

# The Fragility of Trust: Exploring the Relationship between Currency Stability and Public Confidence

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## Abstract

Money is a cornerstone of modern economies, serving as a medium of exchange, store of value, and unit of account. This paper explores the extent to which money's value and stability are fundamentally rooted in trust. It examines how individual confidence in currency, the integrity of financial institutions, and governmental stability collectively determine the public's willingness to accept and use money. Through historical examples of monetary crises, the rise of cryptocurrencies, and the public's flight to gold during economic uncertainty, this paper illustrates how trust is central to sustaining the utility and acceptance of money in both traditional and evolving financial systems.

## Keywords

Trust, Currency Stability, Cryptocurrencies, Monetary Crises, Financial Institutions

## 1. Introduction

Money is a foundational element of modern economic systems, enabling the exchange of goods and services, facilitating savings and investments, and providing a common measure of value. Its role in society extends beyond mere transactions; money represents a social contract, a shared belief in the value of the currency that transcends individual trust and relies upon institutional and governmental confidence. The evolution of money from barter systems to complex fiat currencies reflects not only economic development but also the deepening of trust within societies. As economies became more intricate, individuals had to rely on the value of money being backed by the state rather than physical commodities. This required growing confidence in governments and financial institutions to manage

and preserve that value. However, this trust is not infallible; it fluctuates based on political stability, economic performance, and the integrity of the institutions that issue and regulate money. When these factors falter, so too does public confidence in the currency, threatening its stability and acceptance.

The efficient circulation of money relies upon its acceptance by the public, which, in turn, is inherently tied to trust. Trust in money is not just about the physical currency itself but also in the systems and structures that guarantee its value and facilitate its exchange. In this regard, money is as much a psychological and sociological phenomenon as it is an economic one. The public's confidence in the stability of money determines its effectiveness as a medium of exchange, a store of value, and a unit of account. This trust allows money to fulfil its roles in the economy, ensuring that it can be reliably used to exchange goods and services, preserve wealth, and measure value, thereby enabling the smooth functioning of markets and the broader economic system.

Fiat money, which is the predominant form of currency today, lacks intrinsic value. Unlike commodity money, such as gold or silver, fiat money's value is not derived from the material from which it is made but from the collective trust that it will be accepted in exchange for goods and services. This trust is underpinned by the belief that the issuing authority, typically a central bank, will act prudently to maintain the currency's value. However, this trust can be fragile, as it is influenced by a range of factors, including inflation, domestic and foreign government policies, and economic crises. When trust in a currency erodes, the consequences can be severe, leading to hyperinflation, currency devaluation, and economic instability.

The relationship between money and societal trust is critical not only for understanding the stability of currencies but also for gaining insights into broader societal dynamics. Trust in money is a reflection of trust in institutions and governance, and its erosion can have far-reaching implications for social and economic stability. For instance, the economic collapse of Venezuela in the 2010s severely damaged confidence in the Venezuelan bolívar. As hyperinflation skyrocketed and the government failed to stabilise the economy, citizens increasingly turned to the black market and foreign currencies like the U.S. dollar to protect their savings. In times of economic crisis and political turmoil, trust in money is often tested, leading individuals to seek alternative stores of value, such as gold or foreign currencies. The recent rise of cryptocurrencies further complicates this relationship, as these digital assets challenge traditional notions of trust by operating outside of established financial institutions. However, because these are emerging systems, not everyone who engages with cryptocurrencies fully understands the rules governing them or how they might affect their financial well-being. This lack of familiarity can create uncertainty and scepticism, influencing users' trust not only in cryptocurrencies themselves but also in traditional financial institutions, which some may view as more stable or reliable in comparison. As a result, cryptocurrencies introduce new dynamics of trust that are still evolving.

This paper seeks to explore the intricate relationship between currency stability and public trust, examining how trust in money is constructed, maintained, and challenged. By analysing historical instances of monetary crises around the world, such as during the Great Depression in the United States in 1929 and during a period of hyperinflation in Zimbabwe starting 2007, this study will illustrate the consequences of eroded trust and the resulting flight to alternative assets. Additionally, the paper will explore the impact of emerging technologies, particularly cryptocurrencies, on public trust in traditional financial systems. Through this analysis, the paper aims to shed light on the importance of public trust in maintaining the stability of currencies and to explore the broader implications of this relationship for global financial systems and societal cohesion.

