

# **What is the future of Bitcoin?**

## **Abstract**

*My aim with this paper is to try to predict the future of bitcoin, one of the most frequently used and advertised cryptocurrencies (Badea, Mungiu-pupazan, 2021), and what properties of it will play a role in this process?*

## **1. Decentralized**

The key point of Bitcoin is it's not only a new kind of money, but also a creative payment network depending on blockchain technique. Therefore, during the transaction of Bitcoin, there're no central clearing authorities such as central banks or PayPal platform which complete the whole process through some kind of credibility.

Meanwhile, because the network is completely decentralized, Bitcoin may lead to regulatory problems relating to Financial Fraud, Money Laundering and Asset Transfer on behalf of government, which results in conservative policies on Bitcoin across the world.

However, along with the spread of Bitcoin transactions and the increased user understanding and acceptance of Bitcoin, I confidently believe it will benefit all human beings considering its transaction speed and cost, privacy, safety, etc. It has been proved that not any other traditional financial mediations serve these functions as well as what Bitcoin system can, while they are considered less flexible in today's era where information flows extremely fast and the economies of various countries are closely connected.

## **2. Scarcity**

A negative fact about Bitcoin is that it's now being invested as an asset by people instead of a currency, which is actually of huge neglect of this most powerful tool in numismatics.

Throughout our history, a lot of stuff has been considered as "Medium of Exchange", for example, shells during the period of early civilization. However, they were soon rejected because more ancestors arrived at the coast, and the value of shells plummeted immediately. In this case, we understand how Scarcity works in the usage of a currency. Inflation contributed by currency over-issuance is almost the same issue that governments are now printing more money not relating to their gold reserves or credit scales. On the contrary, the total amount of Bitcoin is set up in 2008, when Satoshi Nakamoto published the Bitcoin project, which is 21 million specifically.

### **3. Durability and Uniformity**

Copper coin was used as a currency for a long time too, it's still not an ideal "Medium of Exchange". On the one hand, metal coin is relatively easier to be forged by individuals or organizations though there were observations and critical regulations from every strong and authoritarian ancient government. Interestingly, when struggling with economic issues, ancient governments themselves decreased the weight of metals inside the coin in order to produce more "values". And at the same time, once a kingdom was destroyed by others, its currency would be eliminated simultaneously. The Uniformity and Durability of a mature money cannot be ignored if we want to build up a stable economic system.

### **4. Conclusion**

In the last century, humans gradually came up with relatively perfect "The Bretton Woods System" and also its replacer, so-called "US Dollar system" and surrounding currencies from each country. Nevertheless, whether it's gold or English pound, modern

currency is still far less successful just as silks or silver coin when you look at them in the perspective of financial features. Bitcoin is an exception. It is one of the few currencies that combines scarcity, resistance to inflation, durability, and uniformity, therefore at least based on its financial attributes, it's hard not to look forward to the potential that Bitcoin may have in the future. Today, people's understanding of Bitcoin is still incomplete, and its price has always fluctuated wildly (the exchange rate relative to the US dollar). I have to say that Bitcoin is far from a truly mainstream currency, though many countries around the world have allowed Bitcoin exchanges. However, we can imagine a period in the future when transactions are finished in a second, while no observation from governments evolving. All companies and organizations won't need to consider exchange rate at that day because all these stuffs are processed with Bitcoin system. Then, paper money disappears completely, financial security and transparency reach an all-time high. What a shocking sight that would be. Just as what I said before, Bitcoin will eventually convert from a kind of valuable asset or collection into a real currency functioning the same as US dollar or English pound.

## **5. Reference:**

Badea, L., & Mungiu-Pupăzan, M. C. (Directors). (2021). The Economic and Environmental Impact of Bitcoin [Film].

(n.d.). Bitcoin: A Peer-to-Peer Electronic Cash System. Bitcoin. Retrieved April 26, 2024, from <https://bitcoin.org/en/bitcoin-paper>

Likens, S. (n.d.). Making sense of bitcoin, cryptocurrency and blockchain. Pwc. Retrieved April 26, 2024, from <https://www.pwc.com/us/en/industries/financial-services/fintech/bitcoin-blockchain-cryptocurrency.html>

Brown, J. R. (2024, April 10). *Why Do Bitcoins Have Value?* Investopedia. Retrieved April 29, 2024, from <https://www.investopedia.com/ask/answers/100314/why-do-bitcoins-have-value.asp>

Tobin, M., & Birrell, I. (2024, January 5). *The African village mining Bitcoin*. UnHerd. Retrieved April 29, 2024, from <https://unherd.com/2024/01/the-african-village-mining-bitcoin/>