

## CRYPTOCURRENCY - EVOLUTION OF THE MONEY

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**Abstract:** Money are universal tool for trade and is one of the most discussed social phenomena of our time. The modern economy is a monetary economy. In the conditions of dynamic environment, innovations and mass use of Internet services, the so-called digital money is gaining more and more popularity. cryptocurrencies. This makes the topic of cryptocurrencies one of the most current and discussed topics of the 21st century. Currently, there are many cryptocurrencies seeking to integrate and establish themselves nationally and internationally. In the conditions of a dynamically developing world, digital money is a new type of tool for carrying out activities related to the purchase and sale of goods and services between economic agents and it is quite logical that they be the subject of analysis and discussion. In this regard, the subject of this paper are cryptocurrencies, and the main goal is to define them as money of the future by tracing their evolutionary path and their essential characteristics.

**Keywords:** blockchain, business, digital money, economic, finance, cryptocurrency, world practice of cryptocurrencies

**JEL CLASSIFICATION:** A10, F15, M21, G23, O16

In the conditions of a dynamically developing economy, cryptocurrencies are a new generation of funds on the global world market. Their goal is to meet the growing needs of economic agents for sales and sales at the international and national level. Looking back in time, we find the long evolutionary path of the means of exchange and trade from natural to monetary and currency circulation. During different historical periods, money has changed its structure and form in order to meet the needs of individuals for goods and services.

Hypothetically considering cryptocurrencies as money of the future, we must point out that modern money is an evolutionary stage for homosapiens, who went through money as commodity and non-commodity, as money and as modern money. Historically, people have accepted precious metals, gold and silver as commodities that meet the requirements for money. History knows the exchange in kind - a commodity against a commodity, where one commodity is not equivalent to the other. At a later stage, copper coins appear, followed by those made of precious metals.

The evolutionary development of man, urbanization and electronics, new technologies, electronic payments create conditions for the global foreign exchange market to enter the idea of cryptocurrencies. A real transformation of the monetary system will occur when the incoming cryptocurrencies establish themselves as the money of the future. It is important to note that today, in the age of technology, electronic money is entering circulation, which is easily portable, guarantees security and anonymity. It is possible that payment via Internet services is an alternative and a way to use digital currencies or cryptocurrencies. In this regard, the transactions are without intermediation and control of banks, because in cryptocurrencies control is decentralized and there are no opportunities for seizure. It is logical that digital currencies, when they become active currencies, will not only change monetary systems, but will open new horizons for money circulation and sales on

the world market. We live intensively, in an age of innovations and unique technical discoveries, encounters with new and unknown species of the animal world, and why not a new money circulation. Whether cryptocurrencies will become the money of the future is like Hamlet's question "To be or not to be?" Time will tell. Today, from the point of view of market capitalization, we can arrange the current cryptocurrencies as follows: Bitcoin, Ripple, Litecoin, Peercoin, Auroracoin and others. Despite the rapid development of mankind in the field of economics, politics, information technology is difficult to predict the future of the cryptocurrency system.

The future of cryptocurrencies tomorrow will show whether they will establish themselves as the main means of exchange. It is now possible to rely on blockchain technology for reporting transactions and exercising control over the created new units. It can be said that cryptocurrency is a type of digital currency, and the first decentralized known cryptocurrency was Bitcoin in 2009. The basic technical system for cryptocurrency was created by a person with the pseudonym Satoshi Nakamoto, who used the SHA-256 cryptographic hash function for the proof-of-work function. According to historical data, Litecoin was launched in October 2011, a successful cryptocurrency using a "script" as a hash function instead of SHA-256. Other cryptocurrencies may emerge, such as Peercoin, which uses a hybrid function between proof-of-work and proof of share. [1]

According to statistics, after March 2015, many cryptocurrencies were created similar to the first. It is important to note that cryptocurrencies are alternative currencies and are therefore difficult to accept. It is possible that the development of financial innovations will lead to the creation of cryptocurrencies such as Monero, Ethereum, Dash and NXT, which are "second generation" cryptocurrencies with more advanced options (hidden addresses, contracts, side chains and assets). Historically, the Monero cryptocurrency is open source based on the "Crypto Note" and means "coin". It is characterized by decentralized management, confidentiality, security and instant transactions.

