**Bitcoin and its Impact**

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**What is Bitcoin, and what is it's current and possible future impact on the world money supply? What are the forecast implications of global economics?**

Bitcoin is a virtual and digital currency and exchanged directly between two people via the internet. It is not subject to any control, as can be a central bank. The transfer is very fast: maximum of six minutes for this money to pass from one point to another in the world. In practice, it is a parallel banking system.

Bitcoin or digital currency has won the headlines and the attention of investors in recent time for the impressive returns they have given throughout the year. It is in the midst of this effervescence for cryptocurrencies, that the largest listed derivatives exchange in the world, the Chicago Mercantile Exchange, announced the launch of a futures contract on bitcoin, which is undoubtedly a bold strategy that can give liquidity and security to a market that today is limited and questioned by many (Chohan, 2017).

Bitcoin was born in 2009 when a programmer named Satoshi Nakamoto launched bitcoin as a digital currency that works as a means of exchange on the Internet, therefore, it is a virtual currency, that is, there is no physical currency and only serves to make purchase of products, actions, services, etc., in the same network. The difference between the payment systems that exist in the network is precisely that in existing ones, payments are made through private networks such as credit cards and banks with real currencies, while in cryptocurrencies they are made through the public network, which eliminates intermediaries and therefore reduces costs, making the transaction between a buyer and seller more agile (Umlauft, 2018).

The programmers of these currencies have made it almost impossible to affect the security of these transactions through different mathematical algorithms; however, this security has also led to the existence of a limited number of these currencies in the hands of few investors, which reduces their liquidity.

Among the advantages of using these currencies are the reduction of transaction costs, the speed to make a purchase or sale in any part of the world of a product and service, through a digital wallet, and the possibility of increasing transactions by eliminating financial intermediaries and their costs. As one can imagine, this has caused the financial system to oppose in general the use of digital money, but not only them, also the financial authorities, since these instruments are seen as vehicles that can be lent to launder money and finance activities. Also, its use, being anonymous, becomes a source of tax evasion (Seetharaman, Saravanan, Patwa & Mehta, 2017).

As an investment instrument, it can be likened to a pyramid scheme, since, as mentioned, there is only a limited number of these currencies in the world, whose value moves according to supply and demand, which has generated enormous volatility in their quote making it have steep climbs or falls. At the moment that for some reason someone decides to go out to take profits, it may be that they do not find who to sell to and their quote simply collapses (Wenke, 2018).

In the case of bitcoin, the currencies in circulation are 21 million units in the world. In addition to bitcoin, there are others such as ethereum, ripple, and litecoin, to name a few, being the most recent DeepOnion. The estimated value of market capitalization of virtual money already reaches 182 billion dollars; however, without a liquid market that ensures the compliance of these transactions and stability in their quotes, the profits generated by the strong increase in their value are only profits on paper.

For all of the above, the fact that the largest stock exchange in the world launches a contract that allows stability and security of transactions is another step for the integration of bitcoin into the financial system. It has caused a huge impact on the World money supply. While talking about the future, the experts predict that the price of Bitcoin will increase due to institutional investors. This prediction that Bitcoin will rise again, is formulated by the CEO of American Express, Abra, which states that when big investors' money comes into play in cryptocurrencies, everything will be affected and in addition to lowering volatility, it will raise the price of each currency. When more institutional money enters, Bitcoin will be affected in a positive way (Seetharaman, Saravanan, Patwa & Mehta, 2017).

Other factors that influence the most famous cryptocurrency is Blockchain, which for now prevents more institutional money, so some researchers are beginning to develop software to expand capacity. However, it must be said that it is never enough emphasized that bitcoin is not issued or guaranteed by a Central Bank. It is the result of specially programmed software. So, its rising importance indicates that all the global economies will soon adopt this currency as their official digital currency (D’Alfonso, 2016).

**Annotated Bibliography**

**Seetharaman, A., Saravanan, A., Patwa, N., & Mehta, J. (2017). Impact of Bitcoin as a World Currency. Accounting And Finance Research, 6(2), 230. doi: 10.5430/afr.v6n2p230**

The author in this paper points out that the digital currency has equally progressed with the advancement of Technology. Bitcoin as a virtual currency is taking the place of paper currency and it is causing a great impact on the world. It is expected to increase in the coming years and it also has the capacity to impact the US dollars. The paper helps to understand the impact on the world currency from different standpoints.

**References**

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