

HISTORY OF THE DEVELOPMENT OF BLOCK-CHAIN CRYPTIC TECHNOLOGY AND ITS FUTURE IN THE GLOBAL ECONOMY

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Abstract: This article represents the case of study the block-chain technology evolution across its existing like financial, economical and social instrument. With phenomenal growing in 2017 it creates a new industry of pay instrument Bitcoin has laid the foundation for the evolution of financial instruments and information technologies, this wave may sign new changes that may occur in the near future. In addition, forecasts will be made on the future of new digital coins and block-chain technology
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1. Introduction

The financial system is in constant evolution, and there is always a chance of appearing of new tool for commercial transactions upgrade. Such a tool may become the block-chain technology, since in the technology itself there are potential functions disclosed by altcoins, or not yet disclosed, but with great benefit to reduce the cost and facilitate cash transactions in near future.

How does a purchase with Bitcoin work? Think first about what happens when you pay cash: You can spend a dollar bill once only, the transaction is anonymous, and involves no fee (Vigna and Casey, 2016).

2.Bitcoin and new technology

After its emergence, block-chain technology has seen both moments of mistrust from society and moments of success and increased interest. Today, after the price boom in 2017, the technology has attracted the attention of all economists, investors and brokers across the advanced world. And the Bitcoin has become the face of this technology that is the basis for a multitude of other styles created in different regions of the world.

At the moment, the capitalization of the entire cryptocurrency market exceeds 600 billion US dollars (Serebrenikov, 2018, pp.2-5).

On the eve of the 2008 crisis, a group or a single person named Satoshi Nakamoto launched the Bitcoin coin based on Block-chain technology. This technology consists of the chain by chain link. This system consists of decentralization and the lack of the main server, the information does not accumulate in a specific location such as the Microsoft server where they store their digital products, logs and customer information, but they are stored in blocks to all users of this system, similar to Torrent technology, where data flow takes place directly between users. Instead of the Server → User link, User → User connects.

Bitcoin's currency value is influenced by two sets of factors: energy costs, mining investments, transaction fees) and the market (consumer demand and speculative games), said Valery Petrov, vice president of market development and market regulation. If the first group is fairly stable in the last period and does not have a significant impact on the asset's rate, the second, on the contrary, becomes the driving force that determines the prices.

Bitcoin was originally used by processor resources, then video card resources, where AMD's products have proven to be far more productive than the nVIDIA brand series. This has increased the price for Video Cards and their market failure.

ASIC (application-specific integrated circuit), integrated circuit systems developed for a specific purpose, is at the moment the most feasible Bitcoin mining equipment. Minuses to such Mining may be that not all crypto-coin can be gained through the algorithm used by ASIC, for example, Ethereum has blocked the possibility of using them for mining.

Bitcoin was used by criminal organizations, not only because of its cryptographic capacity, but also for feature what consists in fact that transaction once accepted in block-chain, can no longer be canceled or . With this technology there is no risk of stopping the transaction by representatives of law, because this system is independent, momentary and decentralized, compared to system used in banks. In addition, the bitcoin cool jacket is impossible to block or expropriated without access to its physical support (HDD / SDD).

Bitcoin's expensive growth in a geometric proportion is due to the fact that although Bitcoin is a speculative tool for companies, Bitcoin does not have a link with such restrictive factors as the name of the company, the brand or the representative person.

Bitcoin's skepticism is based primarily on the fact that it is a fiduciary currency, which means that it is not covered with gold, precious metals, or some valuable goods. Similar to the dollar that had become a currency uncovered since 1944, according to the "Bretton Woods System". At the same time, the dollar is supported by the US economic power, and is used by most of the world's states as a trade tool, becoming a vital unit for world trade flow.

Lately, this cryptic currency has been transformed from a commercial instrument into an object of exchange, and a speculative element.

