

Chapter 6

Cryptocurrency Brings New Meaning to Purchase Power and Bridges the Wealth Gap: A Closer Look at Bitcoin

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ABSTRACT

Launched in 2009, Bitcoin is considered the first cryptocurrency. This chapter takes a strategic approach to investigating Bitcoin usage and how it has brought new meaning to purchase power around the world. The chapter begins with background information on Bitcoin, followed by a description of the current Bitcoin user, followed by an explanation of how Bitcoin has brought new meaning to purchase power around the world as well during the coronavirus pandemic. Additionally, the chapter provides supporting evidence for Bitcoin's ability to bridge the wealth gap.

INTRODUCTION

Bitcoin's purported creator, Satoshi Nakamoto laid out the concept for Bitcoin as a decentralized, digital currency with no governmental agency backing. A web of computers running Bitcoin software makes up a decentralized form of administration where every Bitcoin transaction is open source and available to the public. All transactions are stored on a ledger called a blockchain. Any given blockchain consists of a single chain of discrete blocks of information, arranged chronologically (Floyd, 2020).

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This chapter explores how Bitcoin has manifested itself in our society as a new purchasing power all over the world. Understanding the underlying factors driving the demand for Bitcoin will be laid out, followed by an analysis of the Bitcoin user. Then, the power of Bitcoin as a means of purchase power and bridging the wealth gap will be demonstrated by spotlighting its usage in various countries as well as during the coronavirus pandemic.

THE FEATURES OF BITCOIN

One of the major advantages of Bitcoin is its transaction transparency. The details of every single transaction, including the time, input address, output address, transaction amount and fee are stored in blockchain, which serves as a public ledger in the network (Geng, 2017). Bitcoin users also cite security as a major advantage. Stored in electronic wallets, each Bitcoin is given two sets of security codes, one public and one private. These codes cannot be forged, thus creating another layer of protection (Rolfe & Dittmore, 2015). The main features and advantages of this cryptocurrency and its underlying blockchain technology, which include decentralization, verification, anonymity, transparency, low price and high speed, have convinced many academic researchers and industry pioneers of the huge potential for bitcoin to fundamentally change how the financial industry operates in the near future (Geng, 2017).

THE BITCOIN USER

The most avid users of Bitcoin fall within the Millennial generation. Bitcoin is most popular with the millennial generation because this age group regards Bitcoin highly as a store of value and an investment, often one that is more valuable to them than government bonds, stocks, real estate, and gold (Grens, 2020). Bitcoin ATMs have added to the millennial appeal. These Bitcoin ATM machines have been popping up rapidly in different places around the world, with over fifty countries involved and nearly two bitcoin ATMs installed every day (Geng, 2017).

Gemini, a cryptocurrency exchange released its 2021 State of U.S. Crypto Report, finding that the average crypto investor is a 38-year-old male with an annual income around \$111,000 (Allcot, 2021). However, other reports have revealed that “the crypto investor” is quite diversified. The “Bitcoin user” appears to be evolving with time appealing to vastly different individuals in various age groups, as well as income levels.

Aside from individual characteristics, such as age and income, the acceptance of Bitcoin can also be influenced by the characteristics of the markets into which

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