The remainder of this study is structured as follows: Section I explores the role of trust in modern financial systems, highlighting the institutional factors that underpin confidence in money. Section II provides a detailed examination of historical instances of monetary crises, focusing on key events where trust in currencies was severely challenged. Section III discusses the phenomenon of rejecting banknotes and the flight to safe assets, analysing why individuals turn to alternative stores of value during times of economic instability. Finally, Section IV examines the rise of cryptocurrencies and how they challenge traditional notions of trust by offering decentralised alternatives, introducing new dynamics to the global financial ecosystem.

## 2. Literature Review

The stability of a currency is fundamentally tied to public trust, which has been examined extensively in economic literature. Several researchers have explored how institutional confidence shapes the acceptance and longevity of fiat money. For example, [Mishkin \(2007\)](#) outlined the basic principles of money, banking, and financial systems, emphasising the importance of trust in maintaining the stability of fiat currencies. Similarly, [Friedman and Schwartz \(1963\)](#) examined the historical evolution of money, particularly focusing on the role of public confidence during the Great Depression. Their analysis underscores how loss of trust can lead to significant economic downturns, highlighting the importance of effective monetary policy in maintaining currency value.

The study of historical monetary crises provides insight into the role of trust in maintaining economic stability. [Bernanke \(2000\)](#) and [Temin \(1989\)](#) analysed the Great Depression, revealing how the collapse of confidence in banking systems exacerbated economic decline. Similarly, [Bresciani-Turroni \(1937\)](#) and [Fergusson \(2010\)](#) studied hyperinflation in Weimar Germany, emphasising how the loss of trust in the German mark led to economic instability. More recent cases, such as the hyperinflation in Zimbabwe analysed by [Hanke and Kwok \(2009\)](#), demonstrate that without trust in governmental management of the currency, even modern economies can face severe financial crises.

Gold has often been regarded as a reliable store of value, particularly during

times of economic uncertainty. Numerous studies have examined gold's role as a hedge against inflation and its function as a safe haven asset during financial crises. For instance, [Baur and McDermott \(2010\)](#) provided international evidence supporting gold's safe haven status, while [Aye, Gupta, and Modise \(2017\)](#) focused on its role as an inflation hedge in South Africa. This line of research is essential to understanding why individuals might turn to alternative assets when trust in traditional currency falters.

The emergence of cryptocurrencies has introduced new dimensions to the discussion of trust and financial systems. [Nakamoto \(2008\)](#) proposed Bitcoin as an alternative to traditional fiat currencies, suggesting a system where trust in central banks could be replaced by decentralised, cryptographic trust. [Yermack \(2015\)](#) has explored the adoption of cryptocurrencies in economies with unstable fiat currencies, such as Venezuela and Zimbabwe, where citizens are increasingly using digital currencies to hedge against domestic economic uncertainty. The shift to digital currencies also reflects evolving dynamics of trust, as these systems operate outside traditional financial institutions, raising questions about regulatory challenges, volatility, and public acceptance.

While there is a rich body of literature examining the historical implications of currency stability and the emergence of cryptocurrencies, there is a gap in understanding how these new digital assets interact with traditional systems of trust. Most studies focus on the financial properties of gold or cryptocurrencies in isolation rather than analysing the broader implications for institutional trust and public perception of fiat currencies. Additionally, there is limited comparative analysis of how different historical instances of monetary crises have influenced modern financial behaviour, particularly in relation to the rise of alternative assets like cryptocurrencies.

This research aims to bridge this gap by examining the intricate relationship between currency stability and public trust across various periods of economic crises. By analysing historical and contemporary examples, including the rise of cryptocurrencies, this study seeks to provide a comprehensive understanding of how trust in money is constructed, maintained, and challenged. In doing so, it will contribute to ongoing discussions about the future of money and financial systems in a rapidly changing global economy.

### **3. Methodology**

This research paper explores the role of gold as both a hedge and a safe haven during periods of economic uncertainty, along with the effects of hyperinflation and financial crises on the stability of monetary systems. The study primarily relies on secondary data sources, including published books, peer-reviewed journal articles, and working papers from established research institutions to build a comprehensive understanding of these complex financial phenomena.

