

Think GameStop is wild? Meet Dogecoin, the meme-inspired digital currency that began as a joke and is now worth billions

February 4 2021, by John Keilman



Credit: Pixabay/CC0 Public Domain

For a minute there, it looked like Ronny Maali had struck it rich—relatively speaking.

The accounting student from Orland Park, Illinois, last year bought more than 1,000 Dogecoins, a digital currency that was created as a joke. Maali thought it was pretty funny too: With each Dogecoin trading for well under a penny, his investment cost him only \$2.50, less than the price of a Big Mac.

But last week, as social media-inspired speculation lifted the [stock prices](#) of widely belittled companies like GameStop and BlackBerry to dazzling heights, Dogecoin went along for the ride: In 24 hours, its value rose from less than a cent to nearly 8 cents—an increase of more than 900% that took its market cap to \$9 billion.

Maali, tracking the wild ride on his phone, bought another \$20 worth on the way up and watched in amazement as the value of his pocket money investment hit \$140.

"When it started rocketing and these guys on (the social media platform) Reddit were pushing it, I was like, 'This is awesome,'" he said.

As with other hot investments, though, the rise was swiftly followed by a plunge. Within another 24 hours, Dogecoin fell to 3 cents, where it hovered until a Thursday morning rally, sparked by a series of cryptic tweets from Dogecoin provocateur Elon Musk, spiked the price once more. The value of Maali's holdings is down from its peak, but despite the continuing volatility he's still way ahead.

"(Dogecoin) wasn't meant to be taken seriously," he said. "But I was like, 'Who knows?' Maybe someday I'll wake up and it'll be the next Bitcoin and I can tell my parents I'm a millionaire."

In a world gone mad with a pandemic and social upheaval, cryptocurrencies are having a moment. Created out of thin air—or, to be more precise, "mined" by computers as a reward for recording the

currencies' transactions—they are not backed by central banks or tangible assets, but get their value from the wisdom of the crowd.

Bitcoin is the original [digital currency](#). It started trading in 2009 at a fraction of a penny and over years of dramatic boom-and-bust cycles climbed to its current value of more than \$30,000. Despite plenty of questions about Bitcoin's true worth, an ever-widening array of companies accept it as payment, including AT&T, Overstock and Dish Network.

That's the kind of scenario Dogecoin investors dream about, despite the currency's bizarre origin story.

Two computer jocks invented it in 2013 to parody the thousands of currencies that sprang up in Bitcoin's wake, naming it after the "doge" (pronounced "DOZH") meme that paired photos of a wide-eyed shiba inu with the dog's supposed inner monologue.

It was supposed to be a lighthearted effort—fans of the Jamaican bobsled team raised enough in Dogecoin to send the squad to the Sochi Olympics in 2014—but took a dark turn when scammers and hackers got involved, prompting creator Jackson Palmer to walk away.

"I saw the space being overrun by opportunists looking to make a buck, rather than people investing in evolving the technology," he wrote in an essay for Vice.

But the currency, despite the pejorative label of "meme coin," endured.

It bubbled along for years at well under a penny, but in 2018 leaped to a high of nearly 2 cents as part of a larger cryptocurrency bubble. It didn't last—within a day it was worth less than 1 cent again—but that set a pattern in which everyone from TikTokkers to Musk could make the

price jump with some online attention, all the while egged on by investors cheering, "To the moon!"

Still, it took last week's stock run-up to catapult the currency to an unprecedented pinnacle, as commenters begged each other not to sell to keep the price high. Abe Aziz, an automotive service consultant from Morton Grove who has "a decent amount" invested in Dogecoin, said he subscribes to that approach.

"Why not go for the ride?" he said. "At the end of the day, you could become wealthy."

Ja'Mal Green, a Black Lives Matter activist and former Chicago mayoral candidate who said he has "many thousands" of Dogecoins, sees the currency as a way for people without much money or financial expertise to get in the game with hedge funds and billionaires.

"I like how these groups are coming together to really talk about what it means to play in cryptocurrency or stocks, to play in the market," he said. "It's great to see the bottom 99% come together to figure out how they can achieve wealth together and bridge that economic gap a bit."

But Eric Budish, a professor at the University of Chicago Booth School of Business who studies cryptocurrencies, warned they are particularly vulnerable to bubbles because they are not tied to economic fundamentals in the way a stock price (ideally) reflects a company's earnings.

As long as everyone holds, he said, the price will indeed go up. The problem is you can never be sure you've picked the right time to cash out.

"When people try to sell, the price will come down," he said. "That

means everybody wants to sell first. Nobody wants to be the last guy selling, and that's sort of the essence of a pump and dump."

Though Budish is skeptical of Dogecoin's utility, a small but growing number of merchants accept the currency. One is LiftMode, a Chicago-based online seller of nutritional supplements.

Co-owner Armand Tuzel said only a few people have used it so far, but like the army of Redditors rooting for Dogecoin to hit \$1, he's holding onto the ones he has accumulated.

"For working capital it's not good but for passive savings it's very good," he said.

Nelson Morales, a Beach Park data center engineer who runs a Facebook group called Cryptocurrency of Greater Chicago, has his doubts about the currency. He worries about inexperienced investors getting drawn into a "dangerous, roulette-style pump" that could end with a disastrous crash.

Still, that hasn't stopped him from putting \$50 of his own into Dogecoin.

"I just want to have a canary in the tunnel," he said. "The canary's still alive. I'm impressed."

Distributed by Tribune Content Agency, LLC.

Citation: Think GameStop is wild? Meet Dogecoin, the meme-inspired digital currency that began as a joke and is now worth billions (2021, February 4) retrieved 9 April 2024 from <https://techxplore.com/news/2021-02-gamestop-wild-dogecoin-meme-inspired-digital.html>

| |
|---|
| This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only. |
|---|