

CRYPTOCURRENCY READING GROUP SESSION

Decrypting the cryptocurrency - Bitcoins

In a session conducted by Vishleshan members Aanchal and Urja, we explored the topic of cryptocurrencies and in particular bitcoins.

The session started off by exploring and outlining what cryptocurrency was and why it had come about. The hosts of the session broke crypto-currency into two so as to simplify their explanation. Cryptography is a study of techniques for secure communication and data encryption is used in order to provide secure peer to peer networking. As far as currency goes, in the early days the barter system helped people satisfy their needs and wants. As time went on, and problems arose within the barter system due to lack of double coincidence of wants, for example and metal money was created to resolve these issues. Soon enough, paper money and coins followed suit and today, we live in the age of virtual money i.e. the banking system.

The value of the bitcoin in 2013 was a mere \$1.90. There was an audible gasp in the room when we were informed that the current value (as of November 2017) was \$7240. Bitcoins are 'mined' but unlike the mining we're used to, this mining can only be done using specialised software and hardware. It might not seem like a bad plan to try your hand at mining a bitcoin or even a 'satoshi' i.e. a hundred millionth of a bitcoin named in honour of the creator of bitcoins, but you might realise how out of your depth you are when you learn as we did that it is in fact harder to mine a bitcoin now, than it was a few years ago. Turns out mining a bitcoin is akin to solving a complex mathematical puzzle, except now that quite a few 'miners' have found particular answers to this puzzle, it becomes harder and harder to figure out different answers.

Bitcoins have some very obvious advantages. The most apparent being its anonymity. Unlike other currencies, there is no third party overseeing any transactions. The biggest of all advantage is the absence of taxation on transactions and the infinitesimal transactional cost.

However, there are two sides to every coin, even if it is virtual. The lack of regulation by any authority means that its legal status is unclear. As a virtual currency, the most glaringly obvious disadvantage is the constant threat of hackers and malware. Of course, as the world has looked on in shock, the price of bitcoin has fluctuated enormously, which can prove to be dangerous for an investor.

There are economic implications to bitcoins, of course, it acts as a unit of account and a store of value similar to regular currency. But though it can be tracked, the value of a bitcoin changes so fast that you end up having to track it hour to hour.

The session ended on a realistic note with the hosts expressing their belief that while people are now buying bitcoins solely to invest, the rate of growth and the erratic surge in prices

have led them to believe that we are witnessing a bubble that could very well burst and wreak havoc upon the future of cryptocurrency.