2023/10/turkey-embraces-crypto-amid-currency-woes/.

it uniquely resistant to the capital controls that trap citizens in other asset classes. Iran introduced restrictions on cryptocurrency trading in 2019, and has maintained a complex regime of prohibition and limited state-controlled mining since.[3] Turkey banned cryptocurrency payments in 2021.[4] China banned all cryptocurrency transactions in 2021 after years of tightening restrictions.[5] In all such cases, the timing and rationale of the bans track the governments' desire to maintain monetary control, not consumer protection concerns.

Having established that these conditions are the product of deliberate state action rather than market forces or bad luck, the question becomes what moral framework best captures why this specific combination of policies constitutes a wrong, and that is where Kant's Formula of Humanity becomes essential. Understanding why the combination of policies above constitutes a moral wrong rather than merely bad governance requires a framework that locates moral obligations in the nature of people themselves rather than in the consequences of policy, and this is precisely what Kant's moral philosophy provides.

People have dignity. Dignity is not a higher price, it is a categorically different kind of value. It is unconditional, and cannot be traded, substituted, or compensated away. If you wrong a person, you cannot simply pay them back and make it even, because their worth is not valued in a currency. This is why Kant thinks there are absolute moral prohibitions, things that cannot be done to people regardless of the benefits to yourself or others. This dignity is grounded in the capacity for rational agency. Rational agency is the ability to step back from immediate desire, deliberate about what matters, and act based on reasons rather than impulse. This is what distinguishes persons from mere objects. Kant writes that "the human being and in general every rational being exists as an end in itself, not merely as a means to be used by this or that will as it pleases."[6] In

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[3] "Iran's Economy Faces Rocky Road," Anadolu Agency, January 15, 2026.
[4] "Turkey Embraces Crypto Amid Currency Woes," AGBI, October 27, 2023.
[5] "China: Central Bank Issues New Regulatory Document on Cryptocurrency Trading," *Global Legal Monitor*, Library of Congress, October 13, 2021, https://www.loc.gov/item/global-legal-monitor/2021-10-13/china-central-bank-issues-new-regulatory-document-on-cryptocurrency-trading/.
[6] Immanuel Kant, Groundwork of the Metaphysics of Morals, trans. Mary Gregor (Cambridge: Cambridge University Press, 1997), 4:428.

other words, rational beings possess value not as instruments for others' purposes but as sources of value in themselves. Their worth is unconditional, not derived from what they can do for anyone else.

Further, Kant advised people to, “Act so that you use humanity, whether in your own person or in the person of any other, always at the same time as an end, never merely as a means.”[7] Humanity here does not refer to people in general but to the capacity for rational agency itself, the specific ability to have individual agency and act from reason rather than impulse. The phrase “always at the same time as an end” creates two distinct duties, a negative duty not to treat persons merely as means, and a positive duty to actively respect their rational agency by acknowledging that they have their own duties that act independently of one another. The word merely is critical. Kant does not prohibit all instrumental use of persons, since using others as means is an unavoidable feature of social life. What is prohibited is treating someone only as a means, with no regard for their rational agency whatsoever. Take a landlord who raises rent through a legitimate lease negotiation. He is using a tenant as a means, or source of income, but permissibly. The tenant’s rational agency and choice to rent is respected in this process. A landlord who manufactures false conditions to trap a tenant in an unaffordable lease, by restricting their ability to move, withholding information about alternatives, and controlling their access to outside options, is treating the tenant solely as a means. The difference is not the outcome, but whether rational agency, or humanity, was repressed or engaged.

