What is behind the hype and the decay of the bitcoin currency?

The digital currency bitcoin has lost nearly the half of his value since the beginning of the year. Was the previous hype only a warm words, an economic bubble or even a manipulation? The most important answers.

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New advancements.

* The cryptocurrency Bitcoin has increased its value 20 times to about 20,000 dollars in absurd way in the previous year.
* Since that, the course of this currency collapsed. With huge deflections oscillates the value of the Bitcoin between 6000 and 8000 Dollars in the mid of the year.
* Indeed during the giant hype in the end of 2017 was suspected that the digital currency (Bitcoin) plays a role in a creation of economic bubble or even in manipulation. Now shows a study in the Texas University that the hype followed certain suspicious patterns.
* One of the reasons for the decline in the value this year was the boycott of the crypto exchange from the American and Japanese authorities. In addition, it was announced that Google does not allow advertisement for the Bitcoin.

2018Mai 2018Juni 2018Juli 2018Aug.

The most important things in shortness

Crypto-currencies have penetrated in the mainstream. The value of the Bitcoin, the most popular crypto-currency has increased in the end of 2017 meanwhile nearly 20 times towards the beginning of the year and has made the headlines especially with a hypo in December. Since then, the Bitcoin lost again the half of its value at that time.

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The thoughts about the potential and the sustainability of the crypto-currencies diverge among the experts. Anyway the rapid increase in the value and the sharp correction afterwards bring to mind strongly the speculative bubbles of the earlier decades.

There are hundreds of other crypto-currencies beside the Bitcoin and their value still partly has increased rapidly than the Bitcoin in the previous year. What have all crypto-currencies together? , or with other words what are the joints among all crypto-currencies, it is the huge volatility. It prevents that the crypto-currencies suit as a payment method in the everyday life and makes them at the same time as an interesting but highly risky investment.

The aspects in details

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12 It is always said, that Bitcoin consumes vast amounts of money, why is that?

13 How do you continue with crypto-currencies?

14 Where I can learn about the Bitcoin, crypto-currencies and the Blockchain?

1What is the Bitcoin?

The term Bitcoin has composed from the words (from English <<binary-digit>> 0 or 1) and (coin). The concept of the digital currencies was described in the White Paper by the author Satoshi Nakamoto. Nakamoto is not a real person, but this name is either a pseudonym or it stands for a group of persons. With this so-called crypto-currencies is enabled a monetary system which can work independently of states and banks and it is cheaper and faster than the previous transactions. The digital currency was handled <<peer to peer >>, also t among the users without the help of the banks. That makes the usage of the Blockchain-technology possible: inside this system were stored all transactions peripheral and frequently (see also Question 9 how executes a Bitcoin-transaction?).

2 Since when there is Bitcoin?

In year 2007 start a man, who has the pseudonymous Satoshi Nakamoto to work on the digital currency. Shortly afterwards the insolvency of the US- Investment-bank Lehman Brothers caused the global finance crisis and appeared a nine-sites script («White Paper») in the Internet which summarize the basics of a new and virtual currency «[Bitcoin: A Peer-to-Peer Electronic Cash System](https://bitcoin.org/bitcoin.pdf)». The foundation document described the technical and economic basics of the currency in details. In February 2010 was the first online-Bitcoin-bourse. The first real Bitcoin-payment took place in May 2010: A programmer in Florida pay 10000 Bitcoins which equalled more than 170 million in December 2017 for two pizzas. At the end of the 2010 succeed the first Bitcoin-payment between two Smartphones. At the beginning of the February 2011 equalled one Bitcoin one Dollar for the first time. The first Bitcoin-bourses were arisen outside US. In September 2012 was the Bitcoin Foundation. This foundation wants to support the software-developer financially and develop the Bitcoin-network constantly.

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3Why suddenly appear the huge interest in the Bitcoin?