The block-chain word itself became a speculative one, and Shanghai's birch funds had executed a 30 per cent survey of block-chain companies, and found that less than half of these companies had a real correlation with block-chain technology. Thus, the on-line PLC company raised its share capitalization by 394% by changing its name to On-line block-chain.

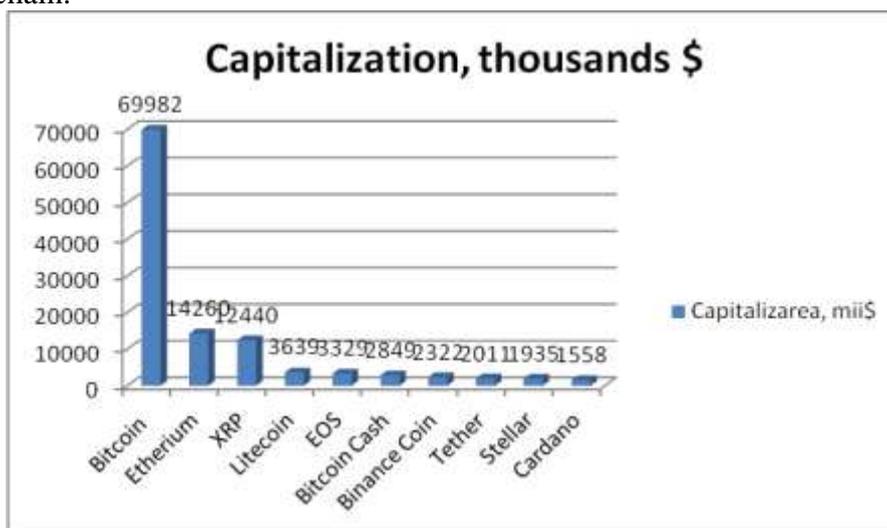


Figure no. 1. Capitalization of Top 10 coins

Source: Trading View 2019

Bitcoin remains the crucial and most valuable coin on market, its capitalization is 5 times higher than Ethereum that is number 2 (Figure no.1).

