The Economic Impact of Bit Coin Halving Events in The United States

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ABSTRACT

Bit Coin was established as a computerized resource in January 2009, following the overall monetary emergency of 2007-2008. Over 10 years after the fact, there is still no arrangement among market controllers on the characterization, use cases, strategies, and financial ramifications of bitcoin. In any event, there is a rising longing for advanced cash as a government issued money substitute, which would advance monetary development and inclusivity. The standards overseeing advanced resources in a few countries are investigated in this review. It additionally makes sense of how Bit Coin can be utilized to alleviate monetary gamble and work with cross-line trade. Bitcoin purchasers ought to know about this foundational highlight also, since a dividing frequently accompanies a lot of choppiness for the cryptographic money. Sergei Khitrov, organizer and CEO at Listing.Help, noticed that "Coindesk examiners highlighted a flood in Bitcoin exchanging volumes quickly a month prior and a month after each splitting." Bitcoin dividing happens, the stockpile of accessible Bitcoins decreases, in this manner expanding the worth of the Bitcoins yet to be mined. Furthermore, with those changes come the opportunity to benefit.

Keywords: Economic Impact, BitCoin, United States, Market Regulations.

1. Introduction

Bitcoin was created as a peer-to-peer (i.e., without the need of a third party) alternative source of fiat cash (I.E., Intermediaries Like Banks or Governments). In his 2008 paper that signalled the genesis of Bitcoin, Satoshi Nakamoto described it as "A System for Electronic Transactions Without Relying on Trust" [1]. Because Bitcoin is a permission-less system, anyone can use it. Blockchain Technology, also known as Distributed Ledger Technology (DLT), was developed to facilitate the exchange of bitcoin. Blockchain technology, for example, is projected to alter a variety of industries by cutting processing costs, boosting efficiency, removing middleman expenses, and reducing market frictions. Bitcoin, the most prominent crypto currency, has gained in popularity as a borderless means of payment and is often compared to gold as a store of value. Bitcoin has been chastised for its lack of institutional backing and extreme volatility, in contrast to fiat currency.

Miners absolutely must "plan for the Bitcoin halving because it represents a near instantaneous drop in revenue," says Caleb Chen, digital currency and privacy advocate at Private Internet Access. It's a built-in feature of the Bitcoin system, one that has a dramatic effect on every aspect of the cryptocurrency. Bitcoin can be compared to a prize for successfully completing a riddle. Members are frequently linked to nodes/computers on the blockchain. Furthermore, the trading price of Bitcoin, which started around $0.0008 in July 2010 and has since increased to over $40,000 in January 2021, has piqued the curiosity of a wide range of market participants, including existing and potential traders, regulators, and policymakers (Figure 1).



Figure 1. Bitcoin Historical Prices (2010–2021).

There are only 21 million Bitcoins that can be mined to prevent inflation. As of February 2021, the total amount of mined Bitcoins is 18.5 million.

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It took almost ten years for the number of miners to reach 18.5 million. It's unknown whether the Bitcoin supply will run out at this point, with 2.5 million bitcoins left to mine. Bitcoin Was The First Cryptocurrency, But It Won't Be The Last. There are numerous crypto currencies available at the moment. By 2020, the market capitalization of crypto currencies will have risen from $200 billion to $1 trillion. Bitcoin holders witnessed the largest price peak since the currency's introduction during Covid-19. The rise in bitcoin prices during Covid-19 is attributed to a slew of institutional investors who began to see bitcoin as the future of money. Micro Strategy, for example, purchased 70,000 bitcoins.

2. Market Regulations For Bitcoin

2.1 Security Versus Currency

Policymakers and regulators have been concerned about the nature, transparency, trading, and valuation of digital assets. Trading on these assets, for example, necessitates determining whether they are considered "securities" under federal jurisdiction. An investment contract, as well as other instruments such as stocks and bonds, can be broadly defined as a security.

On April 3, 2019, the Securities and Exchange Commission (SEC) issued "Structure for' Speculation Contract' Analysis Of Digital Assets" to aid in determining whether a digital asset is a security under the Investment Company Act of 1940 and the Investment Advisers Act of 1940. The framework also allowed for the detection of whether or not a security was still valid. In the United States, an investment contract exists if it meets the Howey Test. An investment contract exists if money is invested in a company with reasonable expectations of profit from other people's efforts, According To The Howey Test.

2.2 Bitcoin Policies and Regulations

Global Capital Market Regulators Recognized the Need to Foster Capital Market Innovation by Adopting Emerging Technologies (i.e. Blockchain) And Flexible Ownership/Payment Models (I.E., Digital Assets, Cryptocurrencies). Regulators all across the world (including the United States, Singapore, Thailand, Switzerland, and Hong Kong) are developing guidelines and frameworks to make the exchange of digital assets easier, in anticipation of global jurisdictions adopting novel technologies.

