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Crypto Currency

Crypto currency is a type of virtual currency secured by cryptography, which makes it nearly impossible to counterfeit or spend more than once (Frankenfleld). Cryptocurrency was first introduced in 2008 with bitcoin and its value was a little over a cent. As of right now (10/12/2021) the price of a single bitcoin is $56,284.58 Which means this crypto increased by $56,284.57 in around 13 years, so as you can see at first crypto can be rather unimpressive at first. But give it a few years and it could be worth far more than what you bought it for. But bitcoin isn’t the only cryptocurrency on the market.

There are other crypto currencies called “altcoins” (An altcoin is basically any crypto outside of bitcoin.) such as ETH (Ethereum), LINK (Chain Link), UNI (Uniswap), and DOGE (Dogecoin). Alt coins made their debut in 2011 and what was that Altcoin? It was called Namecoin. It was the only other option to bitcoin at the time. As of 2021 there is roughly around 6,000 different altcoins! Some of the more media endorsed coins are Ethereum and Doge Coin. Doge coin is endorsed by Elon Musk and is slowly being adopted as a payment for different vendors. A recent adoption was AMC Theaters, and many individual vendors are also slowly accepting this type of altcoin as a means of monetary payment for a good or service. As of right now the price for one Ethereum and one Dogecoin is $3492.45 and $0.21 respectively. Which isn’t nearly as impressive as Bitcoin’s price.

Now you may be asking, where do Crypto currencies come from? Well people mine it! No, not the mining you think of, there’s no mine that holds digital currencies. Let’s look at crypto mining from bitcoins point of view. People use computers to solve complex equations, which can be very taxing on computers. But as a reward for helping complete these long and tedious task as well as helping the blockchain process new transactions people are rewarded a bitcoin for their efforts. “The amount of new bitcoin released with each mined block is called the block reward. The block reward is halved every 210,000 blocks (or roughly every four years). In 2009, it was 50. In 2013, it was 25, in 2018 it was 12.5, and in May of 2020, it was halved to 6.25.” (Frankenfleld.) Some people have went as far as saying Crypto mining is a lot like the old western pick up a pickaxe and hope you get lucky.

Not all is well for cryptocurrency. China is planning on banning Cryptocurrency and the trading of it permanently because Chia does not see it as a real currency, and they do not want to support it. But there may be other reasons that we don’t know about. Cryptocurrency is also untraceable, meaning it’s a great way for illegal activities to be funded without causing any suspicion to authorities. It is known that Bitcoin is the only form of payment accepted in the dark web due to this intractability and is used for buying narcotics and other illegal substances. So, Bitcoin and other cryptocurrency has downsides as well.

The United States also plans to start regulating cryptocurrency because of this reason alone. They want to stop illegal activities and they want to have authority over it so that banks will not lose customers and so the government will stop losing authority over financial transactions as more and more people adopt bitcoin and other currencies as a way of payment for goods and services.

As you can see there is a lot to these digital currencies that are hard to understand at first, but it is easy to understand it if you take the time to just do a few google searches. Also, one thing to note about the currencies is that you keep the coin yourself, you keep it on a physical machine or a “wallet” that it stays on until you send it to an alternative address, you oversee keeping your money safe.

Unfortunately, there can be quite a few downfalls when it comes to Cryptocurrency. Crypto is a digital technology and like all digital technology, it can be subject to cybersecurity breaches. In 2019, multiple Initial coin offerings, or ICOs, were hacked and lost investors roughly 473 million dollars. We can try to create and use preventative measures, but hackers tend to specialize in finding back doors and flaws.

Another major flaw is its price volatility and plain lack of inherent value. Its price can fluctuate in the matter of days, hours even. And with so many people investing in it in the stock market, this could lead to a massive economic crash. It is too intangible to have a reliable value. Some people argue that physical currency is the same way, which they are partially correct, but the difference is that due to it having a physical aspect, it requires physical material that immediately gives it at least the inherent value of the materials required to produce it. That and we essentially just have every country agree on the value based on what you can buy from each country with their own form of currency. We already see China banning it so clearly, we won't get that agreed upon worth we were hoping for.

There are also no current regulations on cryptocurrency. This issue feeds into the other problems. Without supervision from groups like the United States Federal Reserve, this remains to go on unchecked and can eventually lose people millions of dollars.

Cryptocurrency is essentially a utopian currency. For currency like Bitcoin, Dogecoin, and Ethereum to work, it would require everyone and everything to be completely above board. Like some economic systems, cryptocurrency assumes that everyone involved is working in our best interest which is rarely the case.

So, what are we able to take from this? Well to put it bluntly, Cryptocurrency only works in a vacuum. It can and has made people lots of money but primarily from investing in its stock. Again, only an agreed upon value that fluctuates too much for it to be reliable. A great example of this is Dogecoin. It began at just a percent of a penny, later, within the span of roughly a month, its value shot up to almost eighty cents. Then, just as quickly as it rose, it shot down losing people plenty of money. It currently sits at roughly twenty-two cents and shows no sign of a jump like previously before.

This is not all just to say that cryptocurrency is bad but that for it to work it would need to be regulated and watched under a microscope to keep an eye on it. It can make people a lot of money and could be very efficient as a currency, but the security issues and illegal usage of this currency makes it, now, not worth the hassle.

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