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Abstract

Technology has significantly changed the way people work, shop, and pay for their goods. Many companies and consumers prefer to use technology rather than cash. People now want to wave their smartphones to pay for their products at digital registers. Cryptocurrency has become a new method of payment and has been adopted by many large organizations. The first cryptocurrency that went mainstream and is still growing in popularity is bitcoin. However, today, there are more than 2000 types of cryptocurrency in the world, and more are being developed every day. Cryptocurrencies are an alternative to more traditional methods of exchanges such as credit cards. Bitcoin remains the most popular cryptocurrency and has become an established and viable investment that is fueled by the positive hype associated with the blockchain technology that supports it. This leads to a positive effect on the trading practices and wallets of investors around the world. However, there are some schools of thought that cryptocurrencies as a medium for terrorists, fraudsters, and criminals as these types of people are known for their involvement in scams and illegal trading on the Dark Web. However, the merits of cryptocurrency far outweigh its demerits and are bound to keep increasing in popularity and grow.

Keywords: *Cryptocurrency & USA*

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1.1 Introduction

The shortcomings of existing financial systems became widely criticized in the aftermath of the 2007–08 financial crisis leading to an unprecedented wave of interest in new ways of efficiently executing economic transactions while ensuring high levels of transparency and accountability. With over 2,000 in existence at the time of writing this report, cryptocurrencies have received a great deal of attention as a potential tool for radically altering financial landscapes for the betterment of society. The purpose of this report is to provide a comprehensive overview of how crypto-currencies could be used to achieve this purpose. This includes how cryptocurrencies currently function relative to the intentions of their pioneers, and how the general public, use, understand, and trust them (Ward & Rochemont, 2019).

Since their inception in 2008 and the subsequent enthusiasm, media attention, delusion, reflection, and continuous innovation, 'cryptocurrencies' have become one of the most interesting and perhaps most misunderstood phenomena of the early 21st century. Their popularity and potential for 'disrupting' and improving traditional financial systems, however, have led to an expanding list of media commentaries, research papers, and policy reports. Unfortunately, many of these contributions have tended to focus on the contemporary positivist side of cryptocurrency without considering the normative intentions of its creators or, perhaps more importantly, the historical context under which money and monetary systems have evolved. These contributions have also tended to focus on digital money from a single disciplinary viewpoint (computer science, economics, finance) without a great deal of consideration or integration of the valuable inputs from other perspectives (Fauzi, Paiman & Othman, 2020).

Today, the world is going through a digital revolution that has infiltrated all aspects of people's everyday lives. Most parts of life are now ruled by the Internet and take place in a virtual environment. The financial sector has also shifted from traditional methods of working to methods that focus on digital and speed. An example of this change is in the accounting service providers, which moved from using long-drawn bookkeeping procedures to specialized software and cutting-edge hardware that made the transaction much more effective. This trend of welcoming technological innovations into the financial sector resulted in the acceptance of cryptocurrency as a digital technology that only exists electronically and does not have a fixed authority to issue it. Cryptocurrency is brought into the digital fold through the process of mining and must be confirmed in a global or public ledger known as the Blockchain (Schaupp & Festa, 2018).

Every cryptocurrency transaction is recorded in the ledge but is only updated or modified after the agreement of the majority in the chain. Over the past decade, cryptocurrency has become a global phenomenon, but very little is known about this evolving technology making the need for more research necessary. In 2020, the price of one bitcoin in US dollars quadrupled in the fourth quarter alone as it gained 160% (Eken, Mehmet, & Erkut 2017). This magnificent increase in its value caused great media and investor interest, mainly for bitcoin but also for other cryptocurrencies. Many have voiced concerns about the technology and its ability to disrupt traditional financial systems. Additionally, many available payment platforms, including PayPal,

BitPay, and Square, have begun to accept payment in bitcoin and other cryptocurrencies. Trading cryptocurrencies on existing platforms is also becoming easier.

The interest in cryptocurrency has been growing steadily over the past decade. Cryptocurrency has become integrated into all levels of people's lives, and increased awareness of the currency has driven the growth of the financial revolution. Many businesses and corporations are taking advantage of all the positive aspects of digital currency, meaning that it is not going away soon. The bitcoin and cryptocurrency market experiences major fluctuations meaning that people are always searching for the best way to gain the most advantages from the growing market as well as gain the influence of the digital powerhouse (Eken, Mehmet & Erkut, 2017). It is essential that anyone looking into cryptocurrency either to invest or if one is simply curious on how to use cryptocurrency to secure their finances do extensive research on the benefits as well as the drawbacks of cryptocurrency in order to gain substantial knowledge on what to expect. This improves their chances of having positive interactions within the market.