The methodological approach for this research involves a detailed literature review to examine existing theories and findings related to gold's behaviour during

financial instability, the dynamics of hyperinflation, and the rise of cryptocurrencies as potential alternatives to traditional fiat currencies. Seminal works, such as [Friedman & Schwartz's \(1963\)](#) analysis of monetary policy during the Great Depression, [Baur & Lucey's \(2010a\)](#) investigation into gold's hedging properties, and [Nakamoto's \(2008\)](#) pioneering paper on Bitcoin, were foundational in constructing the theoretical framework. These cornerstone studies provided a robust context for analysing contemporary data and trends.

The data utilised in this research is exclusively secondary, sourced from reliable and authoritative publications. Economic data on inflation rates, gold price movements, and cryptocurrency adoption trends were extracted from reputable journals, including the *Journal of Economic Perspectives*, *Finance Research Letters*, and the *Journal of Financial Stability*. Additionally, reports from respected global institutions such as the International Monetary Fund (IMF), World Bank, and National Bureau of Economic Research (NBER) were referenced to provide a credible foundation for the study.

To ensure the integrity, validity, and reliability of the findings, all sources were meticulously evaluated based on their academic standing and the credibility of their publishers. Preference was given to peer-reviewed journal articles and books published by recognized academic presses, as well as reports issued by trusted economic organisations. For example, the analysis of the hyperinflation crisis in Zimbabwe draws on detailed studies by [Hanke & Kwok \(2009\)](#), offering in-depth insights into the economic factors underpinning the crisis, thereby reinforcing the robustness of the data presented in this paper.

#### 4. The Role of Trust in Modern Financial Systems

Trust is the bedrock upon which modern financial systems are built, influencing the effectiveness and stability of monetary institutions across the globe. As financial systems have evolved from barter economies to complex networks of fiat currencies, the role of trust has only deepened, becoming integral to the functioning of these systems ([Ritter, 2012](#)). Fiat money, in particular, epitomises the reliance on societal trust, as it lacks intrinsic value and derives its worth solely from the public's confidence in its continued acceptance and the stability of the institutions that issue it ([Mishkin, 2007](#)).

Historically, the transition from commodity money, which was valued for its material composition, to fiat money required a significant shift in the public's perception of value. This shift was facilitated by the development of robust financial institutions, such as central banks, which assumed the responsibility of managing the money supply and ensuring monetary stability ([Fergusson, 2010](#)). By controlling inflation and acting as lenders of last resort, financial institutions foster public trust in the currency, enabling fiat money to function effectively as a medium of exchange, a store of value, and a unit of account ([Eichengreen, 1992](#)). This relationship is rooted in a social contract, where citizens agree to use fiat currency in exchange for the stability and security provided by these institutions ([Reinhart &](#)

Rogoff, 2009).

The shift from barter systems to fiat money, as discussed by Joseph A. Ritter (2012) in *The Transition from Barter to Fiat Money*, highlights how the evolution of money reflects deeper philosophical and political theories regarding trust and governance. In modern economies, the effectiveness of fiat money relies on a well-functioning financial system that maintains public confidence, underscoring the interconnectedness of economic stability and the political structures that uphold it (Bernanke, 2000). This shift illustrates how the perception of money is not merely about its economic functions but also about the underlying trust in the institutions that manage it, which can be fragile and susceptible to change in response to economic and political dynamics (Friedman & Schwartz, 1963).

The trust placed in modern financial systems is not static; it is influenced by a myriad of factors, including economic performance, political stability, and the perceived integrity of financial institutions (Roth, 2009). Studies have shown that during times of economic uncertainty, such as financial crises or periods of high inflation, public trust in financial institutions can erode rapidly, leading to a loss of confidence in the currency and, consequently, in the broader economy (Baur & Lucey, 2010a). This relationship can be bidirectional: an economic crisis can significantly erode trust in financial institutions, as people question their ability to manage the situation effectively. Conversely, a decline in public trust can precipitate or exacerbate economic crises, as people may rush to convert their holdings into more stable assets, further destabilising the financial system (Akhtaruzzaman, Bou-baker & Sensoy, 2021).