For a long time were the crypto-currency and Bitcoin an issue for the computer experts, mathematicians and revolutionists monetary policy. The libertines and the opponent of a certain monetary policy of the central bank see an opportunity in the new currencies that they no longer dependent on the ultra-expansive of the monetary policy of the central banks or the budget policy of over-indebted states. More or less of the dubious organisations recognized the potential of the new technology to move the money anonymously in Internet. But then discovered the speculators the upside potential of the Bitcoin and this trend accentuated in the year 2017. At the beginning of the year 2017 was the digital currency 1000 Dollars but on the other hand they trespassed the mark of 19000 Dollars in the end of 2017 significantly. Market observers assume that only a small single-digit percentage of the coins is used for payments. The rest of the investors treasures up in the hope of further rising price. So the support or the supply remains scarce with the rapidly rising demand. At the beginning of the December decided several option burses in the USA to launch futures contracts on the Bitcoin. Thereby the betters of the decreasing Bitcoin-route can be shrunk. This fact makes the crypto-currencies now attractive to the institutional investors like Hedge-Funds. The investment products were available on the Bitcoin previously for example tracker certificates in the Switzerland. In addition to, offers a private bank Blockchain-Asset-Management. In the wake of the Bitcoin surge, develop rapidly a rising habitat of crypto-currencies. By the emanation of the new rights of the crypto-currencies the so-called Initial Coin Offerings (ICO) grows the offers daily. Indeed the area of application exceed the pure payments. The Blockchain-technology enables in addition the other safe transactions without broker even in the real-estate: the role of the mediators will be undertaken by the Blockchain.

4How differentiates the Bitcoin from other currencies?

The most hug difference among the crypto-currencies and the normal currencies is that they are not connected with a monetary policy of a land and the central bank does not have the exclusive right to spend these currencies. The number of Bitcoins covered 21 million and this should prevent the financial inflation. The central banks on the other hand can create money without limits as showed in the previous years when their monetary policy requires that. But although the Bitcoin just appeared which try to make the money of the central bank obsolete, there are connected things. Both do not have an intrinsic value as contrasted with the commodity currency. Crypto-currencies are like the money of the central bank ideally divisible, durable, transportable, it is hard to falsify them and especially scarce.

5Beside the Bitcoin there are other crypto-currencies, how the Bitcoin differentiate from them?

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Only in the year 2017 was the Bitcoin the unique crypto-currency. But the persuading concept led to many alternative currencies (old coins). Meanwhile, there are more over than 1300. The most important rival to the Bitcoin is Ether originated from (Ethereum). This technology was created in the year 2013 by the 19-year old Vitalik Buterin and it is based on the Blockchain. But on the other hand more efficient than Bitcoin and able to execute contracts by itself. Moreover, Ethereum follows a different target: it is less about paying with Ether than about building entire organisations on an electronic and decentralized basis. Hence, the most of the so-called Initial Coin Offerings (ICO) rests on the Ethereum. The IOTA enjoys more attention in the industry. This crypto-currency called itself modestly the backbone of the internet of things. This currency should one day serve in the services without the support of the human and without paying for them, when machines directly communicate with each other. The so-called machine-to-machine payments can afford the car which have to remunerate the parking meter to the parking time when it drives away. Or a solar system that pays a weather sensor for a forecast. In a huge difference among other crypto-currencies the IOTA does not base on the Blockchain. Even before the IOTA in the third place of the ranking list of the largest digital currencies turns up again Bitcoin or with another word the Bitcoin cash. This stood through a separation which called Hard Fork. Furthermore, this is the result of the change in the Bitcoin-protocol in the size of information of the blocks in the Blockchain. Because the Bitcoin community could not agree, it came to splitting. Every owner of the Bitcoin gained Bitcoin cash in the beginning of August 2017. Litecoin was announced as an alternative to the Bitcoin in 2011. In the market of digital marketing was Litecoin often named as silver and Bitcoin as gold. Litecoin is considered as silver because the Litecoin-network transactions can work four times faster than Bitcoin. In addition, the overall support of the Litecoin is 84 million coins while the total supply of the Bitcoin is limited to 21 million units. This quadrupling of the number of the units of coins means that the potential inflation rate of the Litecoin exceeds the Bitcoin.

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6How argue the crypto-enthusiasts?

The advocates are convinced of the democratic structure und the lack of the state control. For example no central bank can intervene and finance the debts of the states by the printing-press process and later inflate it. Thanks the Blockchain, the crypto-currencies Bitcoin and its sister currencies are unforgeable and anonymous. Transactions are faster and cheaper by eliminating the intermediates.

7How argue the crypto-sceptics

Originally, the high volatility of the Bitcoin especially and the absence of the regulation gave the occasion to the criticism. Often lack of the value and the susceptibility of the technical problems were cited as a disadvantage. A lot of sceptics refer to the market of the crypto-currencies which had exploded since the number of the new issues and the investors are paying for their usage of the existing crypto-currencies. Only the price of the explosion. Alone the pricing of the explosion in the previous month shows that the market is in a bubble. The crypto-currencies which appeared to curb inflation, triggered a hyperinflation. With this rising number of the Bitcoin will this system of the Bitcoin-networks in addition slower and the transactions will be always expensive.

