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The Future of Currency

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Today, we live and die by the almighty dollar. It determines where we work, where we sleep and where we spend our free time. For the past 100 years, the dollar has been the norm here in America, but things are beginning to change.

So what makes it all run, and what is this massive force pushing our lives forward? In America, it’s the Federal Reserve.

In 1912, the year before the Fed was put into place, there were over 30,000 currencies circulating in America—all with different values. Along with the wide range of currencies available, there was little trust in the banks of the early 1900s.

During this time, it wasn’t uncommon for someone to be denied a withdrawal at their own bank due to lack of funds. So the United States Congress, in order to unite the nation under one national currency and to curb inflation, put the Federal Reserve into place in 1913. The United States government created the Fed, but does not control it—the Fed is its own entity.

With the advent of the Internet and people taking their businesses online, a social necessity has risen for a currency that can be traded seamlessly peer-to-peer, instead of having to worry about third-party services and their transaction fees.

Multiple online sites like Amazon and Ebay have already begun to incorporate new ways of paying for a product, although these methods, which can be described as credit-based payment systems,
In an online interview called "Coinsider This!" Andreas Antonopoulos, who earned degrees in computer science, data communications and distributed systems at the University College London, explained that, "bitcoin is a currency, a network and a platform for building applications and other economic functions using algorithms."
Antonopoulos, also known as “the bitcoin Jesus,” explains that “the prime function of bitcoin is to enable consensus without central control,” meaning it eliminates the need for a bank. Referring to bitcoin’s infancy and its current state being quite complicated to the regular consumer, he continued to describe it as “the new Internet for money.” Though it is complicated now, like the Internet was, its potential for usage is extraordinary.

However, Iowa State economics professor Joydeep Blattacharya says this is a natural part of technological development.

“This is a short-run drawback to any technological advancement.... same with these payment systems. The rich don’t just trade with each other. If they can’t trade with the poor using these modern technologies, then that will severely limit the use of those technologies and prevent them from becoming popular.”

Is there room for both? It’s possible that bitcoin could be adopted and begin to gain a foothold in these online communities, causing businesses to realize the ease of trading with this online currency and other markets to adopt it as well.

“the penny and nickel, are nearing the end of their life span...”

Bitcoin can be best described as Internet cash. Unlike previous forms of credit-based Internet payment, bitcoin can be used anywhere that it is accepted. Overstock.com was one of the first major online stores to accept the digital currency. Citizens in the US are even allowed to earn salary in bitcoin, and income taxes are taken out just as they are with regular currency.

The coins are created by solving an algorithm, which is done by "mining," where individuals devote their personal computer power to the bitcoin network. This takes the place of present day bankers, who we pay to confirm transactions, and is also how bitcoin eliminates the middle man.

With bitcoin, we have something that has long been forgotten in the economic world. That is, the ability of a currency to be traded pier to pier without the intervention of a third-party service.

Now, instead of using a banking service to transfer money, users can send coins around the world instantly—and for free. All a user needs to do is open up a bitcoin wallet and begin accepting the coins.

They can then exchange the coins into any currency they please or keep the coins to use.

Despite the benefits of a new technological monetary system, Bugeja made the point that it could create two classes of citizens, those who can use and afford technology, and those who cannot.

With bitcoin and digital currencies, all that is needed is a smartphone or computer with an Internet connection. The problem is these technologies are not yet universally accessible.

Bitcoin is not the only digital currency being used. Other forms of non-physical currency have recently become the focus of many large corporations. Apple recently released its newest version of the iPhone, and with it a new application for digital banking, Apple Pay. This application enables users to scan their cell phones as a digital form of payment.

Shortly after Apple released Apple Pay, other phone companies, like Android, also made available their own payment applications to their network.

With these companies creating new forms of payment, we see yet another way that the dollar is slowly becoming outdated and in return becoming more and more costly to produce as it is not being used as frequently.

If this new form of mobile payment takes off and bitcoin is administered into these applications, we could see the first worldwide currency. This currency would be usable at your local grocery store by the scan of your mobile device or on the Internet with a company based out of China. No exchange rates or difficult transfers would be needed.

With the increasing popularity of Internet-based devices, it seems that digital payment systems could be here to stay. Bitcoin and other forms of mobile payment have begun to replace physical currency as people begin to realize the benefits of the new and the disadvantages of the old.

There is no saying what the future holds for currencies worldwide, but there is no doubt technology is moving forward and taking place of outdated, inefficient systems. There is no telling for certain, but currency may be next.