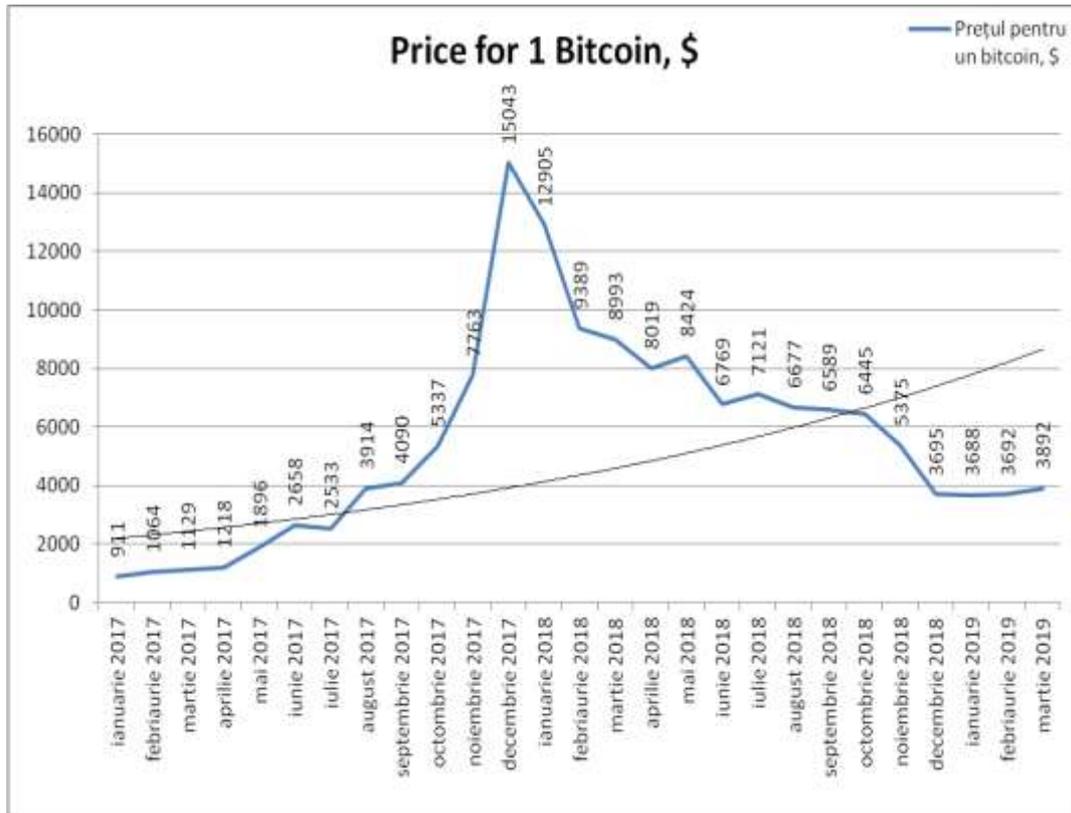


Figure no. 2. Evolution of Bitcoin price

Source: authors elaboration

3. Altcoin's and near future

The Internet has replaced some intermediaries. Now the block-chain is again ready to replace other intermediaries. But he is also ready to create new ones. It was the same with the Internet (Mohaiar and Buterin, 2017, pp.126-210).

At the moment there are over 900 alt-coins (alternative coins) created in different countries of the world with additional or improved functions that anihilate most Bitcoin's minuses such as transaction processing speed or imperfect data protection.

Bitcoin is not the only digital currency, although it was the first and most successful internationally, and has an overwhelming market share (98%) in terms of capitalization compared to other digital currencies. Bitcoin first earned in 2009, and until 2011 there were no alternative digital currencies, like Laitcoin, which is largely a bitcoin clone with minor changes to several settings (Tepper, 2015).

In order to solve the problem of data processing speed it was proposed to divide Bitcoin into several blocks, which led to the appearance of Bitcoin Cash.

Thanks to its technology besides foreign exchange operations, new services and new options can be added to bring benefits and added value for the economy and trade.

For example, Ethereum develops a smart-contract system that exists in Bitcoin, but with an expanded possibilities, such as controlling the veracity of meeting all legal points and conditions in a contract due to the high complexity of exchange algorithms , due to this system scams and illegalities will be minimized.

Blockchain technology is sure to be future because it can be integrated into the current banking system. Interest in this technology is reflected by international financial institutions such as Visa and Mastercard as well as bank associations such as China UnionPay and S.W.I.F.T.

The technology provided to increase the technical possibilities of processing multiple operations in a time amount can be integrated into both domestic and international payment systems as well as in the commercial-buying, leasing, lease, rent or lending relationship with a high degree of safety, speed and low commission.

Monero, an altcoin based on CryptoNote technology, adds more encryption levels and is widely used in Darknet. Due to ring signature technology, transactions are absolutely anonymous because the signature issuer can not be identified. However, this feature requires 8 times more memory than Bitcoin.

The technology of smart-contracts can be used in high-price deals, like contracts with immovable objects (houses, apartments). The subjects of the contract register the contract in the system with all the specified points, and the neural network does the monitoring of the contract and makes a decision on its legality and the integrity of the subjects. Depending on the degree of violation, a request will be sent to the pro-order forces.

A smart contract is a digital analogue of contractual obligations, reflecting cash flow in the blockchain. Smart contract technologies are designed to ensure that users comply with the terms of the contract. This is a kind of digital guarantee for the implementation of the contract. Conventionally, to break a smart contract is impossible (Karpilovskiy, 2018, pp.22-25).

