

The Genesis of Bitcoin

The beginning or Genesis of Bitcoin dates back to October of 2008. This was when the developer, Satoshi Nakamoto wrote the code for Bitcoin. Actually the true identity is not known, as the name Satoshi is just a pseudonym.

The actual operation of this software was started on January 3, 2009. It was developed as a free project on Source Forge. Since this time the number of units of Bitcoin in circulation has reached approximately 11 million.

There is a cap on the number of Bitcoins that will be made available. This number is 21 million and the way the code was written, it will take until the year 2040 to reach this number.

Bitcoins can be divided into units and each smaller unit is known as a satoshi.

How Our Banking System Works Today

In order to truly understand the Bitcoin currency, it is important to know how our current banking system works today.

All currencies around the world are issued by a central bank or government, depending upon the country. This central agency has control over how much currency is in circulation at any one time.

A currency has different versions, paper and metal based units of each currency. These units represent different amounts of the currency.

Let's look at an example:

The US currency has paper bills that represent 1 dollar, 5 dollars, 25 dollars, 100 dollars. They then have coins - metal units - that represent 1 cent, 5 cents, 10 cents, 25 cents and 1 dollar. If these coins or paper bills get damaged they are simply removed from circulation and new ones are issued. This is all taken care of by the central bank. In the US this central bank is the Federal Reserve Bank.

This bank can decide when to introduce more money and they can decide how the economy affects the value of the money. This is an extremely complicated topic but we are sure you know about inflation and recession.

The Bitcoin Currency

When it comes to the Bitcoin currency there is no central bank or reserve. So no one entity is controlling the mining, circulation and transactions of the Bitcoin currency. Instead this type of system is based on a cryptography system. This is where keys - a code made up of numbers and letters - is used by both end users to fulfill and complete a transaction.

All Bitcoin transactions require the use of two keys, one is a public key and the other a private or secret key. This method uses encrypted code to send the Bitcoin to another user. Only the person with the private key can unlock and receive the Bitcoin.

This encrypted system is extremely secure and transactions are only verified if the sender has the correct amount of Bitcoin available. Once verified it is sent to the receiver, who unlocks and deposits it into their account - wallet.

This process is simple enough and eliminates the need for any public bank to be involved. This is one reason why people love using Bitcoins, as the banks have no control over its value.

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