

What is cryptocurrency?

Written by 'Layin' it on the line' By Lawrence Castillo Guest Columnist
Friday, 09 December 2022 02:35



Once relegated to the global financial system's outermost fringes, cryptocurrencies such as Bitcoin and Ethereum have entered the mainstream consciousness in a dramatic and disruptive fashion.

Many of us think of cryptocurrency as new. But the idea of creating a more open and accessible financial system with greater privacy and lower costs dates back to the 1980s.

Bitcoin was the first viable cryptocurrency, although there had been several previous attempts at designing more private ways to perform financial transactions.

Initially, Bitcoin enthusiasts were a select group of early adopters, mainly programmers and technologists. Computer programmer Hal Finney was the first to download the original bitcoin software in 2009, receiving 10 bitcoins for his trouble.

How does cryptocurrency work?

It would be best if you didn't wind up in the weeds, so I will give only a brief overview of what makes cryptocurrencies tick.

Bitcoin, and alternative cryptocurrencies, are built with something known as blockchain technology.

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Blockchain software is a decentralized, distributed, typically public database that records transactions across multiple computers. Concisely defined, a blockchain is a type of digital ledger made up of records known as “blocks.” No one can retroactively alter blocks on the chain without changing all subsequent blocks.

Blockchain isn't limited to financial transactions, either.

It also serves as a real-time ledger of contracts and physical assets. Because it is open, anyone in the blockchain can see the details of each block. When a block is stamped and encrypted, the only person who can make changes is the person who “owns” that block.

Owners of blocks only gain access to them through a unique private key. The entire blockchain is updated and synced in real-time when a block is edited.

Banks and corporations are noticing blockchain.

Blockchain technology could revolutionize the financial world.

It cuts out intermediaries (middlemen), reduces costs, saves time, and provides greater financial privacy.

Using blockchain reduces transaction complexity. For example, if you buy stock using blockchain, your transaction is settled in minutes, not hours. You don't need someone else to process your stock purchase.

Also, even though there is no such thing as something that's “hack-proof,” blockchain appears to be a lot more secure than anything else available today.

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Currently, only about 0.5% of the world is using blockchain technology. However, it's poised to go mainstream very soon. Big banks, Insurance and technology companies, and venture capitalists dedicate billions of dollars and thousands of employee hours to blockchain projects each year.

Experts estimate that the banking sector alone could save as much as \$12 billion annually by switching to the blockchain ledger.

Summing it up: Cryptocurrency, based on blockchain technology, has the power to drastically change how we do business and make global transactions faster and more seamless.

Cryptocurrency cannot be manipulated or controlled by a central bank like paper currency. It provides more security and privacy than our current system, and, in many ways, it is freer and more democratic. As technology evolves, transactions on the blockchain will become more straightforward and more accessible to ordinary individuals.

If you are thinking about investing in cryptocurrency or if blockchain technology and cryptocurrency interest you, many excellent YouTube videos are available to give you more in-depth information about this incredible new financial alternative. Websites also help you get a handle on the more technical aspects of the blockchain.

Good Luck.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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