The popularity of cryptocurrencies is a challenge for central banks, their impact on the economy and confidence in fiat money. The World Bank, through the interaction of international monetary systems and national governments, regulates the movement and supply of currencies through bank registers and the printing of fiat money, but they are unable to produce cryptocurrency. When we enter the field of cryptocurrency, the term "cryptocurrencies" used is due to the "hash" functions used in currency generation. Cryptocurrencies, like existing monetary systems, are a medium of exchange, but the special feature is the decentralized peer-to-peer network and cryptographic projections, where the role of central banks or financial institutions in transactions is not necessary.

The advantages of cryptocurrencies are related to a decentralized network for exchange of transactions, instant and irreversible transfer via the Internet without an intermediary, elimination of double spending, stability and security of the code and the network against counterfeiting, limited supply, information on transactions in a public register similar to accounting book. It is important to note as a positive that it is maintained by independent persons (diggers), who through computer programs record the transactions to the ledger, which contains transactions from the creation to the present. In this regard, it can be noted that the ledger is a blockchain and new blockchains with their own transactions are constantly attached to it. Cryptocurrencies also have their negatives, associated with the difficult perception by the masses, due to the lack of material contact with the currency; the negative attitude of central banks due to the fact that they are losing control of the new currency; widespread perceptions of uncertainty and lack of confidence in cryptocurrencies.

Cryptocurrencies are a brain experiment of the eternally searching human mind, of its aspirations to constantly increase its wealth, but we must not forget for a moment that the monetary

resource can not only increase but also decrease. As a new financial instrument, the cryptocurrency may not yet be known, but this does not mean that it will be ignored. When we want to invest in cryptocurrencies, we must accept that we are entering an unknown financial, commercial and economic environment. The above is a reason to note that in conditions when there is no traditional knowledge, everyone makes his own way to the global crypto market. It is never too late to invest in a new currency, but we must adhere to the familiar rules of the current money market, be careful when investing, do not sell when the price falls, but to buy, not to moisture too much and keep calm and great patience. In a fast-paced economy, cryptocurrencies are the money of the future. It is possible - money, but without the familiar currency. Let us not forget that man, as long as he lives and as long as humanity inhabits the planet Earth, always has a choice. Based on the literature review, it can be concluded that the opportunities provided by crypto-economics are unlimited and easily accessible to economic agents. In this regard, the entry of the crypto market is associated with the purchase of currencies through the stock exchange, which allows the exchange of dollars or euros into cryptocurrencies, or to dig currencies, and may find an acquaintance who has such a currency and is willing to part with part of it for cash on hand.

The development of cryptocurrencies is linked to events in Venezuela. It is important to note that the Venezuelan government is turning to the cryptocurrency in times of crisis over economic isolation imposed by the United States and strained relations between the two presidents, Nicolas Maduro and Donald Trump. Venezuela is pre-selling its cryptocurrency "petro" after President Nicolas Maduro announced a plan to create its own cryptocurrency in early December 2017. The transition to cryptocurrency is a way to deal with the financial blockade by US President Trump's financial and economic authorities, which is deepening the country's economic crisis. [2]

According to statistics, in early January 2018, President Maduro ordered the issuance of 100 million units of the national cryptocurrency and on February 20, 2018 began pre-sale of the virtual currency "Petro". Regarding the event, Deputy Prime Minister El Aisami said that "Venezuela is becoming the first country to sell its cryptocurrency, secured by its own reserves and natural resources". [3] This economic act will be backed by reserves of natural resources such as gold, gas, oil and diamonds. At the same time, it is expected to attract investments from Qatar, Turkey, Middle Eastern countries and European countries. Initially, Venezuelan "petro" will not be exchanged for Venezuelan bolivars. In fact, the success of overcoming the financial crisis through Venezuela's cryptocurrency, Petro, is not entirely clear. The cryptocurrency introduced is a fact, and the endeavor is extremely bold. It is only natural that the new cryptocurrency "petro" will create opposition discontent, which will openly declare the currency illegal. In fact, the local population doubts that this action will help the Venezuelan economy. Political forces believe that the loss of Venezuela is a gain for OPEC (Organization of the Petroleum Exporting Countries). It is possible that virtual cryptocurrencies will also attract non-traditional lenders from Russia and China, from which new fresh money will enter the country.

