



## Is Cryptocurrency Fake Money?

### Description

With the massive increase in the popularity of the cryptocurrency industry lately, it makes sense to want to learn what all the hype is about.

Cryptocurrencies aren't necessarily a new concept. For example, **Bitcoin**, the original cryptocurrency, was launched in 2009. But it wasn't until recently that so many people have started to take the industry seriously.

Nevertheless, it can be pretty complicated to understand what they are about at first. And it can also be worrisome that the industry can be quite volatile. So, if you want to learn about the high-potential cryptocurrency industry and what all the hype is about, here are some of the most important things to know.

## Is cryptocurrency fake money?

Cryptocurrencies tend to be thought of as a substitute for fiat currencies because Bitcoin, the first and most popular cryptocurrency created, was invented to be a digital ledger for making payments. The blockchain handles the payments, and the coin is the medium of exchange used. And now Bitcoin is even legal tender in El Salvador, giving it even more credibility.

However, even though Bitcoin is accepted in thousands of locations worldwide, not every cryptocurrency is; in fact, most haven't been created to be primarily used as payments. Many other cryptocurrencies have a tonne of high-potential use cases, which is why there is so much hype around the blockchain industry these days.

For example, the second most popular cryptocurrency, Ether, is needed to pay for transactions on **Ethereum's** blockchain network. You can still buy things with Ether, **Shopify [accepts cryptocurrencies such as Ether](#)**, and you can use Ether to buy NFTs. But that's not the sole purpose.

While Bitcoin's blockchain is only used for payments, Ethereum can run what's called [smart contracts](#). So, developers can create projects and launch them on the blockchain, where they can essentially run

autonomously, which is why [decentralized finance](#) (DeFi) has become so popular. DeFi apps are already starting to eliminate the need for middlemen like banks. It's also why Ether has gained so much value, as users need to buy it to pay for their transactions on the network.

So, thinking about cryptocurrencies as a substitute for fiat currencies is one way to look at it. But, in my view, the better way to look at cryptocurrencies is to view them as an asset like a stock.

## How do you decide which coins to invest in?

Most cryptocurrencies are associated with a project. Just as stocks offer exposure to the success of a company, most coins or tokens will be designed to increase in value as a project becomes more successful.

So, as more projects are launched on Ethereum's network, more users eventually join the cryptocurrency industry and use them. And as more users need Ether to pay for their transactions on these apps, naturally, the price will rise. So, as Ethereum's network becomes more successful, holders of Ether will see their investment appreciate.

Ethereum is an entire blockchain, though. There are also projects built on top of the blockchain which have tokens that offer exposure to the project. For example, the token **UNI** is the 18th most valuable cryptocurrency and is the native token of Uniswap, a decentralized exchange built on Ethereum's blockchain.

So, it's up to investors to decide which projects they think have the most potential in addition to understanding the tokenomics involved. Unlike stocks, the exposure and benefits you gain by holdings tokens are much different for each project. This is why it's crucial to do a tonne of [research](#). It's also well worth it, though, as we've already seen the impressive gains investors have made from cryptocurrencies in recent years.

So, although the industry is still quite volatile, and there are certainly a fair share of coins or tokens that will end up worthless, if you find a project that solves real-world problems and has a tonne of potential to become mainstream, it could be one of the best investments you ever make.

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