

### 10.3 Worksheet Activity: Is Crypto a Ponzi Scheme?

Re-read Section 10.3 in your textbook, then complete the following worksheet.

#### Investment Risk with Cryptocurrencies

Cryptocurrencies have major risks and dangers. It is important to understand these risks before thinking of investing in cryptocurrencies.

##### 1. Volatility of Cryptocurrencies

The value of cryptocurrencies can fluctuate significantly within a short period. This “volatility” makes them a risky investment — investors can lose significant amounts of money.

##### 2. Lack of Regulation

Cryptocurrencies are not regulated by any government or financial institution, which increases the risk of fraud and scams. Many investors have lost money due to fraudulent cryptocurrency schemes.

##### 3. Cybersecurity Vulnerability

Cryptocurrencies use advanced techniques to ensure that transactions cannot be altered, but they are not immune to hacking or theft. If a user’s “digital wallet” is compromised, they could lose all their cryptocurrencies.

##### 4. Money Laundering

Cryptocurrencies are often used for money laundering and to finance terrorism due to their high degree of anonymity. Criminals use cryptocurrencies to transfer money across borders without being detected by authorities.

##### 5. Regulatory Risk

The lack of regulatory framework creates uncertainty for investors and will likely lead to a crackdown on cryptocurrencies in the future. This would also result in a drop in their value.

##### 6. Environmental Impact

Cryptocurrencies require an enormous amount of energy to “mine.” The sheer amount of energy consumed for cryptocurrency mining has a significant environmental impact.

**Task:** Investigating Cryptocurrency One way to weigh the risk of investing in cryptocurrencies is to plot the price of a cryptocurrency over the past decade or so.

Below are year-end prices of Bitcoin from 2011 (rounded). On the graph on the following page, plot the data points from 2015 onwards and draw a line connecting the points.

When finished, give some thought as to whether you would recommend investing in crypto.

#### Plot the Data Points

- On March 25, 2011, the price of Bitcoin was \$0.81 USD. By the end of the year, it had reached around **\$4.99 USD**.
- In 2012, the price continued to rise and reached about **\$13.44 USD** by the end of the year.
- In 2013, the price reached an all-time high of \$1242 USD in November before ending the year around **\$757 USD**.
- In 2014, the price dropped significantly and remained below \$500 USD for most of the year. It ended the year around **\$310 USD**.
- In 2015, the price remained relatively stable, with fluctuations between \$200 USD and \$300 USD. It ended the year around **\$430 USD**.
- In 2016, the price started to rise again, reaching around **\$1000 USD** in January 2017.
- In 2017, the price reached an all-time high of nearly \$20,000 USD in December but ended the year at around **\$13,000 USD**.
- In 2018, the price continued to decline and ended the year at around **\$3800 USD**.
- In 2019, the price increased slightly and at the end of the year was around **\$7200 USD**.
- In 2020, the price experienced significant volatility, ending around **\$28,000 USD**.
- At the end of 2021, the price was about **\$47,210 USD**.
- At the end of 2022, the price was about **\$16,547 USD**.



**Task:** Buyer beware: Track the he price of cryptocurrency.

