

Q&A: What is bitcoin?

March 13 2019, by Kevin Trublet



Technicians inspect bitcoin mining at Bitfarms in Saint Hyacinthe, Quebec

Bitcoin has carved out a name for itself as the world's most popular cryptocurrency since arriving on the scene more than ten years ago.

However, the workings of the premier digital cash system remain something of a mystery to the general public.

What is bitcoin?

Bitcoin is a decentralised [virtual currency](#) created from [computer code](#) in the wake of the 2008 [global financial crisis](#).

Unlike a traditional [currency](#) such as the dollar, euro or yen, [bitcoin](#) has no [central bank](#) and is not backed by any government.

Instead, the unit is controlled and regulated by its community of users, who argue that this makes it more efficient than traditional currencies.

There are some 17.5 million bitcoins in circulation, while the total number can never exceed 21 million.

How does it work?

Bitcoin uses so-called peer-to-peer blockchain technology to create and trade instantly, across the globe.

A blockchain is an extremely secure ledger for recording transactions that is open to all who use it.

Transactions happen when heavily encrypted codes are passed across a computer network.

The network as a whole monitors and verifies the transaction in a process that is intended to ensure no single bitcoin can be spent in more than one place simultaneously.

And, just like conventional currencies, bitcoins can be exchanged for goods and services—provided the other party is willing to accept them.

How to buy bitcoin?

Like other virtual units, bitcoin can be produced, or "mined", by banks of computers solving complex algorithms.

However, large-scale currency mining can be very expensive because it requires cutting-edge technology and vast amounts of electricity.

Bitcoin can also be purchased with traditional currencies over online trading platforms.

Users hold the cryptocurrency in a protected [virtual wallet](#), and can then "send" it to one another using the blockchain technology.

But serious security questions linger after hackers managed to steal bitcoin from some online "wallets" in countries including Japan and South Korea.

Bitcoin and its cryptocurrency peers are meanwhile known to be used by criminals for transactions and money-laundering, posing a headache for regulators.

How much is one bitcoin worth?

At its birth, bitcoin was priced at virtually zero, before experiencing astonishing growth in 2017 to peak at a record \$19,500 by the end of that year.

However, investors feared a speculative bubble and it has since crashed down to stand at about \$3,900 per unit following months of volatile trading.

© 2019 AFP

Citation: Q&A: What is bitcoin? (2019, March 13) retrieved 19 April 2024 from <https://phys.org/news/2019-03-qa-bitcoin.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.