

The Competition in the Market of Cryptocurrencies

A currency usually refers to money in any form when in actual use or circulation, as a medium of exchange, especially circulating paper money. However, it is not a secret that evolution of IT technologies and internet has changed the world significantly. Firstly, money has moved from pockets to the Internet thus created electronic money, which allowed us to buy things from the Internet stores. But then David Chaum decided to integrate cryptography with electronic money to anonymize transactions. Although the attempt was not successful the log jam has broken and later on the first cryptocurrency Bitcoin was introduced.

Cryptocurrency (*crypto* – means «hidden» or «private») – is digital or virtual currency that uses cryptography or reasons of safety. The main advantage of a cryptocurrency is that it is not issued by any central authority in any country, making it theoretically impossible for governments to interfere or to manipulate. Moreover, some people use it to buy things they are not allowed to, such as drugs. Bitcoin was the first cryptocurrency to appear in 2009. Its success has created a number of competing cryptocurrencies such as SolidCoin, GeistGeld, Ixcoin, IOcoin, Litecoin and about 150 more. Technically, they are almost identical, however there are differences in economic terms, where cryptocurrencies are competing. Main parameters of this competition as follows: 1) Reputation of currency and its legitimacy; 2) Stability of currency value; 3) Fame and popularity of currency; 4) Degree of liquidity in currency exchange for the same virtual currency or the real one; 5) Speed and reliability of transactions; 6) Attractiveness of the website - the holder of currency, features of use and popularity; 7) Prevalence of currency as payment instrument on the Internet.

Competition among cryptocurrencies focuses mainly the network effect, which is considered the most powerful factor. Nevertheless, position of a cryptocurrency today does not mean that tomorrow it will be the same as it could be dramatically reversed. However, on the other hand, cryptocurrencies, which has been available for several years, have their regular customers. As a consequence, they need serious reasons for rejection of the cryptocurrency they use and prove why another will do better. According to the volume of transactions, the cryptocurrencies can be called a separate industry, however, still vulnerable, due to their youth.

To sum up, the cryptocurrency's destiny is still unpredictable and some analytics say that it's the future of money while the others do not believe in its success. Hence, it is at your own risk to deal with cryptocurrencies or not. If you decide to convert some of your money into cryptocurrency try to choose the best option, using the parameters which were mentioned above, because that choice can multiple your money or you can lost them forever.