Thus, understanding this dynamic interplay is crucial for comprehending how trust impacts both the status of the currency and overall economic stability. For instance, the global financial crisis of 2007-2008 demonstrated how quickly trust in financial systems could collapse, leading to widespread panic and a severe economic downturn that rewired key sectors of the U.S. economy. The crisis particularly affected the housing market, which experienced dramatic declines in home values and a surge in foreclosures, fundamentally altering the landscape of residential lending and housing affordability (Baker, Bloom, Davis, & Terry, 2020). This disruption had cascading effects on various sectors, including construction, banking, and consumer spending, highlighting how the erosion of trust in financial institutions can lead to profound and lasting changes in the economy (Roth, 2009).

## 5. Historical Instances of Monetary Crises

### 5.1. The Great Depression

The Great Depression, which began in the late 1920s, serves as a profound illustration of how trust in money and institutions can impact economic stability. This catastrophic economic downturn, originating in the United States, witnessed an unprecedented collapse of financial systems and a dramatic erosion of public trust. The stock market crash of October 1929 marked the onset of a period

characterised by severe deflation, plummeting industrial production, and skyrocketing unemployment (Bernanke, 2000). This catastrophic event was triggered by a combination of speculative trading, overleveraged investments, and a lack of regulatory oversight, which created an unsustainable market bubble (Friedman & Schwartz, 1963). When confidence faltered, it led to massive sell-offs, wiping out significant wealth and initiating a downward spiral that severely impacted the broader economy. By 1933, unemployment rates had soared to approximately 25% of the total workforce, with workers outside the agricultural sector experiencing an even higher unemployment rate of 37% (Eichengreen, 1992).

The Great Depression's impact extended far beyond economic hardship; it fundamentally altered public perceptions of money and government institutions for over a decade. The crisis precipitated a profound loss of faith in the stability and worth of fiat currencies, driving many to seek alternative means of preserving value, such as gold (Fergusson, 2010). This shift towards gold underscored the crucial role of trust in sustaining currency value during economic turmoil. As the Great Depression unfolded, a combination of bank failures and deflation caused widespread fear, prompting the public to hoard gold as a safe haven. The transition away from the gold standard by many countries, including the U.S. under President Franklin D. Roosevelt, highlighted the inability of fiat currencies to inspire confidence during such crises (Roth, 2009). Roosevelt's decision to abandon the gold standard allowed for an increased money supply, ultimately aiming to stabilise the economy. However, the initial flight to gold during the crisis illustrated that, in times of uncertainty, trust in tangible assets often prevails over confidence in fiat currencies, revealing a fundamental aspect of economic behaviour under duress (Bordo & Edelstein, 1999). Additionally, the economic distress caused mass migrations, such as the exodus of low-wage workers, derogatorily called "Okies", from the Dust Bowl regions to California, driven by the hope of finding better opportunities amid the widespread financial chaos (Temin, 1989).

Despite some initial recovery signs by mid-1933, the U.S. economy did not fully stabilise until the onset of World War II. The war effort catalysed industrial growth and economic revitalization, which highlighted the critical role of government intervention in economic stability (Romer, 1993). The Great Depression catalysed significant policy reforms, including the establishment of Social Security and unemployment insurance, alongside labour regulations under the Wagner Act of 1935. These reforms reflected a broader shift towards increased governmental involvement in economic management, aimed at restoring and maintaining public trust in the financial system (White, 1995).

## 5.2. Hyperinflation in Zimbabwe

The hyperinflation crisis in Zimbabwe, peaking between 2007 and 2008, serves as a stark illustration of the devastating effects of eroded trust in a nation's monetary system. During this period, the Zimbabwean dollar experienced an unprecedented collapse in value, driven by a combination of political instability, economic

mismanagement, and unchecked monetary expansion. At its zenith, Zimbabwe's inflation rate was estimated to be 89.7 sextillion percent per month, a staggering figure that rendered the Zimbabwean dollar virtually worthless (Hanke & Kwok, 2009).

