Here we have an interesting lecture, discussing the token of a very interesting project, Steem.

So let me give you a quick summary of what SteemIt is first, before jumping into explaining Steem, Steem Dollars & Steem Power. Now Steemit is kind of a social news platform that pays users with digital currency called Steem for posting and upvoting good content. Think of Reddit, but with a nice add-on of getting paid for your participation. Simple as that, let me dive into helping you understand all the terms associated with the site now.

Lets start with the term ‘Steem’. So this is the basic cryptocurrency used to power this whole system. It’s like the bricks used to build Steem Dollars and Steem power, which will be explained in a moment. You can buy and sell Steem, speculate on it’s price or convert it to Steem dollars and Steem power. But if you’re not looking to speculate on the price or if you’re not cashing out your Steemit earnings, you don’t need to deal with Steem directly.

Next, we have ‘Steem Dollars’. This is the currency of the Steemit platform and is also known as SMD. This is what people send to one another when they upvote posts on Steemit. The reason it’s called Steem Dollar is because, 1 Steem dollar represents any amount of Steem required to reach 1 USD depending on the exchange rate at that time - more or less.

However unlike Steem, you can not use Steem dollars outside of the Steemit platform. You will first have to convert your Steem dollars into Steem and only then you will be able to convert that Steem into Bitcoin or USD.

The reason Steem dollars were created is because the founders wanted to peg the value of Steem in some way to the US dollar, so that people will be able to trade inside Steemit but not be afraid of exchange rate fluctuations. This way if you trade, for example, 100 Steem dollars you know you’re giving away 100 USD worth of Steem.

The Steem dollar is just an IOU, a promise – if and when you decide to cash out of your Steem dollars, you will get however many Steem it takes to get to that value in USD. There’s also an interest acquired on any Steem dollars left in your account - it was about 10% a year the last time i checked. This is done in order to incentiivize people to leave their Steem dollars in their account.

Lets move onto ‘Steem Power’. Also known as SP in short, this is basically a token symbolizing how much influence you have inside the Steemit platform. If you have a lot of SP, your upvotes will count more and will award different authors SP and Steem dollars as well.

Then we have ‘powering up’, which means getting more SP either by upvotes or by buying it via Steem.

We also have ‘powering down’, which means liquidating your SP into Steem.

SP can be powered down for Steem in a long process that takes 2 whole years. SP is considered as a “long term investment” in the Steemit platform. That’s why other than taking a long time to cash out it also bares a very high interest rate, encouraging people not to power down.

I hope this short and to the point lecture helped you grasp all the terms involved with the SteemIt website. Just a note here from me, SteemIt as a platform has changed certain aspects of their token in terms of the percentages involved, so do double check figures if you are just getting involved.

See you in the next lecture where we’ll be diving into IOTA.