

ARTICLE

Bitcoin

bitcoin | NOUN [COUNTABLE]: an electronic currency created for use in online transactions

'Bitcoins have been getting a lot of attention lately. The Internet Archive is paying its staff members in Bitcoins. You can use them to shop at Amazon or even buy a pizza.'

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From the comfort of our own home, we're now able to engage in shopping and banking activities that in previous eras would have required us to wander up and down the high street. It seems only logical then that, just as goods and services are available in the universe of screens and clicks, the currency we use for purchasing should no longer be tied to notes, cheques and plastic cards, but also have a virtual equivalent. Enter, therefore, the Bitcoin.

The Bitcoin is a form of electronic money which has been created specifically for use on the Internet. Often described as a decentralized digital currency, the Bitcoin doesn't operate like conventional currencies in that it isn't regulated by a central bank, and relies entirely on web-based networks. Bitcoins are 'minted' by a network of computers, sometimes referred to as Bitcoin miners, which run specialized software designed to release new coins at a fixed and steady pace, currently around 25 Bitcoins every ten minutes. Bitcoins, unlike the cash in your pocket, are finite, and there are currently around 10.8 million of them floating around the system. Though notoriously unstable, the average value of one Bitcoin currently stands at around 35 US dollars. Like many traditional currencies, Bitcoins even have their own symbol (compare £, \$, €, etc) and also a currency code, BTC (compare GBP, USD, EUR, etc).

So, how do Bitcoins work? To purchase them, users go to an online exchange service where they can convert their local currency into virtual money. This electronic cash is then stored in a user account, often described as a digital wallet, which can then be used to make online purchases anywhere where Bitcoins are accepted. Bitcoins can also be converted back into conventional currency at dedicated trading sites.

But what's the point? Proponents argue that Bitcoins are universal, usable in any country, and that, because transactions are conducted directly from person to person without the need for a financial intermediary, they avoid the hefty exchange and processing fees regularly imposed by banks. There are, however, a number of security concerns attached to them. It's proved possible to steal from digital wallets by writing malicious software, and high-profile thefts have crashed the currency's value on a number of occasions. Bitcoins are totally user-regulated, falling outside of any government control and therefore, in theory, anonymous. It's this untraceable, anonymous nature that has also given Bitcoins a rather shady reputation, making them the currency of choice for money launderers or illegal drug transactions.

Background – Bitcoin

The compound Bitcoin is formed from the nouns bit, in its computational sense of 'a unit of information', and coin. It's an example of the less frequent scenario of a compound immediately appearing in a 'closed' form. More usually, compounds start out as two words, and then after a number of years (and if their orthography permits) sometimes, though by no means always, become fused together.

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The Bitcoin concept was created in 2009 by an anonymous developer known by the pseudonym Satoshi Nakamoto (the Japanese equivalent of a bland, everyman name such as British 'John Smith'). Though very little is known about the mysterious Nakamoto, who disconnected himself with the enterprise in 2011, the Bitcoin is sub-divided into minute units known as satoshis.

The Bitcoin is often generically described as a cryptocurrency. The prefix crypto- means 'concealed' or 'secret' (e.g. cryptic, cryptogram) and is based on the Greek kruptos meaning 'hidden'.