

CRYPTOCURRENCY: TO BE OR NOT TO BE

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Annotation. This thesis contains information about the pros and cons of cryptocurrencies. With bright examples, it shows the instability of cryptocurrencies, has information about current national e-money, and also has statistics about people's opinions about e-coins.

Keywords. Cryptocurrency, future, instability, blockchain, government, Elon Musk, petro.

Breaking news. On the 13th of March Bitcoin has reached its highest exchange rate of 61,550\$. So, what are the reasons? Why are cryptocurrencies so popular? Can Elon Musk change the exchange rate of bitcoin? And, of course, the main question: can cryptocurrency become the currency of the future? Let's find out.

A cryptocurrency is a digital currency that can be used to buy goods and services. It works using a technology called blockchain. Blockchain is a decentralized technology spread across many computers that manage and record transactions. Part of the appeal of this technology is its security [1]. To find out what attitude society has to cryptocurrencies, I did a little research among young people of different specialities: lawyers, economists, programmers. Firstly I asked about simple knowledge of cryptocurrencies and the principles of their work. The survey showed that only 40% of the respondents know how cryptocurrencies work [figure1].

Do you know what is cryptocurrency?

60 ответов

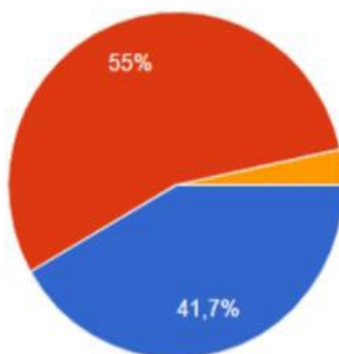


Figure 1

55% - I know, but I have only heard about it and don't know, how they work;

41,7% - I know, and I understand the principles, how they work;

3,3% - No, I have never heard what crypto is.

Nowadays there are about more than 6,700 different cryptocurrencies traded publicly according to CoinMarketCap.com [2]. The total value of all cryptocurrencies on March 25, 2021, was more than \$1.62

trillion, and the total value of all bitcoins, the most popular digital currency, was pegged at about \$968,250 billion.

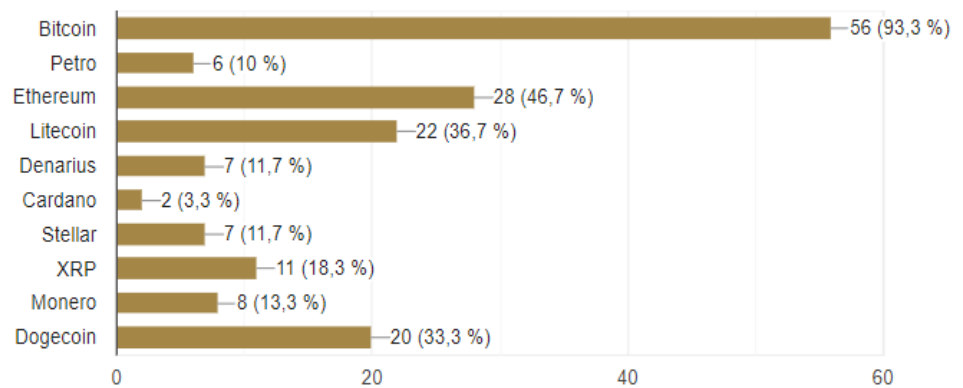


Figure 2

In the second question I asked to choose cryptos that my voters ever thought about. Almost everyone knew bitcoin. About 10% chose Denarius as cryptocurrency, but it was a fake crypto that I made up for the research. This fact just shows little awareness among people about cryptocurrencies [figure2].

The most important feature of cryptocurrency is that it is not controlled by any central authority. It means that the government can't control and interfere with cryptocurrencies due to the decentralized nature of the blockchain. They use private and public keys to be sent directly between two parties. These transfers can be done with minimal processing fees, allowing users to avoid the steep fees charged by traditional financial institutions. So, only pluses: safety, minimal fees, no government control, the speed of its transactions that doesn't depend on the sum.