Kant scholars identify three ways of violating the Formula. Deception, coercion, and structural entrapment. In deception, you corrupt someone’s rational deliberation by feeding it false information. Their “choice” is based on manipulated inputs. They think they are choosing freely, but are not, because the information they are reasoning from is falsified. A lie to extract a favor would be classic example. The second way is coercion. In this case, you substitute your will for theirs through actions that make all alternatives unacceptable. You do not corrupt the reasoning, you remove the conditions under which free reasoning can exist by making every option except the one you want intolerable. An example would be threatening someone to gain compliance. Last is structural entrapment. This is the most subtle violation and the one in case in the crypto argument. You engineer or maintain conditions with no rational alternatives, then offer them a “choice” within

[7] Kant, *Groundwork*, 4:429.

those conditions. The choice appears voluntary on the surface because no individual threat or lie is identifiable. However, the alternatives have been systematically closed, and you are the agent who closed them. The person's rational agency is suppressed not by a single dramatic act but by the architecture of the situation you have created. An example would be a company that pays workers in vouchers only redeemable at a company-owned store, houses them in company-owned accommodation, and legally restricts them from seeking outside employment. The company has not threatened or deceived anyone in a single identifiable moment. It has constructed conditions in which the workers have no rational exit. Every opportunity of escape has been closed by deliberate policy choices. The worker's "choice" to continue working is not a choice in any meaningful sense. This is structural entrapment, and it violates the Formula of Humanity even without coercion or deception.

As Kant writes, "Rational nature exists as an end in itself."[8] Rational agency has unconditional worth, not granted by the state or contingent on circumstances. The state cannot earn the right to suppress it through any prior agreement or social arrangement. The argument proceeds in five steps which each must hold for the conclusion to be sustained. Deciding how to protect and allocate the value of one's labor is not a trivial preference but a core exercise of the rational agency Kant's Formula of Humanity is designed to protect. When a person deliberates about how to preserve their savings, weighing instruments, assessing risks, choosing between options, they are doing exactly what Kant says people do. They are setting ends and choosing rational means to pursue them. This is practical reason operating in the financial domain. It is not categorically different from deliberating about a career, a medical treatment, or any other significant life decision. Financial self-determination is therefore not a lifestyle preference that states may override when convenient. It is an expression of the rational agency that grounds human dignity itself. To treat it as a revocable privilege is to treat the exercise of practical reason as something less than what Kant says it is.

When a government runs hyperinflationary monetary policy, it does not merely inconvenience citizens' financial planning. It systematically destroys the material conditions under which rational financial agency can operate. Rational financial agency requires that the fruits of one's labor retain enough value to be worth the

[8] Kant, *Groundwork*, 4:436.

labor itself. The citizen's rational agency is not being constrained by neutral market forces that no one controls. It is being undermined by a specific agent, the state. Cryptocurrency is the one instrument that escapes both the collapsing currency and the capital controls that eliminate conventional alternatives. By prohibiting access to cryptocurrency, the state closes the last exit available to rational financial agency. Any of these alone, while possibly wrong on other grounds, does not constitute structural entrapment in the Kantian sense because rational alternatives remain available.

The combined effect of these two policies is to use citizens as instruments of monetary control. Their financial suffering is not a regrettable side effect of the policy but the mechanism by which the state maintains its monetary authority. The government maintains monetary control precisely by keeping citizens captive to a depreciating currency. This is not an inference, it is the explicit logic of capital controls and crypto bans. If citizens could exit freely, the government would face immediate pressure to reform monetary policy because the population would vote with their savings. The ban exists to prevent this exit. That means citizens' financial suffering is not incidental to the policy, it is what makes the policy work. Their inability to protect themselves is the precondition for the government's ability to continue printing money without facing the market consequences that would otherwise force reform. This is treating people merely as means in exactly the sense Kant's framework prohibits. Citizens' rational agency, their capacity to respond to their own circumstances through deliberate financial choice, is not merely constrained as a side effect of legitimate coordination. It is the thing being suppressed in order for the policy to function. The suppression of their rational agency is the instrument by which the state achieves its monetary goals. That is the definition of treating persons merely as means. Unlike deception or coercion, there is no single identifiable moment where the state points at a citizen and explicitly uses them. The entrapment is architectural. It is built into the combined structure of two policies that together remove all rational exits while the state extracts value from the population trapped inside the system.

