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THE IMPACT OF CRYPTOCURRENCIES ON THE ECONOMY

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Abstract. In a world of technological growth, cryptocurrencies as a new generation means of payment and trade between economic entities are one of the most discussed topics of the XXI century. The entry of digital money into the economic space can be defined as a phenomenon that in the conditions of digitalization at national and supranational level are an innovation in the financial system. Globally, the rapid penetration of cryptocurrencies over the last decade has been seen as controversial in the public sphere. Digital money has many characteristics that distinguish it from traditional fiat money, and therefore economic entities focus on their implementation in the business environment. In connection with this ongoing interest, the present study aims to track and analyze the impact of digital money on the global economy. As a result of the rise of cyber technology, quite logically blockchain technologies and cryptocurrencies find many applications in the business world.

Keywords: *cryptocurrency, economy, impact of cryptocurrencies, finance, innovation, bitcoin*

1. Introduction

In the financial and monetary system over the last decade there have been changes at the macro and micro level, based on which cryptocurrencies have become one of the most discussed and analyzed objects. Their uniqueness, expressed in decentralization, anonymity, independence from central banks, combined with the use of cyber technology, defined themas a phenomenon in the monetary system that won both many supporters and attracted the attention of critics. In this regard, cryptocurrencies have had an impact on economic ones at the supranational level.

2. Cryptocurrencies and their impact on the economy

The price of digital money is rising fast, but the same cannot be said for the whole world. If we stick to the statistics, we can point to Ireland as a developing European economy, where the “mining” of digital money is 116% of the total electricity consumption in the country. Again, the statistics show the UK, where consumption is much higher for Europe, butless than in China, the US and Russia. [1] The new policy introduced by the Facebook network prohibits the announcement of products and services related to cryptocurrencies, which led to a drop in the prices

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of most of them, as the value of Bitcoin fell below the levelof $ 10,000. [2]

Author analyzes using CoinMarketCap show that digital currencies such as Bitcoinand Ethereum have fallen to 25 and 34%, and that digital money trading itself is the penultimate because it cannot be guaranteed that the next day it will keep its value. The authorbelieves that worldwide economic agents are divided into two, some believing that this is the end of cryptocurrencies, while others believe that this decline is normal and after that trade continues. The last opinion is related to the understanding among some banking circles that it would be good to introduce regulation in the sector. Attempts to target digital currencies to certain criteria, as in the banking sector, are unthinkable because they are new wild moneyand it is perfectly normal for them to have ups and downs. Everyone participates in the

exchange on their own and decides for themselves what to do, whether to participate at the moment or to wait, or not to participate at all at the moment.

Crypto markets are the place where the prices of digital money can fall by a pre-determined decision in order for certain crypto buyers to buy this type of financial products cheaper. It is important to never forget that this trade is very risky and can destroy the financial resources of the participants, but at the same time it can make them too rich. The understanding to predict the disappearance of digital currencies is related to the fact that governments and world banks are against decentralized currencies because they have no control over them. Exchanges are a place where digital money is evolving as it engages in buying and selling and trading. Currently, cryptocurrencies are not accepted by bankinginstitutions and in this regard, leading banks in the United States, including Vank of America, Citigroup, PMorgan Group, have introduced restrictions and do not accept their cards to be used to purchase crypto resources. This practice has also been introduced by some banks located in the UK, such as Louds Viking Group, which do not allow this type of transaction to be made using their credit cards. [3]

Since 2018, the European Union has certain structures - the Observatory and the Forum, which apply project structures based on the blockchain chains, which provide securityopportunities and monitor the financial transactions. It is possible that the introduction of digital technologies will have an impact on industries such as finance, energy, public services, healthcare, intellectual property rights, insurance and others. Participation in these new initiatives creates conditions for more profitable use of crypto technologies as they create conditions for security of financial transactions, avoidance of cyber fraud and use of a third party. [4]

Bitcoin as one of the most popular cryptocurrencies is also one of the most discussedin the public space. In this regard, prominent economists, including James Altacher [5], set out their position on the future development of digital money, namely:

- a cryptocurrency collapse in local digital currency from the South American region is envisaged, and the effect would be increased interest in buying Bitcoin;
- banks are expected to increase their interest in Bitcoin and pursue a policy of creating digital derivatives, similar to the Chicago Mercantile Exchange;
- given the volatile values of much of the digital money, Altacher expects only 5% ofalternative cryptocurrencies to retain their value;
- it provides for an increased interest of the People's Republic of China in digital money. He believes that this interest will be dictated by their desire to create a centralized cryptocurrency that is competitive with the first cryptocurrency (Bitcoin);
- the main disadvantage of digital money is its decentralization and the possibility forspeculative operations by their creators;
- envisages cryptocurrencies to have an impact on fiat money;
- it envisages the emergence of a state organization to exercise regulatory control;
- it envisages increased interest in cryptocurrencies by economic agents, which will lead to the emergence of crypto companies.

