

BITCOIN AND THE WAY IT CAN CHANGE MACROECONOMICS OF THE FUTURE

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In 2021 Bitcoin's capitalization surpassed \$1 trillion. Our days we can see a sharp development of various global projects and startups connected with blockchain technologies. The article provides a classification of bitcoin and blockchain technology. There you also can see the history of this market and analysis of this technology. The purpose of this article is to systematize information about the bitcoin and blockchain technology and present it in an easy to digest form. That is why the article describes not only the description of bitcoin technology but also historical and analytical information.

Keywords: bitcoin; history of bitcoin; blockchain technology.

The purpose of this article will give you a short classification of bitcoin and blockchain technology. As for me, I've been in the bitcoin community since 2017 and participated in developing the ICO market and some other interesting projects connected with blockchain. I also own some funds in cryptocurrencies and know many interesting people related to this sphere. Therefore, we will start from the basics. Hope you like it.

A cryptocurrency is: “a type of unregulated, digital money, which is issued and usually controlled by its developers, and used and accepted among the members of a specific virtual community” (European Central Bank, 2012). Bitcoin is a collection of computers, or nodes, that all run Bitcoin's code and store its blockchain. A blockchain can be thought of as a collection of blocks. In each block is a collection of transactions. Because all these computers running the blockchain have the same list of blocks and transactions and can transparently see these new blocks being filled with new Bitcoin transactions, no one can cheat the system. Anyone, whether they run a Bitcoin «node» or not, can see these transactions occurring live. In order to achieve a nefarious act, a bad actor would need to operate 51% of the computing power that makes up Bitcoin. Bitcoin has around 47,000 nodes as of May 2020 and this number is growing, making such an attack quite unlikely.

There are no physical bitcoins, only balances kept on a public ledger that everyone has transparent access to, that – along with all Bitcoin transactions – is verified by a massive amount of computing power. Bitcoins are not issued or backed by any banks or governments, nor are individual bitcoins valuable as a commodity. Despite it not being legal tender, Bitcoin charts high on popularity, and has triggered the launch of hundreds of other virtual currencies collectively referred to as Altcoins.

One bitcoin is divisible to eight decimal places (100 million of one bitcoin), and this smallest unit is referred to as a Satoshi. If necessary, and if the participating miners accept the change, Bitcoin could eventually be made divisible to even more decimal places.

And now let's talk about the history of bitcoin. No one knows who invented Bitcoin, or at least not conclusively. Satoshi Nakamoto is the name associated with the person or group of people who released the original Bitcoin white paper in 2008 and worked on the original Bitcoin software that was released in 2009.

The next big step after the release of bitcoin core and blockchain run was the first payment made by bitcoin. On May 22, 2010, Laszlo Heinitz, bitcoin enthusiast bought a pizza for 10000 bitcoins. Today, the amount of bitcoin used to purchase those pizza is valued at \$100 million. On this day, every year the crypto community celebrates pizza day.

Later this year, MT.gox, the first bitcoin exchange was founded. Thanks to that platform investors or just people who were interested in buying bitcoin can buy it easily from sellers, usually miners.

In 2011, the Silk Road, an online marketplace for illegal drugs, launched. It uses bitcoin as its chief form of currency. This seemingly bad event triggered development and recognizability of bitcoin and blockchain technology.

Until 2016 bitcoin technology sharply developed and the price has grown to 700\$ per bitcoin. All this caught the eye of a large range of people, and at the end of 2017, the bitcoin market bubbled. Market capitalization caught the level of 800 billion dollars and the price of bitcoin hit 20000\$ per coin.

These events have contributed to the emergence of the ICO market in 2017. An Initial Coin Offering (ICO) is the cryptocurrency industry's equivalent to an Initial Public Offering (IPO). Interested investors can buy into the offering and receive a new cryptocurrency token issued by the company. Moreover, this is a brand new way of investment attraction, which in future can help thousands of companies make new projects and innovations.

On March 15, 2018, lightning network protocol launched in blockchain network. I would not talk about details but I should say that thanks to that technology we could make thousands of transactions in the bitcoin network per second.

In 2020, we can see a sharp development of DeFi (decentralized finances) projects that could solve the problem of centralized exchanges and market liquidity. DeFi brings in decentralized exchanges to make sure that there are no centralized point-of-failures within the ecosystem. Centralized organizations manage the majority of the cryptocurrencies.

But what awaits this market in the future? Nobody knows, but I think that Bitcoin's future looks promising but its ultimate fate as a currency could depend on several factors. Bitcoin's volatility is well-known, but for mainstream

adoption to be ultimately realized, it needs to shake off this reputation. Merchants will always be reluctant to accept it as a form of payment if there's a good chance its value will decrease soon after. Alternatively, Bitcoin price optimists will not want to part with it if for mundane everyday items, they'll want to hold onto it instead.

In conclusion, I should say that the appearance of bitcoin is one of the most important things in 21 century. It gives every person an alternative from traditional fiat money. This technology is truly innovative and you can't even imagine how it could change people's lives and our society.

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