

# Bitcoin: the digital currency that became a target for speculators

March 7 2014

---

Whether you see Bitcoin as the future of finance or a reckless gamble, the digital currency has become headline news over the past year, even as its origins remain shrouded in mystery.

Bitcoin began as a means of payment but quickly became a target for speculators. Faced with wildly fluctuating prices, the recent closure of exchange platforms and government demands for regulation, its future is uncertain.

Here are some facts about the controversial currency.

Q: What is Bitcoin?

A: The name derives from "bit"—as in a unit of information in computing. Bitcoin is a system of online payment, while bitcoins are the virtual coinage used on the system.

First appearing in 2009, bitcoins are "mined" by networks of linked computers that carry out extremely complex mathematical tasks.

There are currently around 12 million bitcoins in circulation and the system is set up so that it becomes increasingly difficult to produce them, with a maximum limit of 21 million expected by around 2140.

Bitcoin keeps a public register of every unit in existence and the network means that there is no need for a central authority.

The computer power required to carry out the mathematical tasks is so great that it is currently impossible for any single computer to create bitcoins on its own, ensuring that the network remains in control.

Q: Who created Bitcoin?

A: The online software launched in February 2009 was credited to "Satoshi Nakamoto".

For years, it was widely assumed that Nakamoto was nothing more than a pseudonym, but Newsweek magazine said on Thursday that it had discovered the real Satoshi Nakamoto, a Japanese-American ex-physicist aged 64 living as a recluse in California. He however denied having a role in the virtual currency, telling reporters he was not involved.

Q: What are the uses of Bitcoin?

A: Bitcoin allows users to make purchases from anyone who accepts bitcoins. They can also be exchanged against real currencies.

Currently only around 20,000 merchants accept bitcoins worldwide—and almost no mainstream stores, although in some countries it has become possible to pay for a taxi, book a hotel room or even receive your salary in bitcoins.

Unlike other forms of online payment, such as Paypal, there are no charges for using bitcoins and no commission is paid.

The "miners" that help run the system meanwhile earn bitcoins as they work. Whichever member of the network is first to validate a transaction receives several [bitcoins](#) as payment.

Q: How much is a bitcoin worth?

A: Their value has fluctuated wildly, particularly over the last year as it has become better known and attracted mainstream speculators.

Several platforms offer different values at the same time. On March 7 at 1200 GMT, an average of five platforms put the value of one bitcoin at 475 euros (\$650).

When it was first launched, it was worth only a few cents, while at one point last year, the value peaked at over \$1,000.

© 2014 AFP

Citation: Bitcoin: the digital currency that became a target for speculators (2014, March 7)  
retrieved 20 September 2024 from

<https://phys.org/news/2014-03-bitcoin-digital-currency-speculators.html>

<p>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.</p>
--