

## ABOUT BITCOIN PRICE

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### **What is Bitcoin?**

#### **By Markets Insider**

Markets.businessinsider.com, July, 23, 2018.

Bitcoin keeps coming back in the headlines. With any Bitcoin price change making news and keeping investors guessing.

In countries that accept it, you can buy groceries and clothes just as you would with the local currency. Only bitcoin is entirely digital; no one is carrying actual bitcoins around in their pocket.

Bitcoin is divorced from governments and central banks. It's organized through a network known as a blockchain, which is basically an online ledger that keeps a secure record of each transaction and bitcoin price all in one place. Every time anyone buys or sells bitcoin, the swap gets logged. Several hundred of these back-and-forths make up a block.

No one controls these blocks, because blockchains are decentralized across every computer that has a bitcoin wallet, which you only get if you buy bitcoins.

#### **Why bother using it?**

True to its origins as an open, decentralized currency, bitcoin is meant to be a quicker, cheaper, and more reliable form of payment than money tied to individual countries. In addition, it's the only form of money users can theoretically "mine" themselves, if they (and their computers) have the ability.

But even for those who don't discover using their own high-powered computers, anyone can buy and sell bitcoins at the bitcoin price they want, typically through online exchanges like Coinbase or LocalBitcoins.

A 2015 survey showed bitcoin users tend to be overwhelmingly white and male, but of varying incomes. The people with the most bitcoins are more likely to be using it for illegal purposes, the survey suggested.

Each bitcoin has a complicated ID, known as a hexadecimal code, that is many times more difficult to steal than someone's credit-card information. And since there is a finite number to be accounted for, there is less of a chance bitcoin or fractions of a bitcoin will go missing.

But while fraudulent credit-card purchases are reversible, bitcoin transactions are not.

## **21 Million**

Bitcoin is unique in that there are a finite number of them: 21 million. Satoshi Nakamoto, bitcoin's enigmatic founder, arrived at that number by assuming people would discover, or "mine," a set number of blocks of transactions daily.

Every four years, the number of bitcoins released relative to the previous cycle gets cut in half, as does the reward to miners for discovering new blocks. (The reward right now is 12.5 bitcoins.) As a result, the number of bitcoins in circulation will approach 21 million, but never hit it.

This means bitcoin never experiences inflation. Unlike US dollars, whose buying power the Fed can dilute by printing more greenbacks, there simply won't be more bitcoin available in the future. That has worried some skeptics, as it means a hack could be catastrophic in wiping out people's bitcoin wallets, with less hope for reimbursement. Which could render bitcoin price irrelevant.

## **The future of bitcoin**

Historically, the currency has been extremely volatile. But go by its recent boom — and a forecast by Snapchat's first investor, Jeremy Liew, that it will hit a bitcoin price of \$500,000 by 2030 — and nabbing even a fraction of a bitcoin starts to look a lot more enticing.

Bitcoin users predict 94% of all bitcoins will have been released by 2024. As the total number creeps toward the 21 million mark, many suspect the profits miners once made creating new blocks will become so low they'll become negligible. With bitcoin's price dropping significantly. But with more bitcoins in circulation, people also expect transaction fees to rise, possibly making up the difference.

## **The fork**

One of the biggest moments for Bitcoin came in August 2017. When the digital currency officially forked and split in two: bitcoin cash and bitcoin.

Miners were able to seek out bitcoin cash beginning Tuesday August 1st 2017, and the cryptocurrency-focused news website CoinDesk said the first bitcoin cash was mined at about 2:20 p.m. ET.

Supporters of the newly formed bitcoin cash believe the currency will "breath new life into" the nearly 10-year-old bitcoin by addressing some of the issues facing bitcoin of late, such as slow transaction speeds.

Bitcoin power brokers have been squabbling over the rules that should guide the cryptocurrency's blockchain network.

On one side are the so-called core developers. They are in favor of smaller bitcoin blocks, which they say are less vulnerable to hacking. On the other side are the miners, who want to increase the size of blocks to make the network faster and more scalable.

Until just before the decision, the solution known as Segwit2x, which would double the size of bitcoin blocks to 2 megabytes, seemed to have universal support.

Then bitcoin cash came along. The solution is a fork of the bitcoin system. The new software has all the history of the old platform; however, bitcoin cash blocks have a capacity 8 megabytes.

Bitcoin cash came out of left field, according to Charles Morris, a chief investment officer of NextBlock Global, an investment firm with digital assets.

"A group of miners who didn't like SegWit2x are opting for this new software that will increase the size of blocks from the current 1 megabyte to 8," Morris told Business Insider.

To be sure, only a minority of bitcoin miners and bitcoin exchanges have said they will support the new currency.

Investors who have their bitcoin on exchanges or wallets that support the new currency will soon see their holdings double, with one unit in bitcoin cash added for every bitcoin. But that doesn't mean the value of investors' holdings will double.

Because bitcoin cash initially drew its value from bitcoin's market cap, it caused bitcoin's value to drop by an amount proportional to its adoption on launch.

The future of bitcoin and bitcoin's price remains uncertain. It could go to a \$1,000,000 or it could go to \$0. No one truly knows.