

Pros and cons of bitcoin



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The Bit coin was designed to be the perfect virtual currency. It is completely anonymous, cryptographically secure, and frictionless (enter in text citation). It is also invisible to law enforcement as well as the taxman. It can be seen as the holy grail of payments for anyone trying to avoid bank fees while spending money domestically or abroad. On another note it is the perfect trading grounds for members of the underground economy, attempting to avoid law enforcement and prosecution. Although there are many pros in the use of bit coins, there are always cons. Nothing is perfect. The strengths of Bit coin can also be considered its weaknesses. Once the money is sent, it is sent, it was designed so that there is no trust required between buyer and seller, payment was guaranteed, as soon as it enters the account, it cannot be taken back unless the seller refunds it. Not many people are willing to risk loosing millions of dollars without the chance of getting it back. The internet contains many hackers who can potentially hack into your account and rob all of your funds, leaving no way of getting your money back, unless the hacker decides to return it The open source code for bit coin is free and public, meaning that just about every hacker and cryptographer that has access to the internet can take a shot at it. Another factor would be looking after your own coins, which is extremely risky and requires a pretty substantial level of expertise, a novice or beginner would not manage successfully or safely. On the other hand, trusting a company to look after your coins requires the very trust that Bit coin was designed to avoid. What is the future prospective of Bitcoin? Does it have a chance at becoming a legal currency/ form of exchange? Research will tell.

Pros:

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The Bit coin is the perfect investment for people who lost trust in the government, and prefer to secure their funds with themselves versus their country especially during economic downfall or turmoil. These assets can be the one thing to save individuals purchasing power and wealth. An example where owning bit coins instead of entrusting your money with the bank could of saved all of your money or savings would be the is the events in Cyprus. ‘ There, the government, under extreme pressure from the European Union, first proposed taking all bank accounts – even the insured ones – by at least 6. 75%. That didn’t work, but now uninsured account holders at Cyprus’s two largest banks stand to lose most of their money. It’s a stark reminder of the dangers associated with depositing money in a bank’. As a result Bit coin has become extremely popular in Cyprus for many reasons: the government cannot confiscate your bit coins, nor prevent you from transporting them out of the country at times of economic downfall.

Bitcoins are similar to cash when it comes to anonymity, but they are superior. They take the idea a step further, and make anonymous transactions more possible than ever before. If you pay somebody in cash it is considered a transaction that falls in the underground economy, the transaction is untraceable and does not contribute to the countries GDP or economy. The downfall of cash is both parties need to be physically present at the same time in order for the transaction to take place. It is also beneficial is if both parties live in a country where the currency is an accepted unit of exchange. With bit coins, transfers can take place across continents and time zones with minimal issues, no time lags, and only very small transaction fees. No banks are involved; the central bank doesn’t

control the money supply, and no taxes are paid. Once you acquire an account with bit coins, they completely belong to you, and can be used however desired.

Bit coins are not limited to a specific website or server like other online currencies such as (...) there is plenty of things that can be done with them.

Bit coins can be converted or exchanged into many different currencies through online exchanges. They are accepted in online casinos and can be used for gambling purposes or simply used for purchasing things online, many websites accept bit coins. ' Hotels take them, a sock manufacturer in Massachusetts is famous for accepting bitcoins, and the more enthusiastic members of the bitcoin community regularly do things like split checks at a restaurant - even one which doesn't take bitcoin itself - by transferring coins to the person paying in dollars' (insert citation)

In the case of one trying to commit illegal purchases online without the fear of prosecution, bitcoin is certainly the form of payment the majority of venturers' would go with. For an instance if you were seeking to purchase illegal narcotics online, or hire a hit man, there is a website by the name of " The Silk Road" which offers all of these services. The only catch is that the website uses bit coin as the only form of payment/ exchange for obvious reasons. This is due to its anonymity, security, and guarantee of payment. Not only was " The Silk Road" a major hub for bit coins but also the major contributor for the massive rise in value of bit coins in 2011 (CITATION).

Cons:

Satoshi Nakamoto, the creator of Bitcoin had an extreme mistrust of the financial system, and all institutions in relation to it. This was the most important factor that led to the development of the bitcoin. He wanted to create a currency that was completely decentralized, that had no trusted parties, and depended on no bank to control its fluctuation. Satoshi's explains his feelings and thoughts about the financial system as " *The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with barely a fraction in reserve. We have to trust them with our privacy, trust them not to let identity thieves drain our accounts*" (ENTER CITATION). Basically if you have U. S dollars, your placing your trust on the U. S government to not destroy your wealth on the belief that they actually contain the amount of gold exchangeable for your dollar bills in the federal- reserve. Bitcoin in turn is made on mistrust, so every man for himself. You are responsible for the fate of your wealth. The down side is that whatever you lose, there is no return, it is final, there is no bank or agency, no police force, no legal system to file an investigation to in hopes for a return of your losses. Every decision, every mistake is your final choice.

