Good article review about bitcoin: a peer-to-peer electronic cash system by satos...

[Economics](#), [Currency](#)

Bitcoin is purely peer-peer electronic cash that makes it possible for online money payments to be remitted directly from one party to the other without having to go through financial institutions. With bitcoin, digital signatures are considered part of the solution but the problem arises when the trusted third party is needed to curtail any form of double spending. The solution to this double spending lies in bitcoin; this is because it timestamps transactions by hashing them into a hash-based work proof. This makes it form a network that will not be altered unless the proof-of work is redone. Bitcoin has revolutionized e-commerce by eliminating the reliance of financial institutions as third parties in the processing of online payments. This peer-peer electronic payment system is a reliable model, but it suffers from the challenge of trust based model. There are no possibilities of non-reversible transaction because financial institutions often mediate on dispute; this cost of mediation raises transaction costs.

Merchants should, therefore, be wary of their customers, and they should get more information about them. There is, however, a certain degree of fraud that at times is unavoidable. Making transactions using physical currency requires the need for a trusted party but with bitcoin, cryptographic proof is required instead of trust; this makes it possible for two parties to transact directly without the need of a third party. Because transactions are irreversible, both parties will be cushioned from fraud. Transactions involve a chain of digital signatures and money is transferred through signing a hash digitally. Payee has to verify the signatures, though they will not verify any form of double spending hence the need for a central authority to check every transaction such as timestamp server and proof-of-work; this will solve

the problem of determining representation.

In the bitcoin transaction, there is the need for network nodes. Nodes ensure that the longest chain is the correct one, and it will work towards extending it. Incentive is added to the nodes to support the transaction, to make it reliable, verification is carried out. Bitcoin is not open to arbitrary changes like having a chain out of the air, and it is only the honest chain that functions. Nodes do not accept any transactions that are invalid, and the honest nodes do not accept any block that contains them. The attacker can change any of his transactions to take recently spend money back. Bitcoin is indeed a cashless e-payment that is reliable, simple, and do not rely on trust.

Why Bitcoin Matters" by Marc Andreessen

Bitcoin is considered a real breakthrough in the world of computer science. Bitcoin has solved the problem of the need to establish trust when making payments between unrelated parties over untrusted network like internet. Bitcoin has provided internet users with the opportunity to transact digital currency to other internet users. This is in a manner that the transfer is secure and safe, and its legitimacy is valid. No one can challenge this mode of payment because every party is aware that the transaction happened. The digital property that is transacted through bitcoin includes digital signatures, digital keys, digital money and digital contracts. This is carried out through the use of distributed network of trust that does not need any intermediary such as a broker or a bank. When the owner of the asset sends it, only the intended recipient will receive it.

Bitcoin is an internet wide distribution ledger; an individual buys into the ledger by purchasing the number of slots with cash or through selling of

product and services. An individual sells out of the ledger through selling of bitcoin into another one who intends to buy into the ledger. Bitcoin is the first internet based payment system and transactions happen free or with little fees. There is also no need of preexisting trust among the parties. As digital currency, bitcoin is based on the following things: The use of payment system today; velocity and volume of payments and speculation on the use of payment system today. It is, therefore, based on speculation, as opposed to real payment volume. Merchants are attracted to this bitcoin because it eliminates the fraud associated with credit card.

" The Glitch That Will Help Kill Bitcoin" by Leonid Bershidsk

Bitcoin, as the first and the most popular crypto currency, has suffered a possible setback just like any other payment system. Bitcoin has suffered from regulatory pressures ranging from trading restrictions in China to a threat of a complete ban from the Russian authorities and the decision by apple to remove the software from its app stores. Furthermore at the bitcoin exchange where crypto currency was traded for government issued money, it has hit a snag hence forcing it to stop bitcoin transfers to any outside address. Bitcoin has remained resilient despite the above adversity. The biggest problem to have hit Bitcoin happened when Japan-based entity MtGox, which is the biggest bitcoin exchange besides China, stopped its outside transfers from the wallets of its bitcoin clients. Thy associated it with a glitch in bitcoin software that made it very easy to alter details after the fact; this posed a threat of double spending that it was built to avoid. This was referred as transaction malleability. Malleability was not, therefore,

considered as an issue and Andresen sought to dispel this and currency vulnerability and that his challenges were considered as normal in a young and experimental product. This is despite the fact that the strict regulations and misgivings about the currency and it will translate into bans and restrictions. The survival of bitcoin is in a tricky state because of the number of businesses accepting bitcoin.

