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What is Cryptocurrency? Explained by “Dummies” Style!

Cryptocurrency is a decentralized digital currency supported by blockchain technology. You will be familiar with the most popular versions, bitcoin and Ethereum, but there are quite 5000 different cryptocurrencies in circulation.

You can use cryptocurrency to buy ordinary goods and services, although many of us will invest in cryptocurrency like other assets, such as stocks or precious metals. While cryptocurrency can be a novel and exciting asset class, buying it is often risky because you have to do a lot of research to fully understand how each system works.

How Does Cryptocurrency Work?

Cryptocurrency may be a digital, encrypted and decentralized trading medium. Unlike the US dollar or the euro, there is no central authority to manage and maintain the value of cryptocurrencies. Instead, these tasks are widely distributed among cryptocurrency users through the network.

Bitcoin is the main cryptocurrency. Nakamoto first put forward the theory in a paper entitled “bitcoin: a point-to-point e-cash system” in 2008. Nakamoto described the project as “an electronic payment system that supports encrypted proof rather than trust”. This and that kind of transaction from the blockchain is called verification.

How to Mine Cryptocurrency?

How mining releases new cryptocurrency units to earth, usually in exchange for verification transactions. Although it is theoretically possible for typical people to mine cryptocurrency, it is becoming more and more difficult in labor certification systems, such as bitcoin.

“With the development of bitcoin network, it becomes more and more complex and needs more processing power,” said Spencer Montgomery, founder of Uinta crypto consulting. “Ordinary consumers want to be ready, but now it’s too expensive. Too many of us have optimized their equipment and technology to surpass the competition.”

And remember. The cryptocurrency of labor certificate needs a lot of energy to dig. It is estimated that 0.21% of all electricity in the world is used to power bitcoin farms. This is about the same as a year’s electricity consumption in Switzerland. It is estimated that most bitcoin miners find

themselves using 60% to 80% of their mining revenue to cover up the cost of electricity.

Although it is impractical for ordinary people to earn cryptocurrency by mining in the labor certificate system, the equity certificate model has lower requirements for high-power calculation, because the verifiers are randomly selected to support their number of shares. However, it does require that you already have a cryptocurrency to participate. If you don't have cryptocurrency, you have nothing to bet on.