Companies such as Coinlab claim that they can keep your bitcoin's safe, but given the fact that when a hacker is successful they can take as much as they want, and the fact that law enforcement authorities will not make any attempt to track down or catch the hacker leaves a huge gap for risk and loss, which majority of clients will not take. It is unfixable when done.

The global rate at which bitcoins are mined is pre determined and slowing down. The global supply of bitcoin will never exceed 21 million (Enter Citation). In the beginning of 2010 there was 3 million coins floating around and about 14 million presently (enter citation) . In 2021 at this rate, if bitcoins are still in use, the rate of growth of bitcoins will be so low that the money supply will be unvarying, meaning that it will never go up. This leaves the risk that a central bank will just print off millions of new bitcoins thus diluting or inflating away the rest of the value of the current ones floating around.

Future Of Bitcoin:

Bitcoin will never be successful as a currency, nor does it have any potential of ever becoming a mainstream “ money” for several reasons. If the currency of a country fluctuated at the rate of bitcoin, it would never be acceptable as a medium of exchange in the global market. How can one conduct a business transaction when an item that is worth ten dollars today is worth twenty tomorrow. A currency needs some sort of stability, needs to be controlled by a higher power in order to work. The main point of bitcoin is the fact that it cannot be destabilized by any government institutions.

Bitcoins don't behave like a currency at all. In terms of value it appears to be more of a unpredictable commodity. Bit coin was made to be used like a currency in the sense that it is easy to pay for goods and services, especially in foreign countries. Bit coin was designed to solve a major problem in online transactions. As of right now there is no way to sell a service online to a large fraction of the world's population for a payment because of all the different currencies and exchange rates. Also transaction costs are high.

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With bitcoin this can all be avoided. It was meant to be the ‘Lingua Franca’ of online commerce(enter citation). This however is impossible because while it is a currency, it is a commodity as well only governed by the rules of scarcity. This brings huge issues especially due to the minicule size of the Bitcoin market. There is not enough bitcoins around to serve the purpose of all the daily transaction’s taking place in the global market. Although currently there is a huge buzz going on about bitcoin, the total value of the market as a whole is only worth around two thousand gold bars, not even close enough to revolutionize the global payment and currency system as we know it (insert citation). On a good day, the total trading volume for bitcoins is around 20 million dollars. Compared to the global currency markets, i. e dollars, pounds, euros, the bitcoin figures don’t even make up a rounding error in those markets. The foreign exchange market trades around four trillion per day, approximately two hundred thousand times that of bitcoin. To top it off, there is not a substantial amount of bitcoin traders in the market at all. The absence of a reliable source of liquidity i. e bank, or trading house means that if you did want to sell or get rid of your bitcoins, it wouldn’t be easy.

The final and most important factor leading to the unsuccess of bitcoin is its economic implications. If bitcoin did succeed it would ultimately fail. If the bitcoin did become a mainstream money, the soaring value of bitcoin would be cataclysmic. It would result in a hyperdeflation (insert citation). For an example, a golden bar valued at \$600, 000. Sixty dollars/ BTC the value of that bar is 10, 000 BTC. Now imagine that the value of the bitcoin continues to rise in value to \$600 apiece, then \$6, 000, and then to \$60, 000â€Š which

would have to happen if the fixed number of bitcoins was being used to store hundreds of billions of dollars in value. Then the value of the gold bar would plunge, in bitcoin terms—â€š—â€što 1, 000 BTC and then 100 BTC and finally just 10 BTC (insert citation). The same pattern would follow and affect all the markets in the world including the value of goods and services as well as your salary. The value of everything purchasable by bitcoins would plummet. Deflation is horrible for the economy. During deflation, members of the economy do not spend money, because any purchases you want to make will become cheaper as the days pass, so what you buy today will be cheaper tomorrow and so on. Cash is saved, and only spent on necessities. Job security as well as employment rate would drop because it would be wasteful to hire./ spend money on labor when there is no purchases for the products or services being offered from businesses. This would be defined as a depression. The economy would completely slow down with minimum activity. For the economy to grow and prosper there must be monetary growth, which would be impossible to achieve with a bitcoin based system. Successful currencies such as the dollar can be printed by central banks at will in order to keep the economy active and flowing, regardless of the amount of gold in the federal reserve, it is a full proof system designed to keep the economy active even in times of hardship. Bit coins are a commodity comparable to gold and cannot fund and sustain the purchases and transactions of the global economy.