The crisis was precipitated by a series of economic and policy failures under President Robert Mugabe's administration. In the early 2000s, the government began printing vast amounts of money to finance budget deficits and support land redistribution policies, a move that led to rampant inflation and a severe erosion of confidence in the currency. As inflation spiralled out of control, the public's trust in the Zimbabwean dollar evaporated, leading to skyrocketing prices for essential goods and services, severe shortages, and a shift towards alternative forms of currency, including foreign currencies and barter systems (Little, 2017).

The Zimbabwean hyperinflation crisis underscores the profound relationship between monetary stability and public trust, much like the Great Depression. Just as the U.S. economy did not fully stabilise until World War II, Zimbabwe's economic collapse demonstrated that the government's carelessness in maintaining public trust eroded confidence in the currency, ultimately leading to widespread economic dysfunction (Kramarenko et al., 2010). The extreme loss of confidence in the Zimbabwean dollar was so profound that the government was eventually forced to abandon it in favour of foreign currencies, marking the end of one of the most severe hyperinflation episodes in modern history. Yet, more than a decade later, the ripple effects of that collapse are still being felt. Zimbabwe continues to face high inflation, with recent rates exceeding 500%, and widespread reliance on foreign currencies, particularly the U.S. dollar, which accounts for around 85% of transactions (Feingold, 2024). Despite efforts to stabilise the economy, including the introduction of the new gold-backed currency, the ZiG, in 2023, the challenge of restoring public trust in the local currency remains. The central bank's recalibration of its monetary policy framework underscores the ongoing struggle to re-anchor price and exchange rate stability, as well as to build confidence in the currency.

This historical episode emphasises the critical role of trust in maintaining monetary stability. The Zimbabwean crisis, alongside the Great Depression, illustrates how fragile trust in fiat currencies can be and how essential it is for governments to manage monetary policies effectively to sustain public confidence (Narayanan et al., 2016). The lessons from these crises remain pertinent today, particularly in understanding the implications of trust in both historical and contemporary contexts of financial stability.

## **6. Rejection of Banknotes and Flight to Safe Assets**

### **6.1. 18th and Early 19th Century Rejection of Oversupplied Banknotes**

Economic crises have consistently led to the rejection of paper money, particularly when public trust in the currency and the institutions backing it deteriorates.

Throughout history, even before events such as The Great Depression, this pattern has repeated itself in various contexts, often driven by hyperinflation, political upheaval, or financial mismanagement. The rejection of banknotes in these cases underscores the fragile nature of paper currency when it is not supported by stable economic and political conditions (Bordo & Edelstein, 1999; Bernanke, 2000).

An early example is the Continental Currency Dollar, issued by the American Continental Congress during the Revolutionary War (1775-1783). To finance the war effort, the U.S. Congress printed large amounts of this currency, which was not backed by gold or silver. As more money flooded the economy, the Continental Dollar rapidly lost its value, leading to widespread rejection. The phrase “not worth a Continental” became a common expression of its worthlessness, forcing people to revert to bartering or using foreign currencies (Fergusson, 2010).

A similar scenario unfolded during the French Revolution (1789-1799) with the issuance of assignats. Initially, these banknotes were backed by confiscated church properties and accepted as legitimate currency. However, as the government continued to print more assignats to address its financial crises, the currency became increasingly devalued. Eventually, the public lost confidence in the assignats, leading to their rejection and a return to alternative forms of exchange, contributing to further economic instability in revolutionary France (Eichengreen, 1992).

The Weimar Republic in post-World War I Germany presents another striking example. Faced with crippling war reparations imposed by the Treaty of Versailles and a domestic economic collapse characterised by skyrocketing unemployment and production declines, the German government began printing massive amounts of its currency, known as the Papiermark. This led to hyperinflation, devaluing the currency so rapidly that by the early 1920s, people used Papiermarks for purposes like wallpaper or fire kindling. The public’s rejection of the currency was so complete that many resorted to bartering or using foreign currencies to conduct daily transactions (Friedman & Schwartz, 1963; Hanke & Kwok, 2009).