Based on what has been said so far, the author believes that in the modern century any new digital currency is difficult to perceive and especially the so-called cryptocurrencies, which are independent of banks, creating conditions for their elimination in public life, can hardly be seen as positive, but the truth is that these so-called cryptocurrencies have many

functions, namely to be like vaults. Their decentralization and anonymity can be seen as a positive and a negative feature. The author agrees that the mass consumer does not perceive digital money because he is accustomed to some material, monetary image, which cannot be realized with digital money. Cryptocurrencies provide an opportunity for cash flow between consumers, without the participation of the central government, which is why it is difficult for people to know what exactly this digital money is. New virtual coins, known in the public domain as ICOs, are banned in a number of countries because they are not sufficiently studied and therefore investors and consumers must first study their sustainability. Analyzing the functions of the coins available in cyberspace, it can be argued that not everyone would find real application in our daily lives. For example, the digital cryptocurrency, Bitcoin is used to perform transactions for payment purposes, and as Ethereum has value.

On the other hand, it must not be forgotten that in the digital world of cryptocurrencies, money as “money” is ambiguous. They are an alternative in the future, but itwould be difficult to predict the question of their potential and how central banks would react.Their limited quantity, as with Bitcoin and most alternative

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cryptocurrencies, makes it difficult to make quick transactions, which distances them from fiat money.

Incredible cryptocurrencies have an impact on economic development on a global scale, and in this regard, the International Monetary Fund (IMF) announced in the public domain information on a recommendation to the banking sector to review options for investment in digital money. The sphere of the banking system will lead to a new market - a market for cryptocurrencies, which is associated with raising new financial capital, attracting new companies and investors of a new generation, with creative thinking, new fresh ideas for the introduction of digital money. of cryptocurrencies by the financial institutions of the countries the following possibilities for regulations can be considered:

- introduction of enhanced controls and possible sanctions in order to limit activities related to the so-called Dark Net system, which is used as a method of financial incentives for terrorist organizations, the purchase of weapons, drugs, money laundering and other activities related to illegal acquisition of goods and services. The idea of the possibility for central banks to create their own alternative digital currencies is also spreading in the public space. This idea is discussed by the central banking systems of the ECB, Sweden, Great Britain, Canada and others.

The author believes that cryptocurrencies with their uniqueness and innovation have had an impact on the world as they are the only new type of payment method that is not subject to control and regulation by governments and the banking sector. The uniqueness of the new generation of digital money comes from the fact that they unite a specific group of economic entities, namely people with interests in information technology and cyber security, who perform the functions of the so-called. “Miners” of virtual cryptocurrency. It follows thatcryptocurrency trading can be considered one of the riskiest, because on the one hand counterparties are always at risk of cyber fraud, and on the other hand there is always a risk oflosses if the value of the currency changes sharply in the direction of reduction. In addition, he believes that this may be due to the fact that digital money is still a new phenomenon, whichis interconnected with online and Internet services. It should not be forgotten that when they were created, they had a predetermined amount of coins and could not be changed later. This also protects them from inflation, because their price is formulated on the principle of supply and demand of the respective digital currency, and when their quantity decreases, this demandbecomes more difficult.

The emergence of the first decentralized cryptocurrency coincides with the beginning of the global crisis, namely 2008. Whether it is a coincidence can not be said, but it is a fact that cryptocurrencies have an impact on the economy globally.

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Despite its controversial statusquo, many supporters and those who reject it, it is a fact of public and public life. It is the US regulatory authorities, as an economic giant is defined as a commodity, and on the other hand on the Old Continent, the European organization is classified as a type of asset. According to the author, this can be considered an achievement because every banking institution at the macro and micro level has a position on digital money, explores ways to apply it in its structure in order to attract new investors or denies it.

From what has been analyzed and presented so far, the author is of the opinion that until recently, economic agents did not consider Internet technologies a necessary resource, but he quickly managed to gain their trust and became indispensable for society. In fact, the Internet and online services, in addition to being related to cryptocurrencies, are similar to them because they both offer the ability to make instant transactions and send information. If the Internet as a system is a protocol, ie. there is a legal framework for information transfer, the technology on the basis of which cryptocurrencies are developed, Blockchain can be defined as a chain of block data, performing the functions of a protocol for exchange and transfers, including the use of credit and debit cards such as MasterCard, Maestro, Visa, PayPal and others. Viewed in this way, through digital money, society has the opportunity to make instant transactions from a distance, which saves time, which directly turns them into a potentially revolutionary type of payment system.