The only reason motivating people to be part of bitcoin is that its speculative aspect. Volatility of exchange rate makes bitcoin interesting and high risk financial tool. Bitcoin community is not that big but it is growing and its historical performance has motivated a lot of people to invest.

" Why Venture Capitalists Are Right to Be Crazy About Bitcoin" Dan Primack

Bitcoin is considered very controversial; there is the believe that bitcoin is the future of money and that it has the likelihood of relegating dollars, euros and major world currencies. There are those who are skeptical and that bitcoin is nerd delusion that only elevates just new software a non-time tested economic. The significance of bitcoin supplants cash and it is about a revolution and a breakthrough in the field of computer science and with a great potential to upend other established industries. The key part of bitcoin is that it permits verified transaction, and it does not need any centralized third party to verify the transactions.

It is argued that bitcoin presents a major challenge to the existing players in the payments industry; it is a threat to financial intermediaries such as banks, wire transfer and credit card companies. The advantage of bitcoin is that it offers low fees in the receiving and making of payments. Bitcoin also

eliminates all forms of consumer fraud and any form of information theft. Various venture capitalists have placed a lot of attention on bitcoin as their major form of accomplishing their financial transaction. This transaction only exists in the confines of large and complex institution, though in a centralized manner. This mode of payments is the preferred one for American venture capitalists with the intention of investing in the China market. Bitcoin has also become favorable for investors willing to make money through bitcoin deals. Investors are leveraging on the ability of bitcoin to increase internet connectivity in payments. The dealers in bitcoin do not care much on the currency used in making payments.

" The issue of competing currencies: Case study – Bitcoin". Angela ROGOJANU and Liana BADEAThe complexity and the interdependence of global economies and various geographical entities are linked by one generic binder: Money. Now days economic players are talking about a new currency called bitcoin. The digital currency referred as bitcoin falls in a privacy pattern that is only transacted via the internet. The digital currency use database, and it relies on 20, 000 nodes of a network of peer to peer and only serves the purpose of inventory transactions. The online transactions are called cryptography, and the currency involved in the transaction is called crypto currency. This method of payment uses cryptography to provide core of security functions. It is secure because bitcoin can only be spent by a person who owns them and it can only be done once. The main link between traditional currency and bitcoin is that it is not regulated hence the responsibility for how bitcoins circulate on the market lies on economic agents using bitcoins. The digital currency can be obtained through the

following ways:

Mining: This is an operation on how personal computer is programed to dig for bitcoins. Immediately after the computer solves very many problems, the owner will compete with other users to generate several networks they are looking for. Mining is very expensive and involves the use of computers with high performance that use more energy.

Exchanging bitcoins with real money: This is based on the assumption that the rate of exchange is established based on a free meeting of supply and demand. It is worth mentioning that even though bitcoin lack intrinsic value, the exchange rate reached very highand also exchanging bitcoin goods that have been newly generated or the current bitcoin services.

Conclusion

The novelty with using bitcoin is a decentralized system; there is no involvement of a regulatory system or of any government. The system is programed in a way that will provide limited number of coins each time. Personal computers should be used in order to store bitcoins; this should include wallet file and storage that should be done using a wallet belonging to a third party. The transaction is sent through the internet to any individual with bitcoin address. Bitcoin is considered as a smart scheme that is used to make payments over the internet without having to pay fees. Crypto currency has quickly spread and it is today recognized and in used in transactions in various countries. It requires computers with amazing power. Bitcoin has gained considerable economic ground in the real global economy and it is accepted for payment in various sites like reddit and WordPress.

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