

What is bitcoin? A look at the digital currency

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In this April 7, 2014 file photo, Bitcoin logos are displayed at the Inside Bitcoins conference and trade show in New York. It's worth more than an ounce of gold right now, it's completely digital and it's the currency of choice for the cyberattackers who crippled computer networks around the world in recent days. Bitcoin has a fuzzy history, but it's a type of currency that allows people to buy goods and services and exchange money without involving banks, credit card issuers or other third parties. (AP Photo/Mark Lennihan, File)

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and it's the currency of choice for the cyberattackers who crippled computer networks around the world in recent days.

When the attackers' "ransomware" sprang into action, it held victims hostage by encrypting their data and demanding they send payments in bitcoins to regain access to their computers. Bitcoin has a fuzzy history, but it's a type of currency that allows people to buy goods and services and exchange money without involving banks, credit card issuers or other third parties.

Here's a brief look at bitcoin:

HOW BITCOINS WORK

Bitcoin is a [digital currency](#) that is not tied to a bank or government and allows users to spend money anonymously. The coins are created by users who "mine" them by lending computing power to verify other users' transactions. They receive bitcoins in exchange. The coins also can be bought and sold on exchanges with U.S. dollars and other currencies.

HOW MUCH IS IT WORTH?

One bitcoin recently traded for \$1,734.65, according to Coinbase, a company that helps users exchange bitcoins. That makes it more valuable than an ounce of gold, which trades at less than \$1,230.

The value of bitcoins can swing sharply, though. A year ago, one was worth \$457.04, which means that it's nearly quadrupled in the last 12 months. But its price doesn't always go up. A bitcoin's value plunged by 23 percent against the dollar in just a week this past January. It fell by

the same amount again in 10 days during March.

WHY BITCOINS ARE POPULAR

Bitcoins are basically lines of computer code that are digitally signed each time they travel from one owner to the next. Transactions can be made anonymously, making the currency popular with libertarians as well as tech enthusiasts, speculators—and criminals.

IS IT REALLY ANONYMOUS?

Yes, to a point. Transactions and accounts can be traced, but the account owners aren't necessarily known. However, investigators might be able to track down the owners when bitcoins are converted to regular currency.

For now, the three accounts tied to the ransomware attack appear untouched—and it'll be difficult for perpetrators to cash in anytime soon without getting traced.

HOW MUCH MONEY?

Security experts say the amount of ransom collected so far appears small relative to the extent of the outbreak. Tom Bossert, President Donald Trump's adviser for homeland security and counterterrorism, says it appears less than \$70,000 has been paid in ransoms.

It's possible, though, that there are unknown accounts beyond the three

identified.

WHO'S USING BITCOIN?

Some businesses have jumped on the bitcoin bandwagon amid a flurry of media coverage. Overstock.com accepts payments in bitcoin, for example.

The currency has become popular enough that more than 300,000 daily transactions have been occurring recently, according to bitcoin wallet site blockchain.info. A year ago, activity was closer to 230,000 transactions per day.

Still, its popularity is low compared with cash and cards, and many individuals and businesses won't accept [bitcoins](#) for payments.

HOW BITCOINS ARE KEPT SECURE

The [bitcoin network](#) works by harnessing individuals' greed for the collective good. A network of tech-savvy users called miners keep the system honest by pouring their computing power into a blockchain, a global running tally of every bitcoin transaction. The blockchain prevents rogues from spending the same bitcoin twice, and the miners are rewarded for their efforts by being gifted with the occasional bitcoin. As long as miners keep the blockchain secure, counterfeiting shouldn't be an issue.

HOW BITCOIN CAME TO BE

It's a mystery. Bitcoin was launched in 2009 by a person or group of people operating under the name Satoshi Nakamoto. Bitcoin was then adopted by a small clutch of enthusiasts. Nakamoto dropped off the map as bitcoin began to attract widespread attention. But proponents say that doesn't matter: The [currency](#) obeys its own internal logic.

An Australian entrepreneur last year stepped forward and claimed to be the founder of bitcoin, only to say days later that he did not "have the courage" to publish proof that he is.

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