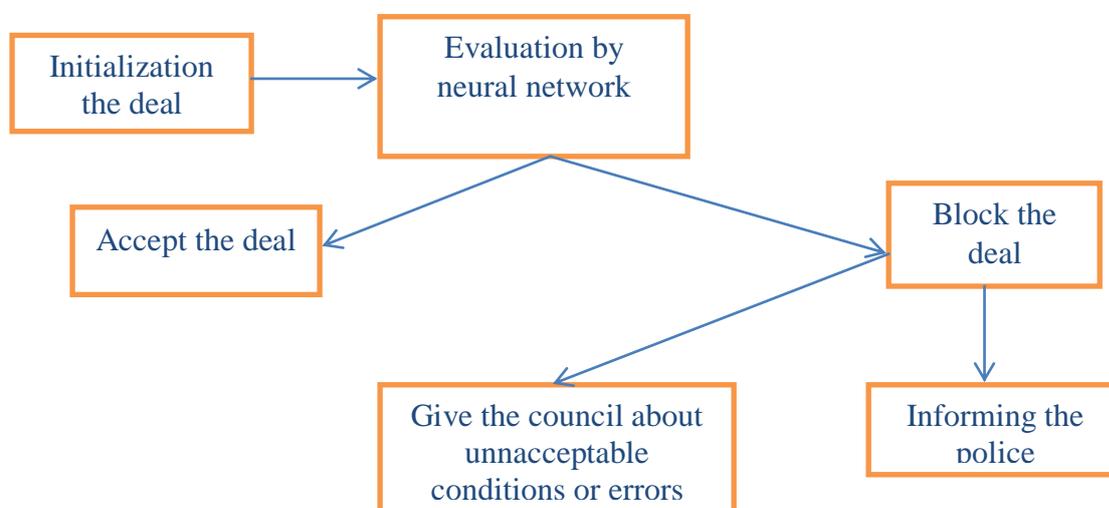


Figure no.3. Scheme of smart-contracts system with integrated neural network

Source: authors elaboration

4. Bitcoin threats

The price at Bitcoin has grown over the years, from cheap money to expensive money and so-called smart money. This money will only bring profit to those with financial and scholarly knowledge and practices. These players will decide the exchange rate. Whales have come into play and have earned profits since 2018, and in the future they will abdicate radical changes in the financial world of the world

Numbers booking network in hotels Expedia and Twitch stopped paying its services by cryptovalute, a sign of the fall of confidence in independent currencies.

Statistical data in recent years shows economic bubble features, similar to the smartphone market, which grew in the years 2014-2017, after which it signaled a significant decline.

Bitcoin's future is very vague from an economic point of view, for the benefit of this hypothesis is that Bitcoin as an investment object is only seen by venture capitalists because of the risk of lost capital and stock market volatility. In the Russian Federation Bitcoin was named the worst investment in 2018.

The number of Bitcoins is limited by 21 million, that is, it is also a limited currency and the lost virtual coins can not be restored.

Warren Buffett thinks the future is only block-chain technology, but not Bitcoin: "Block-chain is very important, but Bitcoin has not indispensable value. It does not produce anything, you can look at it all day, but there will not appear small coins or something like that. "

American economist and former chairman of the Fed Reserve Fund, Alan Greenspan, drew attention to such elements as the economic bubble, such as the rapid increase of Bitcoin with the subsequent massive decline. It is a classic model when when a new service or product comes into the market there is a stir, which leads to the price increase and the avalanche of new producers. Currently there are more than 900 crypt-coins with a capitalization from 70 billion to one thousand dollars.

The situation can be compared with the Dot-com crisis of 1995-2001, when mortgage papers have been devalued since the fall in the property price caused by the decrease in demand for this property. Of course, the breakdown of the reliable crypt-coin balloon can not lead to large economic regressions in the low percentage, about 3% of the GDP of the United States of America. The negative wave can only lead to investor losses and will not affect the world economy.

5. Conclusion

The aim of its article was to describe the new technology wat can be used in finance, commerce or management. This interest in cryptocurrency and block-chain is motivated by impact in progress acceleration of these new technologies.

Cryptocurrency in its independent and original appearance may disappear in next few years because of inexistent support from governments of first echelon states, but block-chain technology may become a new instrument for financial system and new commercial regulator through smart-contracts technology.

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