The crypto ban in this specific context satisfies the conditions of a Formula of Humanity violation. It is not merely bad policy but a moral wrong that the state has no legitimate authority to impose. Kant himself believed in the state. In a later work titled *Metaphysics of Morals*, he argued that governments have legitimate

authority to regulate the external conditions of freedom, including economic life, so that everyone's freedom could be compatible with everyone else's. A critic could therefore argue that monetary regulation, including cryptocurrency prohibition, is not a violation of the Formula of Humanity but an expression of the state's legitimate duty to maintain the conditions under which everyone's rational agency can function. The state manages money so the whole economic system works. That is not violating anyone's dignity, that is coordination.

This objection fails because it conflates two categorically different kinds of state economic authority that Kant's framework itself requires us to distinguish. Legitimate coordination regulates freedom to make it compatible across a group of people. Property law, contract enforcement, monetary stability, these constrain some individual freedoms in ways that expand everyone's freedom equally and predictably. The state is justified in this because it is acting as the agent of its citizens' collective rational agency, not against it. The constraints serve the rational agency of the persons being constrained. Hyperinflationary monetary policy is not coordination, it is a mechanism for financing government spending by degrading the savings of the population. It does not make citizens' freedoms more compatible with each other. It transfers value from citizens to the state while systematically destroying the material preconditions for the rational financial agency the Kantian state is supposed to protect. The state's authority, as Kant himself understood it in the *Doctrine of Right*, is conditional on the state acting as the protector of rational agency under universal law.[9] A state that runs hyperinflationary monetary policy and bans the exit has forfeited this justification. It is not coordinating freedom, in actuality, it is extracting from persons while suppressing their rational response.

Dierksmeier and Seele are not opponents of cryptocurrency as such, they take the autonomy argument seriously and operate within a broad ethical framework. Their concern is more sophisticated than simple prohibition. They argue that cryptocurrency's defining features, anonymity, decentralization and resistance to regulatory oversight do not merely protect individual financial freedom. They simultaneously enable tax evasion, money laundering, illicit transactions, and the systematic undermining of the public institutions that

[9] Immanuel Kant, The Metaphysics of Morals, trans. Mary Gregor (Cambridge: Cambridge University Press, 1996), 6:313.

make freedom possible for everyone. Their point is that autonomy is not a purely individual achievement. It depends on social infrastructure such as courts that enforce contracts, public goods that create stable conditions for rational planning, legal institutions that make property rights meaningful and enforceable. All of this requires tax revenue and regulatory oversight to function. If cryptocurrency systematically enables individuals to opt out of financing those institutions, or to conduct transactions that destabilize the financial system, it erodes the very social conditions under which rational agency can flourish. The individual who uses crypto to escape state monetary policy is not just exercising their own autonomy. They are potentially undermining the social architecture that makes everyone else's autonomy possible.[10]

In the context of a functioning liberal democracy with stable monetary institutions and a government that genuinely uses tax revenue to provide public goods, Dierksmeier and Seele's concerns have validity. A person in Germany or Canada using cryptocurrency specifically to evade taxes is indeed undermining the institutions that make their own autonomy possible. The social dimension of autonomy that Dierksmeier and Seele identify is not a philosophical fiction. It is a genuine feature of what it means for rational agency to be exercised in a social world. Dierksmeier and Seele's objection depends on a premise their paper does not examine. In order for their premise to be valid, the institutions being undermined must be legitimate, acting in good faith as a provider of the social conditions for rational agency.

In Iran, Venezuela, or Turkey under hyperinflationary conditions, this premise fails. The state is not providing the social infrastructure of rational agency, it is doing the very opposite, destroying it. The monetary system is not a coordination mechanism that makes everyone's economic freedom compatible, it is a mechanism of extraction that transfers value from citizens to the state while systematically degrading the material conditions of rational financial agency. There are no functional property rights being protected by the tax revenue the state collects. There are no stable institutional conditions being maintained. The social infrastructure of rational agency has already collapsed and it has occurred not despite government policy but because of it. The citizen who uses crypto to escape this system is not undermining the social preconditions for

[10] Claus Dierksmeier and Peter Seele, "Cryptocurrencies and Business Ethics," Journal of Business Ethics 152, no. 1 (2018): 1-14.

rational agency. Those preconditions are already absent. They are escaping a system that has forfeited its claim to be the kind of legitimate institution Dierksmeier and Seele's argument assumes.

