

What if Bitcoin crashes to zero?

# **Description**

#### Theme:

• Several investors including John Paulson, Jeff Schumacher are predicting that the value of bitcoin will eventually become zero. But many others are of the opinion that it is impossible, they do believe that the value of a bitcoin will only increase in the coming days.

# Why Bitcoin may crash to zero – possible reasons:

- Bitcoin, the first cryptocurrency was created in 2009. At the time of launch, the value of a 1 bitcoin was \$0. In 2010, the value became \$0.08. It reached \$64,863 in April 2021. In the next months, the value fell to less than \$30,000. As of 25th September 2021, the value of 1 bitcoin is \$42,705. The value is highly volatile and is changing based on the demand. When the demand decreases, the value decreases. So, if no one is interested in buying bitcoins, the value will eventually become zero.
- At present, only in El Salvador, Bitcoin is a legally recognized money. In many countries, the legal status of bitcoin is not yet determined. Some countries including Egypt, Turkey completely banned cryptocurrencies. Recently, China too banned cryptocurrency transactions. So, this resulted in the fall of bitcoin and other cryptocurrencies prices. So, if all the countries ban bitcoin and make it illegal, then its value will go down to zero.
- Other cryptocurrencies such as Ethereum, Ripple, Litecoin etc. are giving tough competition to Bitcoin. If investors and common people are more interested in other cryptocurrencies, they may pull investments from Bitcoin to invest in them. In that case, there is a possibility that the value of a Bitcoin may fall to zero.
- A few famous personalities including Elon Musk, Warren Buffet made negative remarks on cryptocurrencies. Warren Buffet shared his views on cryptocurrencies that they are worthless because they have no intrinsic value. These remarks negatively impacted the prices. Even though Bitcoin's intended purpose was providing access to cheap and instant worldwide payments, but now it is being used mainly as a <u>form of gambling</u>. Hence, there is a possibility that the value of bitcoin going down to zero.

- <u>Crypto hacks</u> are now a common thing. This can eventually lead to a lack of trust in cryptocurrencies. With the next biggest crypto hack, people may pull out investments in Bitcoin and other cryptocurrencies.
- In 2018, many investors sold their cryptocurrencies, which lead to the <u>cryptocurrency crash</u>. So, the possibility of the bitcoin value becoming zero cannot be ruled out.

# Why Bitcoin can never go to zero:

- Bitcoin creators kept some bitcoins with them. Even if all the other investors sell the coins, creators will not sell them to prevent the value from going to zero.
- <u>Some companies including Tesla are buying Bitcoins</u>. Moreover, El Salvador became the first country to make Bitcoin a legally recognized money. So, the trend may continue and the value will only increase.
- Many common people prefer not to sell Bitcoins in the hope that their value will increase. So, people are incentivized to keep the coins and not to sell them. This will prevent bitcoin from crashing to zero.
- Many Bitcoin traders have set <u>algorithms to purchase bitcoins automatically when the price</u>
  <u>falls</u> below a specified point. So, there are just too many people trying to prevent bitcoin
  from crashing to zero.
- The underlying technology of Bitcoin, which is blockchain is revolutionary. Hence <u>many</u> investors believe in the potential of <u>cryptocurrencies</u> and the new <u>possibilities</u>. So, they may not pull out investments even when the situations force otherwise.

# Possible consequences if Bitcoin crashes to zero:

- <u>Trust in cryptocurrencies will diminish</u> drastically. It will become very difficult for other cryptocurrencies to attract investments. The cryptocurrencies with no volatile value or the lowest volatile value may survive.
- Many investors including common people will lose their hard-earned money.
- Investors <u>may divert their investments to Central Bank Digital Currencies</u>, which are in the progress in many countries.

### **Conclusion:**

Many investors are considering cryptocurrencies including Bitcoin as bubbles that are going to burst. But many others believe in cryptocurrencies and will continue to increase their demand. So, if highly volatile cryptocurrencies such as Bitcoin crashes to zero, investors may start investing in stable or low-volatile cryptocurrencies.

### Your Turn...

Do you think Bitcoin may fall to zero in future? Express your thoughts through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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### References:

- Is a bitcoin crash coming?
- What Would Happen If Bitcoin's Value Suddenly Went to Zero?
- Could Bitcoin Ever Go To Zero?

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