Cryptocurrency provides its users with an unparalleled level of transparency. This is the major reason behind cryptocurrency's potential to lead societal changes and accountability. Although using cryptocurrency is anonymous, all transactions are stored in the Blockchain. This means that all data on cryptocurrency transactions can be viewed by anyone any time they wish to do so, which is a major advantage for anyone who wishes for a more transparent banking system. In fact, bitcoin is referred to as one of the hottest currencies in the world as a result of its transparency. Moreover, cryptocurrency gives all its users instant and 24-hour accessibility (Sun Wei et al. 150). People can spend or buy the currency wherever they are in the world, and one doesn't even need a computer to make cryptocurrency transactions. All transactions can be conducted through mobile devices meaning that even people with limited technology can gain access to their finances and make decisions in real-time. This form of accessibility is a major feature in the adoption of bitcoin and is the reason cryptocurrency continues to be used around the globe to provide opportunities for those who once struggled with online consumers. Another major advantage that cryptocurrency brings is its absolute anonymity. The currency is unregulated as it is not bound by fluctuations in the political climate and adjustments in the customs. The anonymity that cryptocurrency brings is of great importance to those who place a high value on their online privacy and do not want too much of their digital data online. Over the past years, from 2015 to December 2020, the S&P 500 index of large-cap use equities bore an annual interest rate of 14.5 percent. Additionally, the price of bitcoin earned a compounded annualized growth rate of 131.5 percent over the same time period (Sun Wei et al. 87).

Cryptocurrencies provide great potential for diversification. The currency has been cited by some as the best alternative instrument to gold in most people's portfolios. An example of this is that the S&P 500 declined in 17 of the 60 months that ended in December 2020, and the price of bitcoin placed 7. In the five years that ended in 2020, a portfolio that consisted of 10 percent investments in bitcoin and 90 percent in the S&P 500 generated a compound rate of 26.8 percent. The limited supply of cryptocurrency increases its value. At any time, only a maximum of 21 million coins can be mined or created. Today, approximately 18.5 million bitcoins have been mined, meaning that other miners only a bit more than 3 million bitcoins available for mining. Additionally, the process of production of bitcoins slows down as time passes in a process called

halving. In 2009, every block mined was valued at 50 bitcoins, and the value is now at 6.25 bitcoins every block (Özyeşil, 2019).

Cryptocurrency provides protection from any debased currencies and threats that result from rising inflation. The Global Financial Crisis (GFC) of 2008 and 2009 was a major catalyst for the central banks in the world as they engaged in unorthodox monetary policies mainly recognizable in large-scale asset purchases. The Federal government's balance sheet expanded by eight times since the GFC and the ECB quadrupled while the BoJ increased by almost 7times. While some have suggested that this may debase the national currencies and increase the inflation rate, cryptocurrencies are an alternative that does not face the same drawbacks. Moreover, cryptocurrency is becoming widely accepted, and its usage is increasing. According to a 2020 article, Coinbase saw merchant transactions worth $135 billion in cryptocurrency in 2019, which was a 600 percent increase from 2018. A chain analysis report claimed that payment processors recorded an estimated $ 4 billion bitcoin transactions in 2019 (Özyeşil, 2019). There has also been a significant increase in the number of bitcoin electronic wallets that had been created in the last few years, and the number of investors who want to invest in cryptocurrencies is increasing rapidly, including investors in Blackrock and Bridgewater.

Cryptocurrency transactions are straightforward as the business dealings do not include any agents, brokers, or legal representatives that made traditional financial transactions complicated and more expensive than they should have been. There are no brokerage fees, paperwork, commissions, or any other special conditions that can apply for certain financial transactions. A major advantage of the transactions is that they are direct affairs that take place on a peer-to-peer network that cuts the middleman out (Hileman & Rauchs, 2017). The more direct transactions result in increased clarity of audit trails which decreases confusion about what should be paid and to whom and increases accountability because the parties involved in the transaction know one another.

All cryptocurrency transactions are highly confidential. When people use cash or credit cards, their whole transaction history can be used to reference a document for the credit agency or bank involved in the transaction. When it comes to cryptocurrencies, every transaction is a unique exchange between two parties, with the terms of the trade being agreed upon in every case (Jacquez, 2016). The information exchanged during the transactions is also on a "push" basis as both parties can give as much or as little information as they want. This ensures the privacy of the parties' financial history and protects them from any threats of identity theft that are found in traditional financial systems.

Transaction fees take a significant fraction of an organization's or individuals' assets in banks and credit card companies but are a thing of the past when it comes to cryptocurrencies. Cryptocurrency does not include transaction fees as data miners, both with remote and separate computer systems which generate cryptocurrencies, are compensated through the cryptocurrency network. Although users may be charged some external fees if one uses a third party to manage their cryptocurrency wallet, the currency is still more advantageous than traditional financial systems because the transaction costs are minimal (Thakur & Banik, 2018).

