# Debunking blockchain and cryptocurrency myths

By Sean Sanders

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Cryptocurrencies and blockchain technology has received significant attention over the past few months due to Bitcoin's price skyrocketing and Tesla's recent $1.5bn investment into Bitcoin. One of the greater barriers to investment and adoption of crypto's and blockchain technology lies within the scepticism that surrounds it.

CEO and co-founder of Revix, Sean Sanders | image supplied

Here are a few myths that are debunked:

**Myth:** Blockchain and Bitcoin are one and the same

**Fact:** Bitcoin is one of more than 4000 cryptocurrencies. The blockchain is the distributed ledger technology upon which Bitcoin, and most cryptocurrencies, are built.

Cryptocurrencies are digital assets or currencies that can be transacted, by means of blockchain, between two or more entities to buy physical or digital goods and services.

Blockchain is a secure digital distributed ledger that records and stores all transactions in real-time indefinitely and is available to the public.

**Myth:** There is one blockchain

**Fact:** There is one blockchain for each cryptocurrency (but not only)

Each cryptocurrency is coded differently and therefore has its own blockchain, that records transactions by adding a new 'block' of information particular to its 'chain' every 10 minutes.

However, blockchains also vary in nature based on their intended purpose and industry, some are public others are private, and they may be open- or closed-source. For example, Bitcoin strives to be digital cash, whereas Ethereum allows developers to build peer-to-peer applications that don't require intermediaries and operate on top of its blockchain.



Their use cases are very different. Therefore, you can't undertake a Bitcoin transaction on the Ethereum blockchain, as these different blockchains do not interact with one another. It would be like trying to pay for dinner in the United States with South African currency. The restaurateur would expect you to exchange your currency in order to pay.

**Myth:** The cryptocurrency bubble is about to burst

**Fact:** In the last decade, cryptocurrencies breached the $1.3tn mark making them the world's top-performing asset class

The blockchain and cryptocurrencies have been around since 2010. Experts have heralded Bitcoin as the 'digital gold' of the digital age, as they help to drive the digital economy and spearhead the 4th Industrial Revolution.

Between 2020 and 2021, cryptocurrencies, as an asset class, saw a 3,800%+ value increase. This is far higher than the gains seen in traditional commodities and financial markets, such as the S&P 500 Stock Index and JSE Top 40 Stock Index. In comparison, gold saw year-on-year gains of no more than 25% in the same period.

**Myth:** Cryptocurrencies have no intrinsic value

**Fact:** Cryptocurrencies do not need to be backed by a commodity to hold value

Many sceptics claim that cryptocurrencies have no intrinsic value because they are not backed by a commodity such as gold or silver, however, most fiat currencies are not backed by commodities either.

Instead, their value lies in the fact that they have been issued by a government and that there is an agreement in place that allows consumers to exchange it for goods or services of a similar value. Hence, its value is agreed upon by all parties.

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The same goes for cryptocurrencies, though they are not government-issued, there is an agreement in place in the form of willing buyers and willing sellers - demand and supply - that they can be exchanged for value in the real world.

Additionally, if a commodity is limited in nature, according to the principle of scarcity, then its value fluctuates with time due to supply and demand. Bitcoin, as an example, is a limited digital currency as only 21 million Bitcoins will ever be able to be produced.

**Myth:** Cryptocurrencies are only used for illicit and dubious activities

**Fact:** Far more Dark Web transactions are undertaken with fiat currencies than cryptocurrencies

The blockchain keeps a public record of each transaction and although it offers a certain amount of anonymity, users and their details can be identified, which means that this anonymity is in no way absolute. There are some cryptocurrencies designed for anonymous transactions such as Monero but they make up less than 0.01% of the overall crypto markets value.

And though in the early days there were records of cryptocurrencies being used for nefarious transactions on Silk Road, part of the Dark Web, there were far fewer transactions using cryptocurrencies than fiat currencies.

Only 0.5% - approximately $829m - of Bitcoin transactions undertaken in 2019 were transacted on the Dark Web.

Global digital asset exchanges are also being proactive in extinguishing the misuse of cryptocurrencies by implementing mandatory know-your-customer (KYC), anti-money laundering (AML) policies, and know-your-transactions (KYT) policies where transactions that are sent to users who partake in illegal activities are stopped.

## ABOUT THE AUTHOR

Sean Sanders is the CEO and co-founder of Revix, an investment service.