On the other hand, Bitcoin's speculative nature and significant volatility need regulatory government action and the following release of guidance and laws on Bitcoin classification and use. On the other side, government interference is sometimes perceived as a setback to Bitcoin's innovative character and emergence as a peer-to-peer technology that skips intermediaries. As a result, Government Regulations Have Unintended Consequences Market intervention in crypto currency trading can take the form of regulatory communications and/or the publication of regulatory rules.

3. Challenges Facing Bitcoi

3.1 Bitcoin Substitution

Satoshi Nakamoto also built Blockchain as a tool or platform for exchanging bitcoin when he launched Bitcoin. Take Bitcoin as the automobile, and Blockchain as the highway. Imagine the power and innovation that comes with the invention of the first automobile on the road. The Current State Of The Cryptocurrency Industry Is That Thousands Of "Digital Forms Of Money" Vehicles Were Invented After Bitcoin, Each With Its Own Features That May Be Incremental Or Decrescendo In Functions To Bitcoin. On January 6, 2021, Bitcoin accounted for over 69 percent of the overall crypto currency market capitalization, which peaked at over $1 trillion. Ethereum (Eth) is an example of an alt coin that may be utilized in an Ethereum smart contract. Another Bitcoin alternative is Xpr, a Ripple Token that leverages a network of nodes from participating banks and financial organizations. Litecoin is a cryptocurrency that is four times faster than Bitcoin and has four times the supply (i.e., Bitcoin has a total number of 21 million coins, whereas Litecoin has an 84 million supply). While Bitcoin will remain the first and most inventive crypto currency, it is difficult to say if it will be the best.

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3.2 Bitcoin Cross Border Financing

As a peer-to-peer transaction, Bitcoin calls into question the central government's exclusive power to issue currency and advocates for a decentralized cash flow. The Bitcoin Market Is Condensed In Six Major Markets (The United States, Japan, China, Europe, the United Kingdom, and South Korea), Which Roughly Represent the Vast Majority Of Bitcoin Trading Activities In 2018, With China Taking Over 88 Percent Of Total Bitcoin Trading [13]. As a result, if Bitcoin is utilized cross-border, it is likely to be mostly between these six countries. While allowing for faster and cheaper cross-border cash transfers, the lack of a centralized body to oversee Bitcoin, as well as its high tendency for anonymity, opens the door to unlawful money transfers. Capital flight is a big danger connected with Bitcoin in particular. The problem grows considerably worse when Bitcoin transactions are anonym zed to hide cross-border money laundering. According to a survey, China and the United States are the two greatest originators of Bitcoin transactions. It also evaluates whether market controls are successful in preventing bitcoin from being illegally transferred across borders.

3.3 Bitcoin Cyber Risk And Security

As one may imagine, Bitcoin Price Variability Across Exchanges Could Involve Illegal Behavior and Anomalies Related To Ask and Bid Prices. The European Central Bank's regulations (ECB)

Are Designed To Reduce Illegal Trading, Cyber-Attacks, And Investor Protection On Bitcoin Regardless, it's uncertain whether local Bitcoin legislation will have a global impact on bitcoin trading.

PERCENTILE	BITCOIN	YEAR	GROWTH
26%	USDC	2015	2019.467
56%	WFG	2016	2020.267
23%	SHIB	2015	2021.067
45%	TDS	2017	2021.867
67%	COINDCS	2018	2022.667
68%	LTD	2019	2021.577
68%	UBA	2020	2021.868
87%	USDC	2029	2022.159
32%	TELER	2021	2022.451
12%	CDC	2022	2020.267
52%	WRX	2021	2021.067
52%	MAT	2021	2021.867
53%	CUD	2018	2022.667
53%	DEL	2017	2021.577
54%	GOLD	2016	2021.868
55%	SIL	2017	2022.159
55%	USDC	2018	2020.267
56%	WFG	2019	2021.067
56%	SHIB	2020	2021.867
57%	TDS	2021	2022.667
57%	COINDCS	2021	2021.577
58%	LTD	2022	2021.868
59%	UBA	2021	2022.159
59%	USDC	2021	2020.267
89%	TELER	2018	2021.067
49%	CDC	2017	2021.867
25%	WRX	2016	2022.667
89%	MAT	2017	2021.577
91%	CUD	2018	2021.868
99%	DEL	2019	2022.159

