

# market

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Money

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## Money

### *Question 1: Differences between digital currency and cryptocurrency*

The dynamism of the global economy has resulted in an inevitable shift in the way currencies are regulated. Introducing of new currencies to be utilized for transactions has led to a vast way to conduct business operations in the international business field. The development of various currencies has seen the economy achieve digital currencies and cryptocurrencies. They are two currencies that differ in various ways. Their digital wallets are different in that the digital currency just needs one to open an account without any security while cryptocurrencies have their accounts opened on a forum that has a cybersecurity platform (Guides, 2018). This platform protects the coins from any form of cyberattacks by performing high-level encryptions.

Digital currencies have an almost constant current rate making them easy to deal with. The global market does not need any extensive research before executing any transactions. The volatility of cryptocurrencies on the other hand is high. Sudden changes in its current rate are highly probable as a transaction is being completed. Digital currency however does come with less transparency. Senders and receivers only access information that is related to the transaction process (Pagliery, 2014). Cryptocurrency takes transparency to another level by providing a stream of all the conversations between the two involved parties in all transactions. A high level of confidentiality is maintained for all private conversations between the dealers.

There is a centralized authority for digital currencies while there is none for cryptocurrencies. Reserve banks are involved in the control of the entire digital currency banking system for the respective nations. Transaction flows are closely monitored regardless of whether it is a digital or physical wallet. Cryptocurrencies do not have any third party to govern the investors. It runs on a decentralized system. A hefty transaction fee is charged for

any payments done using digital currencies. Dealing with cryptocurrencies on the other hand does not have any system for transaction fee. These are the major identifiable differences between digital currencies and cryptocurrencies (Lee, 2016). The future may be characterized by a major rift between the two currencies following the prospected developments.

*Question 2: Governments' success in banning bitcoin.*

Banning bitcoin has been a major debate in the global money market and it has faced mixed feelings. Bitcoin has really gained attention since its introduction in 2009. Governments may be successful in banning the currency in the coming years mainly due to its volatility. Bitcoin's decentralization has made it a weak currency that many investors may not want to be involved with constantly (Lee, 2016). Various individuals have tried the currency ending up in either losses or profits depending on various macroenvironment factors.

Governments have raised major concerns that the currency may be used for performing illegal transactions that may involve money laundering and other unauthorized purchases. This creates a big risk to investors because of it not being centralized so that it is closely monitored. This is going to be a major point in bringing down Bitcoin. Its decentralization has created a potential to undermine the authority of fiscal policies that are put in place in various countries (Guides, 2018). Currencies that have been used as international standards are facing a threat from the instability and decentralized control of Bitcoin.

The anonymity in the transactions that are made using Bitcoins has made it to be disliked by most governments. This is too much freedom that may result in the decline of control of the legal currencies. Governments are going to be able to push their legal controls in this line to ban Bitcoin as a currency (Pagliery, 2014). They are not going to allow a

system that undermines their purpose and existence to thrive in the economy. The future may be faced with a world without Bitcoin for being banned by governments.

*Question 3: Evolution in money*

The evolution in money is going to change the financial and currency markets in several ways. A major shift may end up being experienced in the way transactions are conducted. If cryptocurrencies end up growing to become an internationally accepted currency, financial markets will change drastically (Lee, 2016). The way we transact will change from being less transparent to be more secure with a high level of transparency being evident. This is just going to be a major change that may be felt in case money evolves in that direction.

A democracy in currency may be attained upon the introduction and acceptance of various cryptocurrencies. The decentralization of these currencies creates general freedom that has encouraged individuals and even corporations to get involved. Various governments have created interest in blockchain technology to figure out the approaches that can be taken to create a policy for regulating the currency (Pagliery, 2014). The currency market may become flooded with new cryptocurrencies in the case where it becomes a successful currency in the future.

The stability of a currency has always been dependent on its universal acceptability. Cryptocurrencies have created global interests from various parties who would want to keenly study and understand how exactly the currency runs. Recommendations have even been made to make the currency market stronger than it has been in the past. However, the instability of the various cryptocurrencies has created mixed feelings among investors (Guides, 2018). The evolution of money towards that direction may end up creating an instability in both the financial and currency markets. This may create an economic trend that may be too hurtful to international business.

*Question 4: Value of the Bitcoin*

The value of a currency has been directly attributed to its international acceptance over the years it has been in existence. Bitcoin has been identified as one of the top-performing cryptocurrencies in the money market. Investors from across the globe are fueling the demand for the currency making it stronger every day. The past years have seen Bitcoin grow gradually even with the hit on the economy caused by the COVID 19 global pandemic (Guides, 2018). Interested parties may be coming to peace with the levels of stability that the cryptocurrency is portraying.

Over the coming years, Bitcoin may increase in value depending on its rate of international acceptance. With the growing interest by investors across the globe, this currency may become successful and more valuable. Its nature of freedom and transparency is attracting more parties into it despite the challenges it faces. Once the total supply of Bitcoin has been mined, no more will be added to the market. More mining pools may be introduced globally making the transaction fees higher compared to the present (Lee, 2016). This is going to create stability for Bitcoin making its value grow constantly.

Bitcoin's value may rise sharply in the coming years. With its growing stability, investors may end up gaining more with time. Its global acceptability will contribute much to its value rising to strengthen its stability. It may become one of the best currencies of the future if it is supported by various governments that are strong enough to push for universal acceptability.

References

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Pagliery, J. (2014). *Bitcoin and the future of money*. Triumph Books LLC.

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