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Cryptocurrencies, Money of the Future or the Future of Money

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Abstract: Cryptocurrencies, which are sometimes called virtual currencies or digital money, are not really money, like dollars, pounds or euros. They are entirely digital, which means that they only exist in the online environment and are not accepted by any state. Cryptocurrencies exist in databases with special rules that condition how they are offered to different people. Cryptocurrencies are decentralized and managed by a computer network, not by a particular company. They arose from the need to use an alternative currency, which does not require the presence of a managing authority, which operates beyond the political climate and which is easy to transfer.

Keywords: blockchain; mining; “digital wallet”; online environment

Introduction

People have always had a complex relationship with money. Everyone seems to want to have as many as possible. Since the advent of the first coins, money has fascinated and subjugated mankind. Then there's gold, the “first love” of mankind that has caused many casualties. In the 19th century, the 19th-century gold rush, which became famous, changed lives, moved large crowds of people from place to place, enriched some, and made others miserable. But the fascination with this rare metal was sometimes stronger than any conservation instinct.

Today the gold rush has been replaced by the cryptocurrency rush. Even the process by which they are obtained is similar, at least as a name: mining, only this time it is not mined in the bowels of the earth but on the internet.

Cryptocurrencies, which are sometimes referred to as virtual currencies or digital money, are not really money, like dollars, pounds or euros. They are entirely digital, which means that they exist only online and are not supported by any state. Cryptocurrencies exist in databases with special rules that condition how they are offered to different people.

These coins are made to be more secure and in most cases anonymous. They are associated with the virtual environment that uses encryption (a process of turning information into an almost impossible code to crack).

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The encryption began in World War II and was made from the need for a secure way of communication. It has evolved into the digital age with elements of mathematical and computer algorithms to become a way to secure online communications, information and money.

Cryptocurrencies are decentralized and managed by a network of computers, not by a particular company. They arose from the need to use an alternative currency, which does not require the presence of a management authority, which operates beyond the political climate and which is simple to transfer.

The founder of this concept, developed and updated in 2009, is not known exactly. It is still a mystery behind the cryptocurrency, although there is a pseudonym, Satoshi Nakamoto, a pseudonym that can be an individual or a group of people. So far, however, no one has claimed this enthusiastic innovation in the digital environment.

Virtual currencies are stored in a **“virtual wallet”** that can be stored in “cloud” or “offline” on a computer. Each transaction is recorded in a **“blockchain”** which is publicly available to all holders of such currencies. Cryptocurrencies can be bought but also created. The process of creating cryptocurrencies is called **“mining”**, and those who perform such processes are called **“miners”.** They check, date and share transactions in a public database called a blockchain.

Here are the definitions of terms used in this fascinating world of cryptocurrencies:

- A **“digital wallet”** is the equivalent of a bank account. It allows you to store, receive, and send cryptocurrencies to other accounts. It can be installed on your computer or mobile, or you can even access it from a web page. It can be used for one or different coins.

- **“Blockchain”** in ad literam translation, is a chain of blocks, but not in the traditional sense of these words. Digital information is the “block” stored in a public database called a “chain”. The “Blockchain” consists of digital information about transactions and participants in these transactions. It can be said that it works as an open registry.

- **The “mining”** of virtual currencies involves checking, dating and sharing transactions in a public base called “blockchain”. It is a complex process and very difficult to achieve by a single user. A group of such users, or **“miners”**, combine their processing power to solve cryptocurrency-producing algorithms. It can be said that “mining” is a profitable business for those who want to trade in cryptocurrencies.

The first digital currency was **“Bitcoin” (BTC).** It holds the largest blockchain technology and 54% of the estimated value of the cryptocurrency market. It sets standards, guidelines and is a kind of basis for all other currencies that were created later and are an alternative to “Bitcoin” in a variety of different ways. The unwritten consensus for how these coins are called is “alt-currency” (alternative currency).

Many different currencies have already been created and this trend is expected to continue for a period of time. At the same time, it is expected that many of these coins will not last and disappear over time. The cryptocurrencies that will survive will be the ones that will be able to prove their value, usefulness, uniqueness and serve their purpose in a meaningful way. Of the more than 1500 digital currencies, about a third do not have a significant market share or a large volume of daily trading. There is a good chance that they cannot stand the test of time. But such a wide range of currencies gives you many different trading options.

