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What is Dogecoin? Guide for Beginners

Dogecoin has existed since the end of 2013, initially as a joke. The coin was designed as an ironic tribute to the bitcoin. Dogecoin does not intend to serve any purpose other than as a joke and memo coin. However, you can use it to transfer value.

Interesting Facts About Dogecoin

- Here are some interesting facts about Dogecoin.
- Dogecoin was originally a joke created by Jackson Palmer and Billy Marcus in November 2013. Marcus recently claimed that he sold all his Doge in 2015. At the moment, 128264356384 Doge coins are in circulation, while bitcoin is 18.5 million.
- Dogecoin is one of the largest areas of cryptocurrency.
- In 2014, the Dogecoin community raised \$55000 to sponsor NASCAR driver Josh Wise and completely cover his car on the alien pictures of Dogecoin and reddit.

If you want to know which dog is on Dogecoin's logo - it's a firewood dog, a hunting dog.

Mining of Dogecoin

Dogecoin's blockchain works in the same way as other major blockchains. Blocks are chained together using a hash algorithm, and the output can be spent. In other words, users can spend their dogeco coins by sending transactions to a Doge address. Next, the miner running the node will receive and verify the transaction. Any invalid transaction will be rejected. Of course, effective transactions will be added to the block and further added to the blockchain. In addition, dogecoin uses bitcoin's proof of work (POW) algorithm. Make use of it. Any modern computer can quickly calculate a hash value. This is not difficult because it takes less than a second to calculate a new hash value.

In order to increase the difficulty of mining new blocks, dogecoin blockchain introduces a "difficulty" attribute like bitcoin blockchain. The generated hash value must now match a specific pattern based on the difficulty attribute. In other words, the more difficult it is, the fewer hash values are likely to match. Therefore, it takes longer to generate a hash value that matches this particular difficulty. For this reason, this algorithm is called proof of work (POW). Bitcoin mines one new block every 10 minutes, while for the dogecoin network, miners produce one new block per minute on average.

Inflation Design of Dogecoin

Bitcoin imposes a hard upper limit on the total number of bitcoins that node operators can mine, which is set to 21 million bitcoins. So far, more than 18.5 million bitcoins have been dug up. Once we reach the 21 million mark, no one can dig more bitcoin. From then on, bitcoin miners will only receive transaction fees for finding matching hash values. Dogecoin takes different approaches to its economic design. The currency chose an inflationary design. This design choice means that dogecoin enjoys an unlimited supply. As mentioned earlier, miners will receive 10000 Doge coins for each block they mine. Therefore, at the current rate, 14.4 million Doge coins are mined every day (= 10000 Doge awards * 24 hours * 60 minutes).

Dogecoin chose the inflation design to replace the lost coins. You often see stories about people losing their wallets. In a particular example, a person loses access to a bitcoin wallet containing 7002 bitcoins.

However, there is much discussion about the design of inflation (dogecoin) and deflation (bitcoin). It is worth noting that the growth of money supply does not necessarily lead to inflation.

“If the value of goods and services in an economy increases equally, the increase of money supply does not necessarily lead to inflation. In fact, it can be said that a productive and growing economy needs a growing money supply to support it. Although such a system can have higher productivity over time, it is prone to financial instability due to the difficulty of targeting inflation.” - read an article on this matter.

Initially, dogecoin's goal was to achieve a stable supply of 100 billion Doge coins as its stable point. Although, their supply has exceeded this figure and continues to grow. In other words, finding the right balance between usage and inflation is not easy.