Are Cryptocurrencies a Real Threat to the US Economy? Potential Benefits and Drawbacks for American Consumers

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Cryptocurrencies have been a hot topic of the past decade. People worldwide are enchanted by the mystique surrounding crypto money and the people involved with it. Though crypto adoption can potentially increase transparency, safety, and financial inclusion, it has drawbacks, such as increased financial instability and regulatory challenges. American policymakers must carefully consider crypto adoption's implications on the US economy and customers. This study can help US policymakers make more informed decisions on regulating and integrating cryptocurrencies into the existing financial system. The research can also benefit businesses debating the future of finances and whether to accept crypto payments.

Literature Review

Studies have shown that adopting cryptocurrencies can increase financial inclusion, reduce transaction costs and create a great sense of security in the financial world. Evans (2019) argues that the decentralized nature of cryptosystems makes them so attractive to people who value privacy. In his work, *Cryptocurrencies and the Economics of Money: A Literature Review*, he also argues that crypto can disrupt traditional banking systems and reduce costs for international transactions. But scholars agree that crypto comes with its dark side. Authors exploring its impact on global economics warn that crypto has a potential for massive illegal activities and that policymakers need to catch up with evolving modern economic technologies. Ghosal and Wadhwani are one of the many authors arguing that cryptocurrencies could bring just as much evil. In their book, *The Rise of Cryptocurrency and Its Effects on the Global Economy*

(2019), they warn about the potential for fraud and illegal activities. Even though these scholars have greatly contributed to the crypto conversation, my study will fill the gaps created by time and space. This paper will concentrate solely on the US and provide the latest information about the dangers and benefits of crypto.

Methodology

To explore the impact of cryptocurrency adoption on American society, this study will use a narrative forms methodology. More specifically, case study research and historical analysis. They will both provide in-depth inquiries of particular American cases where crypto was adopted, focusing on the potential benefits and drawbacks for American consumers.

Results

The study has proved that crypto does have a lower transaction fee. For example, Bitcoin has lower transaction fees because there are no intermediaries, unlike traditional banks where a merchant must take care of your transaction. Some Bitcoin payments still have a fee, but it can be as low as just a few cents. On the other hand, bank transactions average from $15 to $30. According to the World Bank's 2021 report, amid the booming pandemic, remittance flow in Latin America rose by 6.5%. Lower transaction fees could benefit everyone involved.

Cryptocurrencies could also benefit unbanked or underbanked households in the United States. According to the FDIC 2021 report, 4.5% (approximately 5.9 million people) of the entire American population was unbanked. Crypto can allow people without bank accounts to participate in the global economy. Blockchains allow anyone to create crypto mobile wallets. Unlike traditional banks, crypto mobile wallets have no minimum balances, it's free of human bias, and identity does not play a role. Research has shown that even the most demanded cryptocurrencies are unstable and could lead to immense financial loss. Take Bitcoin, for example; one of the most stable coins had seven massive crashes. The biggest one was in 2017, and it came crashing down by 84%.

The regulatory uncertainty creates inconveniences both for consumers and policymakers. People are more hesitant about using crypto because they fear legal repercussions. In 2020, the US Securities and Exchange Commission sued Ripple Labs, claimed the company conducted an unregistered security offering by selling its XRP cryptocurrency.

Review

Study findings show that the crypto situation in the US aligns with global trends. Scholars worldwide agree that crypto can be beneficial and dangerous simultaneously. This paper shows that while crypto is an extremely risky business, most of the concerns listed above could be eliminated with the help of smart policies. Even though the case study was limited in quantity, the general trend shows that the biggest fluctuations and crashes happen because governments do not support crypto.

Conclusion

This study has challenged the previous understanding of cryptocurrency's impacts on consumer behavior. While research has shown that past concerns such as currency volatility and safety are still pertinent, it has questioned their root.

Government policymakers are slow to catch up with rapidly evolving economic systems. Further studies could suggest how governments can adjust their politics when it comes to crypto.

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