

## U P S C

The monetary policy of India must prepare and anticipate for the challenges posed by the crypto currencies. Evaluate (200 Words)

Crypto Currencies are virtual currency that exist in the internet, in form of bits & bytes. They were speculated of then taking over medium of exchange which has numerous problems. But it is not impossible, hence every nation must be prepared for any possibility.

In macro economics (or) household, Cryptocurrency already was plagued with numerous problems

- not feasible for common
- Power supply & internet speed
- Volatile
- Problems
- money laundering
- not fiat coin
- Black money
- terror financing

But let us understand the concern in National level.

Later America, already lost its domestic currency to dollar - which is termed as "dollarisation". In which a country domestic currency lost its value and shift to dollar where federal reserve policy is followed.

Similarly, if Cryptocurrency were to take over fiat currency - The monetary policy will be shifted to profit hungry private player.

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If the Crypto-currency were to be used in margin level as transacts the little concern

But ~~the~~ if the currency is mined within the borders then there will be currency inflow. If it is mined outside there will be a currency outflow. This makes exchange rate, remittance, etc more volatile

The Government earns from Seigniorage (i.e) Face value - true value. If we shift to Cryptocurrency, the govt lose its source of income from minting coin

Since the Crypto-currency are private owned eg Bitcoin, Ether, etc the monetary policy committee may lose its effective fixing power to private. This combined with the flow chart may cause havoc in financial authority of govt

"Prevention is better than cure", rather than waiting for oil. India must prepare for the challenges posed by Crypto-currency. ~~and~~ Some nation is already moving to Crypto-currency and hence impossible is not an option for oil to be medium of exchange

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