It is important to note that Venezuela's political and financial groups are divided. In the presence of hyperinflation, the country is facing a collapse, oil production is declining and if this decline continues, the likelihood that Venezuela will not be able to pay its debts increases. There is also the view that the cryptocurrency "petro" is an "excellent idea" that can unite countries and governments that have problems with US sanctions and the fact that the US dollar is the world's reserve currency. It is important to note that Venezuelan cryptocurrency "petro" can be acquired by individuals and legal entities, and that there is no legal barrier for them not to be Venezuelan citizens, and that there

are no restrictions on the nationality of buyers. According to President Maduro, out of a total of 100 million units released, 82.4 million units will be available to investors. The price of a Venezuelan "oil" will be equal to 60 dollars, as much as a barrel of Venezuelan oil currently costs. [4]

Venezuelan economist Luis Enrique supports the cryptocurrency "petro" and describes it as an interesting phenomenon in which anyone, regardless of territory, can acquire "petro" for a convertible currency and thus circumvent financial sanctions and the financial blockade of Venezuela. At the same time, "petro" acquires a wide range of possibilities because it can be used to pay for goods and services, including taxes, fees and duties in the country, as well as to be exchanged for cash in circulation. It is logical for the exchange rate to be determined by the volume of operations carried out in exchange offices that are licensed by the authorities for their activities. In this regard, pessimistic economic circles describe these plans as a "smokescreen" and emphasize that the cryptocurrency "petro" will not lead the Venezuelan economy out of hyperinflation and financial sanctions. In this direction is the information that Russia is considering launching a digital version of the ruble, which would use the virtuality of cryptocurrencies to circumvent the sanctions imposed on it by the West.

It is possible in the modern world that digital cryptocurrency is perceived as an alternative currency. It is important to note that in Puerto Rico, after the devastating hurricane of September 2017 with the gentle name "Maria", the country is recovering. Logically, the island has been swept away by the hurricane and needs mutual assistance to rebuild its infrastructure. Even before the disaster, the country was not in good economic and financial condition, which motivated Puerto Ricans to accept foreign cryptocurrency entrepreneurs who wanted to help rebuild Puerto Rico and turn the country into a "crypto paradise", the first country with an economy driven by digital money. In this "crypto paradise" many of the taxes are abolished, the population automatically exempt from the federal individual income tax and capital gains tax, the business tax is paid on very favorable terms and American citizenship is retained. [5]

Cryptocurrency holders hope to show the world the functioning of the city of the future by using blockchain technology, which serves for transactions in parallel with the development of a new digital currency. The choice of Puerto Rico as a cryptocurrency paradise is associated with the use of the natural and economic crisis, which leads to the forced reorganization of society. In fact, cryptocurrencies are not just money for economic recovery, but funds for future payments. Based on the facts of the transition period, when the potential of cryptocurrencies and blockchain technology is not well explored, initiatives such as those in Puerto Rico should be approached with caution. Statistics, albeit scarce, reveal that cryptocurrency enrichment is at a time of a boom in the digital money market. Virtual money is everywhere, it is a technological product and the market capitalization of the 600 cryptocurrencies actively used is growing, for which the World Financial Community must decide. All this can summarize that cryptocurrencies are a universal means of payment and in the distant future may be a competitor to the generally accepted financial system.

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The current development is the reason for defining cryptocurrencies as the money of the future. In conclusion, they should draw the following conclusions - money goes through a long evolutionary path. Based on the presented literature review, I believe that cryptocurrencies are an integral part of the evolution of the monetary system. With the development of Internet services, cryptocurrencies are increasing their popularity and expanding their application. The entry of cryptocurrencies into the real financial economy is an indicator of their rapid adaptation in the world of money. Changes in the economic business environment lead to the search for new sources of income in order to meet the

needs of economic agents for goods and services. In a rapidly evolving, dynamic business environment linked to technological progress and innovation, cryptocurrencies are an opportunity to increase financial capital in order to provide more and more affordable financial goods to individuals.

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