In fact, Bitcoin has had an impact on the economy since its inception, as it rose dramatically between 2009 and 2013, reaching values above $ 1,000 per unit. This seemingly new and uncertain currency has changed the lives of many people, increasing their financial capital. Of course, many economic agents did not take the opportunity to buy units ofcryptocurrency and failed to increase their wealth. When cryptocurrencies appeared on the financial scene, they made an innovation, avoiding the third party (intermediary) in financial transactions, which is the main distinguishing feature from the banking sector. Due to this,due fees are charged, which are charged when making international transactions and payments.

The lack of a mass market, where to perform operations with virtual money is still missing, in this regard, the author determines a certain profile of both individuals and their functions, namely:

- the decentralization of cryptocurrencies restricts them in trade because they are notgenerally accepted;
- economic agents must have knowledge of the Internet and online services;
- trading takes place in cyberspace, which makes them inaccessible to some potential investors;
- excluding the possibility of speculation, their price is guided by the principle ofsupply and demand, which makes their value unstable;

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➢ their anonymity is a prerequisite for creating conditions for criminal acts.

The advent of digital money has shown society that the traditional fiat money we are used to has not been enough for individuals. The need for a new, innovative and evolutionary method of payment that is not tied to a third party intermediary creates cryptocurrencies. In them, economic agents see a way to save money, ignoring the functions of intermediaries in

the face of the banking sector, and imposing independence on their financial resources,limiting the control of regulatory authorities.

The author is of the opinion that the control imposed by banks and state bodies onbank accounts and cards (debit/credit) carries the danger of the possibility of blocking the amounts, which does not allow us to fully manage our own funds. In fact, money should provide the freedom to operate, but there is a monopolization of the banking and public sectors. Money should be based on public trust, but where it is lacking it becomes a piece of paper/metal. These restrictions can be seen as a reason for society to create digital money by limiting the control functions of third parties, while maintaining the integrity of the financial investments of economic agents.

The global pandemic of 2020 can be seen as accelerating the digitalisation process. In practice, we are witnessing a change at an unprecedented rate in many sectors: financial, banking, education and others. There was the emergence of economic crises, a decline in the price of many fiat currencies. Reduced consumption, closed businesses, lack of physical customers, etc. But there is another phenomenon, namely the decoupling of the pandemic related to COVID-19 and the value of cryptocurrencies. In this regard, the countries of the Old Continent, including France, Germany and Spain, have set up regulatory commissions to monitor trade through digital money, following in the footsteps of creating a regulatory framework and rules when using this new type of payment method. It follows that it is not excluded that digital money may be considered as an option to preserve the value of the exchange unit and prevent inflationary shocks.

Mastercard, in line with new trends and the changing micro and macro economic environment, has enriched the Accelerate application and created an opportunity for crypto payments. [6] They also develop opportunities to provide protection against cyber attacks and third-party interference. In this way, the company aims to attract new consumer financial capital, increase its popularity among both proponents of virtual money and economic agents, who want to carry out activities to buy and sell goods and services in cyberspace.

Following the same line of action, Visa has created plans that offer cryptocurrency payments. [7] This will make it easier for consumers to make payment transactions and increase the company's popularity globally. Its policy is in response to the emerging crisis following the COVID pandemic. Cryptocurrencies have created the option for us as investors to be able to create our digital money with the help of cyber technologies. This is an option different from the one offered to us by the traditional fiat money, namely to receive financial resources by carrying out labor activity. The society of the XXI century, in which internet technologies play an important role in their daily lives, is able both to create crypto moneyand to carry out activities for the purpose of buying and selling goods and services desired by them. Their participation as investors and consumers for more than a decade has influenced the economic development of the world at both national and supranational levels.

3. CONCLUSIONS

In a world of innovation and a rapidly changing macro and micro environment, cryptocurrencies occupy an important place in the public space. Their uniqueness has made them one of the most controversial topics in our society. From the advent of the first decentralized cryptocurrency to the present day, digital money has come a long way and undergone many changes. It is an indisputable fact that they are inextricably linked to the Internet and cyber technologies, which naturally makes them an easy and preferred way to pay and carry out financial and commercial transactions in the 21st century. Cryptocurrencieshave an impact at the macro and micro levels on the political, financial and social scene.

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