Bitcoin transactions are pseudonymous. That means if one really wants to track a user of the transaction, it is possible by advanced tools like chainalysis. Hence, it can't really be considered private or anonymous. Also if the government can't control the currency, all bank systems, public systems would be crushed. And people would create new systems blindfolded. Most people from my research think that cryptocurrencies can't become real national currency.

We suggest 4 reasons, why cryptocurrency cannot become a national currency. These are:

1. Government system would fall down, because it would have no control over transactions.
2. Many people are not aware of cryptocurrencies.
3. Full anonymity can lead to more crimes.
4. There is a great number of different types of cryptocurrencies.

About 50% think that the main reason is the first. Reasons 2 and 3 have about 20% of votes [figure3].

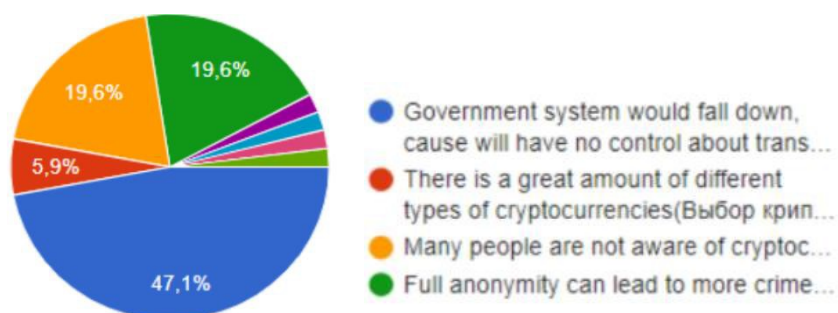


Figure 3

We know cryptocurrencies as one of the most unpredictable and unstable things. The exchange rate of some cryptocurrencies can increase or decrease ten times while you are reading this article. Elon Musk can easily change the bitcoin's price using just his Twitter. You can think that this world has gone mad, but it's the reality. Lennart Ante of the Blockchain Research Lab in Germany set out to measure the Musk effect. He analyzed six recent Musk tweets (or 'events' like changing his Twitter bio) that referred to cryptocurrencies — two of Bitcoin mentionings and four Dogecoin citings.

After adding #bitcoin on January 29, 2021 to Elon's bio on Twitter the price of Bitcoin skyrocketed from around \$32,000 to nearly \$38,000. In an hour it dropped to \$36,000 and soon climbed back up to \$38,000. The number of trades changed from 5,000 per hour to more than 20,000.

Let's check Dogecoin, another cryptocurrency that Elon Musk recommended. 30 minutes before the event the average trading volume of DOGE/USDT was about \$1,942 per minute with an average of 9 trades per minute. 30 minutes after the tweet the average trading volume per minute was about \$299,330 with 775 trades per minute [3]. So, if one tweet can increase the cryptocurrency cost, it means that the other tweet can decrease it, and even can fully destroy it.

Supporters see cryptocurrencies such as Bitcoin as the currency of the future and are racing to buy them now, presumably before they become more valuable. In the world there is a case of making cryptocurrency as a main currency. The petro (₶), or petromoneda, launched in February 2018, is a cryptocurrency issued by the government of Venezuela. The Petro cryptocurrency has become the world's first digital asset that is an official means of payment. This currency is backed by Venezuela's reserves of oil (50 %), gold (20 %), iron (20 %), and diamonds (10 %). The cryptocurrency community's response was generally negative. Economist Jean Paul Leidenz expressed concerns that the creation of petro would encourage further hyperinflation. The cost of 1 PTR token is equivalent to 1 barrel of Venezuelan oil. The attempt isn't as successful as it is considered to be.

In the area of cryptocurrencies our county is rather progressive. We even have some courses where you can study cryptocurrencies and receive the certificate. Also more than 50 % of the respondents answered they would regret not buying cryptocurrencies. But despite this fact, statistics show that our society is not ready for cryptocurrency now.

In our research, we listed some pros and cons of cryptocurrencies. But only time will show if this form of money has a future.

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