The most well-known cryptocurrencies are:

- **Bitcoin (BTC)** is the first and most popular decentralized cryptocurrency. It is best accepted, has the highest volume and the largest market share. As of 2017, this currency has a market capitalization of approximately $45 billion;

- **Ethereum(ETH)** is a blockchain platform and Ether is the token that powers the network built on this platform. It is the second largest cryptocurrency in value and popularity and has a market capitalization of about $18 billion;

- **Ripple (XRP)** is The native digital asset of Ripple Labs that develops different solutions for the financial sector and is designed to help speed up payments and reduce trading costs. It can be used to track multiple types of transactions, not just cryptocurrencies, and for this reason it can also be used by banks. It has a capitalization of about $6.3 billion;

- **Litecoin** is most similar to Bitcoin. If they say Bitcoin is the gold standard in the cryptocurrency world, then Litecoin is often silver. It is characterized by higher speeds and high transaction security, with the total value of these currencies amounting to $2.1 billion on the market.

There are also other cryptocurrencies known on the market, including: Neo(NEO), Cardano(ADA), Stellar(XLM), Iota(MIOTA), Monero(XMR), Dash(DASH), Lisk(LSK), etc.

All of these cryptocurrencies are slightly different from each other, but they all share the following characteristics:

- They are unidirectional, i.e. after you send a cryptocurrency and the network has confirmed the transaction, you can't take it back;

- An ID card is not required for cryptocurrency transactions. You remain, for the most part, anonymous and just need a “digital wallet”;

- They are fast and can be obtained by anyone, anywhere in the world. Transactions are transmitted throughout the network and confirmed within minutes;

- The number of cryptocurrencies is limited, their quantity being controlled by the network.

Investing in cryptocurrencies is everyone's decision, but the advantages and disadvantages of such a business must be taken into account.

Advantages of cryptocurrencies:

- They do not have a bank or a central authority, but are decentralized;
- Users' personal data is strictly confidential;
- You can always create an encrypted backup of your virtual currency;
- You have control of your transactions all the time;
- The transfer can be done quickly, anywhere in the world;
- There is no amount limit for transfers;
- Fees and commissions are low;
- Cryptocurrencies cannot be counterfeited;
- They are internationally recognized as simplified transactions.

Disadvantages of cryptocurrencies:

- They are not very used, although they are quite well known;
- They have a high degree of volatility, their value being given by supply and demand;
- The process of cancelling transactions is impossible;

- They are banned in some countries;
- Not yet accepted as a form of payment by all traders;
- Uneven distribution of cryptocurrency between first and current users;
- Continuous development, the cryptocurrency is not yet a finished product.

Here are some interesting but less known things about cryptocurrencies:

- Bitcoin is the first digital currency, released in 2009;
- There are currently over 1500 digital currencies;
- The founder of this concept is still anonymous;
- The FBI owns the world's largest Bitcoin wallet;
- There are over 6 million "digital wallets";
- The first cryptocurrency transaction was made on January 12, 2009;
- Ripple founder Chris Larsen is the richest person in digital assets, about $8 billion;
- On May 22, 2010, a Hungarian developer paid 10,000 Bitcoin for two large pizzas;
- Cryptocurrency transactions are very hard to track. That is why many illegal transactions, such as those with narcotics and weapons, are made in cryptocurrencies;
- Approximately 99% of transactions are managed on centralized exchanges;
- Microsoft supports Bitcoin. Surprisingly, the big giant makes available the possibility to download movies, games and application-based services in exchange for Bitcoin;
- Musicians such as Bjork or Imogen Heep allow you to download their music in exchange for cryptocurrencies;
- In some countries, bitcoin can pay for movie tickets, internet or television subscriptions, hotel accommodations and more;
- There is also a cryptocurrency, Elrond, created by a company in Sibiu on the Romanian market;
- Tesla founder Elon Musk is a big supporter of cryptocurrencies, investing more than $3 billion in cryptocurrencies, particularly Bitcoin and Dogecoin.

Although cryptocurrencies are known to have a multitude of advantages and crypto-markets are known for their rapid evolution, which means that a small investment can become a large amount overnight, people who invest in these currencies should be aware of market volatility and the risks they take when they buy them. Because of the very high level of anonymity it offers, cryptocurrencies can often be associated with illegality.

Investments of any kind, shares, commodities or cryptocurrencies are profitable and successful businesses that are gaining momentum nowadays, also favored by the digital world. What underlies a correct and objective decision are: the study, patience and strategy with which an investor chooses to start on this path.

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