Cryptocurrency such as bitcoin and Litecoin and all transactions made through the currency is difficult to trace. This means that they can be lethal when used by the wrong type of person and can be easily used for illegal activities such as laundering activities and to fund terrorism. This susceptibility is the reason why all reputable cryptocurrency exchanges are subjected to strict AML safeguards, and their systems are set up to ensure they go through external audits to monitor them independently and run risk mitigation programs. Although the anonymity that cryptocurrency provides greatly benefits its users, the technological invention has also been employed by criminals. Cryptocurrency is largely used by dark web users, and the black market as criminals value their anonymity as they can send vast amounts of money to any parts of the world through limited taps on their phone. However, the advantages of cryptocurrencies far outweigh any risks as it is fast, cheap and very secure. The anonymity provided by cryptocurrency has a number of benefits for law-abiding citizens, with the most enticing being that there is zero chance of identity theft which is a major advantage for anyone looking for a secure method of ensuring online safety. Like any other budding technology, cryptocurrency comes with some degree of uncertainty regarding its future. Cryptocurrency continues to grow in popularity, and businesses are racing to meet the increasing demand for its use (Hileman & Rauchs 109).

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Money is commonly identified as that component of a community's system of value accounting that is accepted throughout the community to serve as a general means of payment and, when functioning successfully, as a general form of purchasing power. Its property of being a general means of payment is grounded in the money being accepted as a component of the system, governed by a specific set of rights and obligations that work precisely to ensures that it serves this function. Typically, this allocates to debtors the right to have their debts settled by handing over money (of the appropriate value) and to creditors the obligation to accept it. Money's property of possessing generalised purchasing power is grounded in the community's trust in it as a stable form of liquid value. Such trust, in part, has typically been achieved by positioning money a specific kind of thing that has the capacity to instill this trust. How this works in practice is contingent and varies over time. The challenge, then, for those seeking to render form(s) of cryptocurrency as money lies both in getting it positioned as a legitimate general

means of payment (governed by relevant rights and obligations ensuring this) and so also trusted in the sense that if positioned as money it can serve as a store of liquid value.

Cryptocurrencies in Practice

In practice, cryptocurrencies (including Bitcoin) have become something different than what was envisioned by Nakamoto (2008). While there is a great deal of competition (Hayek money) in the cryptocurrency market, Bitcoin and other high-profile cryptocurrencies have failed to stabilize their value and subsequently increase their level of trust and acceptability. There are also challenges when comparing specific features of cryptocurrencies discussed in theory (Section B) with cryptocurrencies in practice. From 2013, the growth in the number of cryptocurrencies has been impressive. A 2019 Institute and Faculty of Actuaries paper reported that there were 66 varieties of crypto-assets in 2013, 644 in 2016, 1,335 at the end of 2017, and 2,116 in January of 2019. According to Rochemont and Ward (2019), the same trend has occurred in terms of market capitalization, where crypto-assets have grown exponentially from around USD 10 billion at end-2013 to USD 572.9 billion at end-2017. In terms of trading platforms for crypto assets, as of April 2018, the number had exceeded 10,000 (Rochemont & Ward, 2019)

Among the over 2,000 cryptocurrencies in existence, the market share distribution is relatively congested. Figure 19 shows a comparison between 18 cryptocurrencies. Using data collected from coinmetrics we show on the next page for the 18 cryptocurrencies the average daily active unique addresses (19A), the average number of blocks generated daily (19B), the average daily adjusted transaction volume (19C) and finally the average daily fees paid to miners (19D). Averages are calculated over the entire period of data which varies from 438 days (for Tezos) to 3903 days (for Bitcoin). The figure shows that although Bitcoin is the most widely known cryptocurrencies, in terms of the average daily transactions volume relatively new cryptocurrencies such as NEO are more used.

In terms of usage, it is difficult to measure active participants. The largest and most widely used cryptocurrency is Bitcoin, which, as of July 2014, had almost 41 million addresses listed on the Bitcoin block chain, but only 1.6 million that contained a balance of more than 0.001 bitcoins (roughly £0.35). This much smaller figure still overstates the number of users, however, as each user may possess any number of wallets and each wallet may hold any number of addresses. In a 2018 survey of over 200 cryptocurrency owners, the Foundation for Interwallet Operability (FIO) found that only 30% of users sent any coins to a third party or alternative account at least once a month. A total of 43% of respondents sent coins to another party or made a purchase with cryptocurrencies only a few times during the entire year, and 27% sent no coins at all. From this, we could conclude that 70% of cryptocurrency holders either never or rarely used cryptocurrency for making any type of payments. Another way to estimate Bitcoin usage is through the number of venues that accept Bitcoin. According to coinmap.org more the 15,000 venues accept Bitcoin. Leading software companies such as Microsoft accepts payment in Bitcoins. Expedia, the travel fares and hotel aggregator website, also accepts Bitcoin. Most importantly, digital banks such as Revolut allow their users to open accounts in Bitcoins and use it for payments.

Cryptocurrencies are purchased with an underlying unit of account (central bank-issued money). This allows us to see what currencies are being converted into cryptocurrencies, similar to

looking at debt or equity by currency type to get an idea of who is holding that debt or equity. In August of 2014, a Bank of England Report estimated that almost 60% of Bitcoin trading was against the Chinese renminbi, 32% traded against the US dollar, 3% against the euro and 1.2% of trading was against the British pound (Ali et al, 2014). Since the publication of these figures, there have been significant changes in this composition.

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