Cryptocurrency

Quick primer

DISCLAIMERS

- This is for informational purposes only.

- I am not a proponent, but will attempt to be fair

- I do not have a "deep" knowledge on this topic, but do understand the general concepts.

Terminology

Digital Currency

Digital Currency

- Credit Cards

Digital Currency

- Credit Cards
- Gift Cards

Digital Currency

- Credit Cards
- Gift Cards
- Paypal / Venmo

Digital Currency

- Credit Cards
- Gift Cards
- Paypal / Venmo
- Cryptocurrencies

Digital Currency

From Wikipedia:

> **Digital currency** (**digital money**, **electronic money** or **electronic currency**) *is any* [currency](#), [money](#), *or money-like asset that is primarily managed, stored or exchanged on digital computer systems, especially over the* [internet](#).

So, cryptocurrencies are all digital currencies, but not all digital currencies are cryptocurrencies.

Fiat Currency

From Wikipedia:

__Fiat money__ (from [Latin](): fiat, "let it be done") is a type of currency that is not backed by any commodity such as gold or silver, and typically declared by a [decree]() from the government to be [legal tender].

All countries in the world uses fiat currency (*though Krugerrands still have legal tender status in South Africa*).

Fiat Currency

One selling point of cryptocurrencies is that expansion of the currencies is defined (mining) thus does not have this issue of governments arbitrarily devaluing currency by decree/legislation.

Normal currencies imply state control – cryptocurrencies shift some of this power to the end user.

Blockchain

- From IBM (https://www.ibm.com/topics/what-is-blockchain):

  Blockchain defined: Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.

- Cryptocurrency /can/ use blockchain, but blockchain is not limited to only cryptocurrency.

Mining

- Purpose is twofold (for bitcoin and others):
    1. A way to "create" new coins usually based on some compute intensive tasks
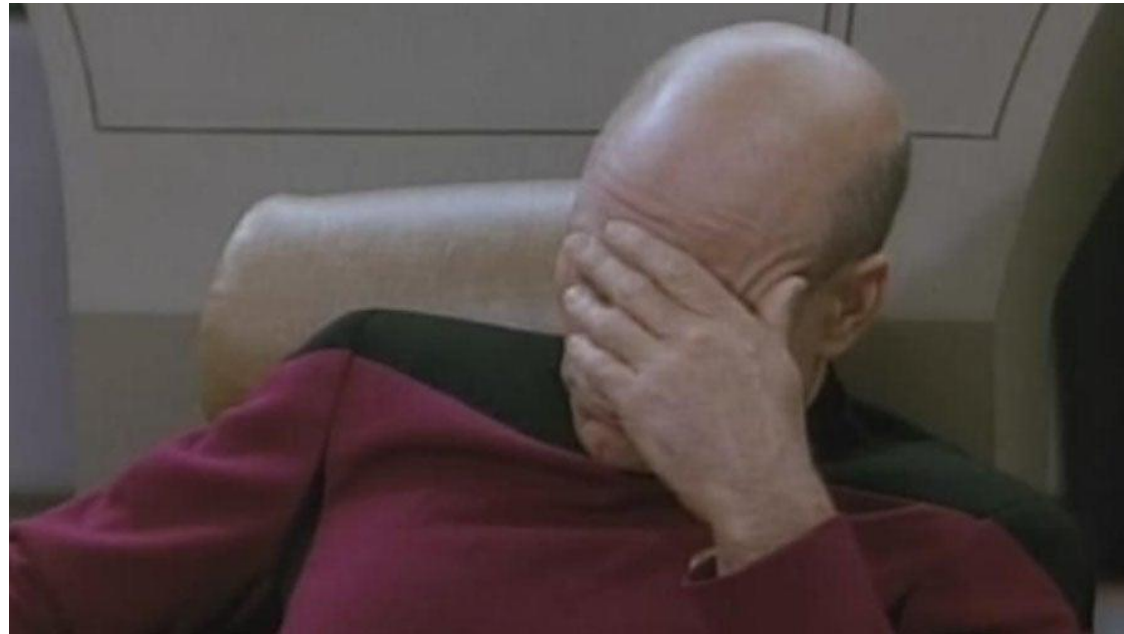   2. Due to #1, provides incentive to verify transactions on a blockchain.

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Wallet

- Place that stores your cryptocurrency

- Validates your transactions (so allows you to spend it)

- Lose access to your wallet and you lose access to what's in it.

If all currencies are fiat, why are cryptocurrencies not a good idea*?

What's wrong with cryptocurrencies?

- Enormous waste of energy

  According to the Cambridge Center for Alternative Finance (CCAF), [Bitcoin currently consumes](https://ccaf.io/cbeci/index) around 123 Terawatt Hours per year — 0.55% of global electricity production, or roughly equivalent to the annual energy draw of small countries like Malaysia or Sweden. https://ccaf.io/cbeci/index

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- Not practical as a currency.

  Transaction time too long (BTC = 40min, Ethereum = 5, Tether = 2)

  Non-stable value

Other considerations

- Legality
  1. Countries control currencies
  2. Outright ban (From Forbes: https://fortune.com/2022/01/04/crypto-banned-china-other-countries/).

     Egypt, Iraq, Qatar, Oman, Morocco, Algeria, Tunisia, Bangladesh, and China have all banned cryptocurrency. Forty-two other countries, including Algeria, Bahrain, Bangladesh, and Bolivia, have implicitly banned digital currencies by putting restrictions on the ability for banks to deal with crypto, or prohibiting cryptocurrency exchanges, according to a 2021 summary report by the Law Library of Congress published in November.

- No defenders

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