

# Bitcoin

## Introduction

Bitcoin (BTC) is the world's first cryptocurrency. It was created in 2008 by Satoshi Nakamoto, who remains anonymous to this day, when he published a white paper detailing his new currency. Bitcoin is a decentralized, 100% digital currency; it does not have any physical form, unlike fiat currencies such as the US dollar or euro. It is currently the best-known and most popular cryptocurrency in circulation. The price of bitcoin peaked at \$64,799 on November 10, 2021.

## Definition

Bitcoin - A digital currency that functions as both money and an investment. It allows people to exchange goods and services by transferring funds directly from one party to another. Bitcoin is also a decentralized community, with no central authority that controls or regulates its issuance or use. Since no single institution controls or regulates Bitcoin, each user has complete freedom over their own assets.

## When to Use it

Although it is largely used as a peer-to-peer payment system, Bitcoin is also recognized and used as a legitimate form of digital currency in many locations. Small and medium-sized enterprises as well as huge corporations like Expedia are beginning to accept it. Slowly but surely, nations are beginning to accept it as legal tender: El Salvador was one of the first to do so by adding Bitcoin to debit cards. By using an ATM card that accepts Bitcoin, you can make purchases and make ATM withdrawals with their digital currency.

## Details

Blockchain - A digital ledger of transactions kept between parties in a peer-to-peer network, with the help of cryptography. The most well-known use of blockchain technology is for preserving a secure and decentralized record of transactions in cryptocurrency systems like Bitcoin.

Mining - The method used to verify transactions by solving computational puzzles and is the method through which the peer-to-peer network achieves consensus without needing a centralized authority.

### Bitcoin Network (Blockchain) Rules

The Bitcoin blockchain contains permanent records of every transaction that has ever taken place on the network. Bitcoin miners must compete to be the first node to crack a challenging cryptographic puzzle in order to earn their share of the block reward. Every ten minutes, after the network has come to an agreement on the authenticity of a block, a new block is added to the blockchain.

### What influences the price of Bitcoin?

When there is greater demand for Bitcoin, its price rises; conversely, when there is less demand, its price declines. Demand is influenced by a variety of worldwide events, such as price changes in equities and bonds, as well as global economic developments like the continuing trade dispute between the United States and China. However, the Bitcoin ecosystem is a totally decentralized monetary system, unlike monetary policy in nations with fiat currencies, which is susceptible to change in accordance with political and economic trends. Since there is no single central body in charge

of regulating the monetary base, the process of creating Bitcoins is governed by highly stringent protocols enforced by the blockchain network.

### Bitcoin Risks

The primary risks of Bitcoin, as well as other cryptocurrencies, include fraud and hacking. The price of Bitcoin or other cryptocurrencies can change significantly due to extreme volatility in the cryptocurrency market; regulation is reluctant to take hold in areas where regulation would be impeding innovation. This can result in pump-and-dump scams, wherein small groups of investors buy a lot of money in cryptocurrencies like Bitcoin to artificially raise the price before quickly selling it at a profit. Due to its security features, hacking is rare when compared with traditional currencies; however, there are crimes involving Bitcoin for which con artists would demand payment in Bitcoin.

### Example:

Other example use cases for Bitcoin:

1. Booking hotels and flight tickets.
2. Cross-border and international payment settlement.
3. Donation payments.
4. Collateral for fiat-based loans.

### References:

10 Important Use Cases of Bitcoin (cryptomaa.com)

<https://www.bitpanda.com/academy/>

