

About Bitcoin

(This is a video made by Mauldin Economics about the importance of Bitcoin, Why Bitcoin Matters? Experts of the IT Section and Financial World are sharing their thoughts about Bitcoin.)

Bitcoin is a consensus network that enables a new payment system and a completely digital money. It is the first decentralized peer-to-peer payment network that is powered by its users with no central authority or middlemen. From a user perspective, Bitcoin is pretty much like cash for the Internet. Bitcoin can also be seen as the most prominent triple entry bookkeeping system in existence. In other words, owning Bitcoin is the same as owning cash, but you can send your Bitcoins to anywhere in the world within minutes and for ridiculously low fees. Furthermore the Bitcoin transfers cannot be reversed, once the transaction is completed, only the receiver could send it back, nobody else. The actual transfers are being completed usually within 5-40 minutes.

From a user perspective, Bitcoin is nothing more than a mobile app or computer program that provides a personal Bitcoin wallet and allows a user to send and receive bitcoins with them. But there are many online Bitcoin wallet service providers who are working in a similar way to PayPal. But only the interface is similar, there are no such regulations and policies like what PayPal has. The Bitcoin wallet providers do not complicate the process and keeping everything as simple as possible. Actually from the perspective of a regular user these services providers are the best choice as it is easy to register, operate and they provide information on usage, customer service, also they will let you know about the news of the Bitcoin community. Just to mention a few services providers, a good start would be Coinbase and BitStamp. And you can catch a glimpse of the size and structure of Bitcoin system if you visit the website of Blockchain.

Behind the scenes, the Bitcoin network is sharing a public ledger called the "block chain" (this is being tracked at the above mentioned Blockchain website). This ledger contains every transaction ever processed, allowing a user's computer to verify the validity of each transaction. The authenticity of each transaction is protected by digital signatures corresponding to the sending addresses, allowing all users to have full control over sending bitcoins from their own Bitcoin addresses. In addition, anyone can process transactions using the computing power of specialized hardware and earn a reward in bitcoins for this service. This is often called "mining". As only a predetermined number of Bitcoins could exist in the network due to the very base protocol of the algorithm Bitcoin is very similar to gold and other precious metals. Bitcoins have

value because they are useful as a form of money. Bitcoin has the characteristics of money (durability, portability, fungibility, scarcity, divisibility, and recognizability) based on the properties of mathematics rather than relying on physical properties (like gold and silver) or trust in central authorities (like fiat currencies). In short, Bitcoin is backed by mathematics. With these attributes, all that is required for a form of money to hold value is trust and adoption. In the case of Bitcoin, this can be measured by its growing base of users, merchants, and startups. As with all currency, bitcoin's value comes only and directly from people willing to accept them as payment. If you would be interested in starting mining Bitcoins, then please do the research as that subject is not covered in this article.

To the best of our knowledge, Bitcoin has not been made illegal by legislation in most jurisdictions. However, some jurisdictions (such as Argentina and Russia) severely restrict or ban foreign currencies. Other jurisdictions (such as Thailand) may limit the licensing of certain entities such as Bitcoin exchanges. Regulators from various jurisdictions are taking steps to provide individuals and businesses with rules on how to integrate this new technology with the formal, regulated financial system. For example, the Financial Crimes Enforcement Network (FinCEN), a bureau in the United States Treasury Department, issued non-binding guidance on how it characterizes certain activities involving virtual currencies.

Bitcoin is money, and money has always been used both for legal and illegal purposes. Cash, credit cards and current banking systems widely surpass Bitcoin in terms of their use to finance crime. Bitcoin can bring significant innovation in payment systems and the benefits of such innovation are often considered to be far beyond their potential drawbacks.

Bitcoin is designed to be a huge step forward in making money more secure and could also act as a significant protection against many forms of financial crime. For instance, bitcoins are completely impossible to counterfeit. Users are in full control of their payments and cannot receive unapproved charges such as with credit card fraud. Bitcoin transactions are irreversible and immune to fraudulent chargebacks. Bitcoin allows money to be secured against theft and loss using very strong and useful mechanisms such as backups, encryption, and multiple signatures.

The Bitcoin protocol itself cannot be modified without the cooperation of nearly all its users, who choose what software they use. Attempting to assign special rights to a local authority in the rules of the global Bitcoin network is not a practical possibility. Any rich organization could choose to invest in mining hardware to control half of the computing power of the network and become able to block or reverse recent transactions. However, there is no guarantee that they could retain this power since this requires to invest as much than all other miners in the world.

It is however possible to regulate the use of Bitcoin in a similar way to any other instrument.

Just like the dollar, Bitcoin can be used for a wide variety of purposes, some of which can be considered legitimate or not as per each jurisdiction's laws. In this regard, Bitcoin is no different than any other tool or resource and can be subjected to different regulations in each country. Bitcoin use could also be made difficult by restrictive regulations, in which case it is hard to determine what percentage of users would keep using the technology. A government that chooses to ban Bitcoin would prevent domestic businesses and markets from developing, shifting innovation to other countries. The challenge for regulators, as always, is to develop efficient solutions while not impairing the growth of new emerging markets and businesses.

But based on the current attitude and perceptions the existing monetary systems are trying to integrate the Bitcoin system and collaborate with this marvelous new invention and concept. The fight against it would be foolish and even the governments could see that, so by today it surely could be said that Bitcoin has become the cash of the internet and a revolutionary piece of the everyday finance.

Source: - The Internet -