These early historical cases demonstrate how, during times of severe crisis, paper money can quickly lose its value and be rejected by the public, sometimes within months or even weeks. When a government or issuing institution fails to maintain economic stability, trust in the currency erodes, leading people to abandon it in favour of more reliable alternatives (Boubaker, Jouini, & Lahiani, 2020). This pattern highlights the crucial role of public confidence in sustaining the value and acceptance of paper money, especially in periods of economic and political upheaval. In many of these cases, the collapse of a currency has had profound political consequences, often leading to the fall of governments, regime changes, or severe political instability, as public trust in both the economy and the governing institutions disintegrates (Reinhart & Rogoff, 2009).

## 6.2. Gold as a Safe Haven during the COVID-19 Pandemic

Gold has traditionally been regarded as a secure asset, especially during periods of economic and geopolitical instability. Its enduring appeal stems from its inherent

value, its historical use as a form of currency, and its comparative stability in contrast to fiat currencies. This view has only strengthened in recent years, as gold prices surged to record levels, surpassing £1600 per troy ounce amidst global political unrest and rising inflation. The belief that gold acts as a hedge against inflation and as a shield from volatile market conditions is deeply embedded in financial theory and practice (McDonald, Phillips, & De Juan, 2020). A safe haven, by definition, is an investment expected to maintain or even appreciate in value during market upheavals, providing investors with a refuge from the risks associated with other asset classes.

The role of gold as a protective asset became particularly prominent during the economic turmoil caused by the COVID-19 pandemic. Investors turned to gold to preserve their wealth amid the market's uncertainties, reinforcing its status as a dependable store of value. However, while gold is frequently viewed as a hedge against inflation, its effectiveness in this capacity is not always consistent. For instance, a study analysing 50 years of data from the World Gold Council found that gold returns were higher (15% per year) during periods of high inflation (above 3%) but much lower (6% per year) during periods of lower inflation (Baur & Lucey, 2010b). On the other hand, historical data highlights that gold prices have sometimes declined during inflationary periods, such as in the early 1980s when inflation averaged 6.5%, yet gold prices fell by 10% annually (Shahzad et al., 2019).

Despite its sometimes inconsistent performance, studies show that gold prices typically rise during periods of significant geopolitical tension, and this increase does not necessarily lead to greater volatility in the gold market. This highlights gold's unique role as an asset that benefits from uncertainty while maintaining stability. Historical examples demonstrate how gold has outperformed other assets, such as equities and bonds, during recessions and financial crises (Baur & McDermott, 2010). Gold's robustness during periods of economic policy uncertainty further solidifies its role as a hedge. Unlike other assets, gold markets are less affected by the shocks of unexpected changes in economic policy, making it a favoured choice for investors seeking to mitigate risks associated with fiscal, regulatory, and monetary policy changes (Boubaker et al., 2020).

The historical track record of gold during global events such as the Great Depression, World War II, and the stagflation of the 1970s, underscores its enduring appeal as a safe haven asset. Despite fluctuations in its value, gold has consistently acted as a buffer in times of uncertainty, often outperforming the U.S. stock market in nearly half of the years between 1925 and 2015 (McDonald, Phillips, & De Juan, 2020). This resilience has prompted some to advocate for a return to the gold standard, arguing it could provide greater financial stability by limiting inflation and restraining excessive money printing (Temin, 1989).

However, the interwar period (1919-1939) revealed the complexities of such a system. Countries that attempted to reinstate the gold standard faced significant challenges, including limited international coordination and conflicts between domestic economic policies and the need to maintain gold convertibility.

Governments often prioritised addressing domestic issues like unemployment over strict adherence to the gold standard, leading to instability and frequent suspensions of gold convertibility, as seen with Britain's exit in 1931. The rigidity of the gold standard proved incompatible with the evolving demands of modern economies, making it increasingly impractical (Obstfeld & Taylor, 1998).

In summary, while gold remains a reliable long-term investment and an important part of diversified portfolios, its role as a safe haven is more complex than it might appear. Although it often provides protection during crises and periods of uncertainty, the effectiveness of gold as an investment can be influenced by broader economic conditions and government policies. As such, while gold is often resilient in turbulent times, its perceived safety should be considered within the broader economic context (Shiller, 2012).