This exchange with Dierksmeier and Seele also clarifies the scope of the thesis. The argument advanced here does not claim that cryptocurrency access is always morally protected, or that every crypto prohibition violates the Formula of Humanity. It claims something narrower: that the specific combination of state-caused monetary harm and blocked exit constitutes a violation. Dierksmeier and Seele's concern applies precisely to states where the social infrastructure of rational agency is functioning and where individual opt-out genuinely undermines collective conditions for autonomy. The argument advanced here applies precisely where that infrastructure has already been dismantled by the state itself. The two positions are not in conflict. They carve out different domains, and recognizing that distinction is what makes the thesis defensible rather than overreaching.

Having addressed objections directed at the argument itself, I turn to a final objection directed at the thesis, the claim that even if the argument is sound, the appropriate remedy is political reform rather than cryptocurrency access. Even granting the full argument, the conclusion that citizens have a claim to cryptocurrency access is practically and philosophically problematic because it treats a symptom rather than the cause. If the state is the source of the harm, the remedy is to fix the state. This can be done through political organizing, protest, international pressure, democratic reform. Crypto access does not change the underlying monetary policy. It merely allows individuals to insulate themselves. Furthermore, accepting the principle that citizens may opt out of state monetary systems whenever the government is sufficiently bad risks endorsing a principle that could destabilize even legitimate states. Any sufficiently aggrieved group could claim their government's monetary policy is harmful enough to justify financial secession, creating a precedent that undermines monetary stability globally.

This objection sets an impossibly high bar for the victims of state monetary predation by demanding they pursue a remedy that may take generations while accepting ongoing compounding harm in the meantime. Telling an Iranian citizen that they must reform the Islamic Republic before they are permitted to protect their savings is not a moral argument. It is an instruction to accept ongoing harm indefinitely while pursuing a

political remedy that carries severe personal risk and uncertain prospects. Kant's ethics applies to actual persons in actual circumstances, not to ideal agents operating in ideal political conditions. The Formula of Humanity is violated now, against these specific persons, in these specific conditions. The existence of a long-term political remedy does not suspend the moral wrong of the immediate violation any more than the existence of legal remedies for assault suspends the permissibility of self-defense.

This paper began with a question. Is a government's prohibition of cryptocurrency morally defensible when that same government's monetary policy is the source of citizens' financial harm? The answer is no. When a state both destroys the material conditions of rational financial agency through hyperinflationary policy and closes the only viable exit from that destruction through prohibition, it treats its citizens merely as instruments of monetary control. That is a moral wrong. It is not merely bad governance, not merely an unfortunate policy trade-off, but a violation of the unconditional dignity that Kant's framework identifies as the foundation of moral life. This argument has limitations worth acknowledging. It does not establish that cryptocurrency is morally unproblematic in all contexts. Dierksmeier and Seele's concerns about the social dimensions of autonomy retain their force wherever the state is acting in good faith as a provider of public goods and stable institutions.[11] The argument is deliberately narrow, and that narrowness is its strength rather than its weakness.

Hundreds of millions, if not billions, of people live under governments whose monetary policies destroy savings and whose laws block available alternatives. The Kantian framework gives us precise guidelines for saying why this is wrong, in the way that it violates the dignity of people as rational agents who are entitled to direct their own economic lives. Knowing exactly where this is wrong, in the combination of creating the harm and blocking the solution, is the first step toward defining a clear set of cryptocurrency regulation parameters.

[11] Dierksmeier and Seele, "Cryptocurrencies and Business Ethics," 1-14.

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