WEBINAR RECAP

Cryptocurrencies and Blockchain Technology, Explained

BY JACK SORENSON, CO-CHAIR AND TOM EGGERT, MEMBER, COMMITTEE ON FINANCIAL MATTERS IN RETIREMENT

The first in a spring 2022 series on managing financial resources, the “Cryptocurrencies and Blockchain Technology, Explained” session introduced blockchain technology, which lies at the heart of all cryptocurrencies, and then explored cryptocurrencies. he presentations by Professor Brad Chandler and Coinbase’s Shailesh Shah introduced an investment option completely new to most of us.

Bitcoin (BTC) was introduced to the public in 2009. It represented the conclusion of many years of effort to develop a secure currency exchange system outside of government control or centralization. That system is grounded in a series of algorithms that generate a blockchain that is secure, transparent, and immutable.

A bitcoin is really just a solution to a complicated computer problem with a digital signature chain. A peer-to-peer network oversees and reviews the development of new “coins” and ensures all transactions are transparent. Every exchange of each BTC is recorded in a time-stamped running record and then protected so that it cannot be modified. Each transaction record is then identified by a unique, truncated encrypted number, known as a hash. The next exchange of a BTC will include reference to all prior exchanges, making the records auditable and eliminating the concern of an attempted “double spend” of the same BTC.

Blockchains are immutable and highly transparent, allowing parties to work together even if they don’t know or trust each other. Blockchain technology has found many applications in business. For example, Walmart has used blockchains to track produce of individual lettuce farmers, allowing the retail giant to quickly identify the source of any bacterial outbreaks and precisely target recalls.

We also learned about Ether, the second most common cryptocurrency and a product of the Ethereum blockchain. It was developed to address many of the shortcomings of BTC. The most important aspect of Ethereum is that it does not require the energy that is required to mine BTC.

Investing in cryptocurrencies involves risk. The price of BTC has declined 50% in the last two months. However, the speakers compared the evolution of cryptocurrencies to the evolution of the internet: there are currently as many investors in cryptocurrencies as there were users of the internet in 1997. If in fact the growth of cryptocurrencies reflects the growth of internet users, it may represent an investment opportunity. We encourage all to view the presentation online for a first look or a refresher of the material covered.