## 7. The Rise of Cryptocurrencies

### 7.1. Defying Tradition Trust Norms

The emergence of cryptocurrencies, particularly Bitcoin, has challenged the traditional role of central authorities in maintaining public confidence in financial systems. Historically, trust in money has been closely linked to the credibility and stability of institutions like central banks and governments, which oversee currency issuance and regulation (Fergusson, 2010). Cryptocurrencies, however, operate on a decentralised model that redefines trust by embedding it within cryptographic algorithms and blockchain technology (Nakamoto, 2008). Blockchain's transparency, immutability, and decentralised consensus mechanisms eliminate the need for intermediary institutions, making trust more distributed and less reliant on the performance of state actors (Narayanan et al., 2016).

This innovation has gained traction, especially in regions where governments have failed to manage their currencies effectively. For instance, during hyperinflationary episodes in Zimbabwe and Venezuela, cryptocurrencies offered an alternative means of preserving wealth when national currencies became unreliable (Hanke & Kwok, 2009). By circumventing the need for centralised trust, cryptocurrencies appeal to individuals disillusioned by traditional monetary systems and governmental control. Yet, while this decentralised framework may mitigate the risks posed by governmental mismanagement, it introduces a new set of challenges regarding the sustainability of public trust in a system driven primarily by technological consensus rather than institutional governance (Shiller, 2012).

### 7.2. Impact on Public Trust

The rise of cryptocurrencies has had a dual effect on public trust in financial systems. On one hand, they have provided a refuge for those seeking alternatives to fiat currencies, particularly in the aftermath of the 2008 global financial crisis, where public trust in banks and centralised financial institutions was severely undermined (Baker et al., 2020). Cryptocurrencies such as Bitcoin, initially conceived as a response to the failures of centralised monetary systems, have been

increasingly viewed as a hedge against inflation and currency depreciation, particularly in unstable economies (Demir, Bilgin, Karabulut et al., 2020).

However, the lack of a central authority in cryptocurrency ecosystems has also raised concerns. The volatility of cryptocurrencies, with Bitcoin experiencing price fluctuations of up to 80% within a single year, undermines their role as a stable medium of exchange (Shiller, 2012). Moreover, the absence of regulation has led to criminal activities, such as money laundering and ransomware attacks, further complicating the question of whether cryptocurrencies can be trusted as a long-term financial alternative (Europol, 2020). Governments around the world have responded with mixed approaches, ranging from strict regulation to outright bans, underscoring the challenges posed by cryptocurrencies to existing financial norms and trust structures (Narayanan et al., 2016).

Despite these challenges, cryptocurrencies represent an evolving form of trust in the digital age. Their ability to function without institutional oversight demonstrates a shift in public confidence from reliance on centralised governance to decentralised, technologically driven systems (Narayanan et al., 2016). However, the long-term viability of cryptocurrencies remains uncertain, particularly as they grapple with issues such as regulation, market volatility, and the need for scalable solutions. The rise of cryptocurrencies highlights that while technology can redefine the mechanisms of trust, it cannot fully replace the need for stable, predictable systems that foster widespread public confidence (Fergusson, 2010).

## 8. Conclusion

This research paper has explored the role of gold as a hedge and safe haven during economic uncertainty, as well as the impact of hyperinflation and financial crises on monetary stability. Analysis of historical data and literature revealed that gold consistently acts as a protective asset, maintaining its value even when other markets face volatility. The study also highlighted how hyperinflation can erode public trust in fiat currencies, leading to increased interest in alternative assets like cryptocurrencies. While Bitcoin and other digital currencies offer a new form of hedging, they still face challenges related to volatility and regulation, limiting their current reliability compared to gold. However, their decentralised nature has proven beneficial in economies affected by hyperinflation, providing an alternative to failing local currencies.

The findings suggest that policymakers should focus on maintaining robust monetary frameworks to prevent hyperinflation and support currency stability, reducing the need for citizens to turn to alternative assets. Investors should consider gold as a strategic component of diversified portfolios to mitigate risk during economic downturns. As for cryptocurrencies, developing balanced regulatory frameworks could promote broader adoption and potentially position them as complementary hedging instruments alongside gold.

In summary, gold remains a key safe haven asset, while cryptocurrencies offer new possibilities. Future research should examine the long-term viability of digital

currencies as hedging instruments and their evolving dynamics with gold in times of financial uncertainty.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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