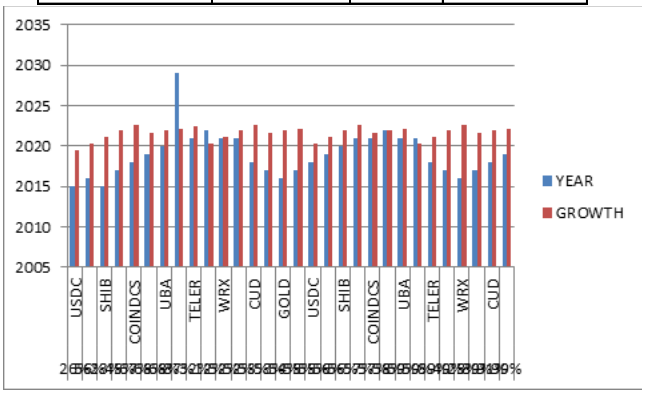


Figure 1: Annual Graph

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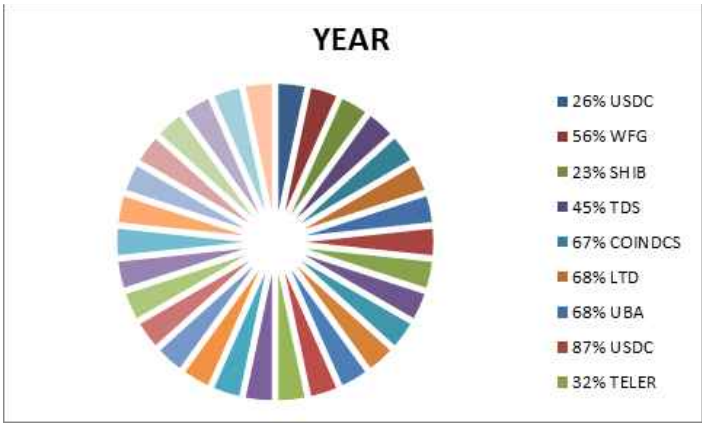


Figure 2: Yearly circular

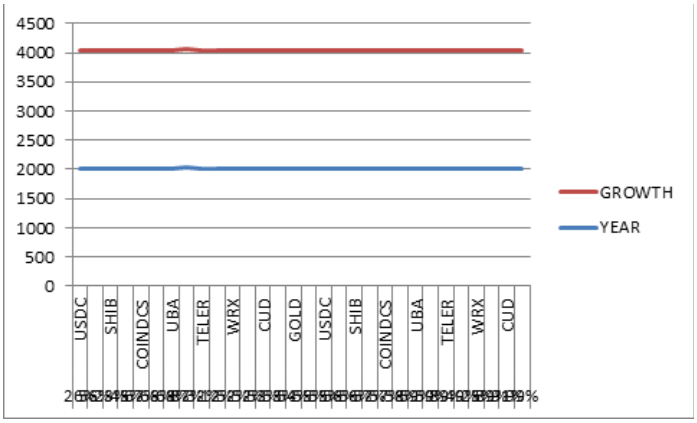


Figure 3: Yearly Fluctuation

Because Bitcoin is a virtual currency, it is vulnerable to theft and disappearance. For example, it's believed that 20% of the 18.5 million Bitcoins in circulation have gone missing because their owners forgot their password to $140 billion in Bitcoins. Mt. Gox, a Tokyo-based crypto currency exchange, went bankrupt in 2014, leaving 850,000 Bitcoin owners in the dark about their login credentials James Howells of the United Kingdom dumped his computer hard drive, which contained 7,500 bitcoins that he mined in 2009. The fact that the Bitcoin creator's identity is unknown raises the question of whether Bitcoin was developed with the Dark Web in mind.

4. Conclusion

The lack of uniformity and agreement among regulatory organizations in many nations on how to classify bitcoin, its use cases, and rules is evident. Indeed, even within a single country, such as the United States, Bitcoin legislation differ significantly from one state to the next. Furthermore, despite regulatory action (or lack thereof) in a variety of places, Bitcoin continues to grow in popularity Outperformed Regulatory Constraints In the Cryptocurrency World, Showing Consistent Increases Future studies could examine how the market reacts to the third halving occurrence to see if the outcomes are similar.

Plotting The Price Of Bitcoin Is Set To Rise In The Future, According To A Simple Equilibrium Scenario, But This Is Based On The False Assumption That Bitcoin Is The Only Cryptocurrency On The Market. For example, changing Bitcoin's protocol and increasing its supply isn't impossible. As a result, the economic and practical benefits of Bitcoin to the market are still debatable, and more study is needed to elicit a more in-depth discussion on its anticipated hazards and benefits to the market participants.

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