8 For what can I use the Bitcoin and other crypto-currencies?

In the Switzerland for example the Bitcoins can be gained from the ticket automats or similar automats from the financial institutions. Several shops, restaurants and online-shops offer their goods against Bitcoin. Simply it is the matter of the marketing actions. In the view of the high volatility it is also difficult to define a binding price in the Bitcoin. The majority of the Bitcoin owners hoard the crypto-currencies in hope of other exchange profits.

9How the Bitcoin transactions execute?

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The client A gain a picture from the Gallery of B. Instead of a cash Client A sends a portion of Bitcoin. When both A and B have a smartphone and had installed a crypto-wallet in the mobile of B, can B start to receive a payment. This payment has QR-Code which was scanned from mobile A. Immediately is debited from the account of A and in the account of B a credit memo is written. The transaction is sent to the peer-to-peer network to the whole world. So called miners search in the network constantly about new transactions. Using a hardware create the miners blocks which contains a list of the validated transactions. These blocks are strung together, thereby they form a chain. This is the reason from where comes the name of the Blockcahin. After nearly 10 minutes the transaction between both clients A and B is confirmed by all computers in the network and protected peripherally.

10 How I can gain crypto-currencies?

The easiest way to gain digital money is the bourses of the crypto-currencies. At first a man should create an account in one of the many crypto-bourses. As a rule, the personal data are verified based on the credit card and a copy from the personal ID. After some minutes can man transfer a lot of money by credit card and receive his/her credits in Bitcoin. When a man buy coins from one of these bourses, these procedures there in these digital bourses arranged. The insolvency of the stock exchanges or the attacks of the hackers showed that the credits there are safe especially when these bourses are located in the emerging countries. These coins are in safe because they do not exist neither physically nor digital but only as a file in the Blockchain and man needs to get these coins the code of his/her coins which shows you the way to have an access to the wallet. It is necessary to keep these coins preferably many times and in a storage medium which is offline. If you lose this code you will also lose the Bitcoin-credit. These days offer banks products and accounts especially for the investment in the Bitcoin. These accounts and products are indeed expensive, in that reason man must not worry about the security and the retention of the codes. Contrary to the popular opinion is not also trading on the crypto-bourses free especially these crypto-currencies will cost pretty penny when a man transfer them to traditional currencies according to the bourse.

11 Shall I invest in the crypto-currencies?

Until now there is no comparable market trend in the capital markets which does not end up with a dramatic course correction. That should also be so with the crypto-currencies. But when the course correction will be in the case, it is so difficult to estimate value of this correction. Never before could it be speculated in the Internet so easily with a scarce money. Those who do not want to take the risk, but they do not want to miss the speculation chances through the digital currencies, will rely on tendentially the bank products. Who wants to understand the technology, will invest a small amount in Bitcoin and start going on the Internet. How the volatility of the Bitcoin-course can be seen exemplarily between the 7 and 10 December 2017. The price or the course of the Bitcoin raised up more times within hours and even minutes to more than 1000 Dollars and fell again shortly afterwards by the similar amount drastically. Since the high of 20.000 Dollars at the end of 2017 the price cracked down to only 6500 in a dramatic way.

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12 It is always be said that the Bitcoin consumes a lot of electricity, why is that?

The immense demand of the electricity achieves an important purpose: it protects the Bitcoin from the attack processes. In these processes the electricity is so necessary to obtain the control of all transactions in the Bitcoin-networks so the price of the electricity will be raised up. The minors who want to verify or validate the Bitcoins, must at first solve sophisticated crypto-graphic tasks and their difficulty level is always increasing. As a gift the minors receive new Bitcoins. An attacker who wanted to manipulate the system, would need more computing power than all the honest participants of the system of the Bitcoin combined. The world's power consumption in bitcoin mining is currently estimated at over 30 terawatt hours per year, which is equivalent to Denmark's power consumption.

**Bitcoin**

13 How I can continue with the crypto-currencies?

The crypto-currencies face a numerous of challenges which will cool the current hype. It is expected that the regulator increasingly intervene in the market like contributing in the financial market supervision in the issuing process. In China the government prevented the ICO previously. Also the tax authorities and the judicial authorities will demand more information about the financial transactions. The-above-mentioned electricity consumption made the alternative currencies a problem relating to the global warming. In addition to, the attacks by hackers always will result in the setbacks, insecurities and probably result in disappearance of the market places.

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## 14 Where I can learn about the Bitcoin, crypto-currencies and the Blockchain?

The latest report from Incrementum: [crypto research.report](http://cryptoresearch.report/)

[Cyptocompare](https://www.cryptocompare.com/): comprehensive website about courses, ICO, mining and wallets

The (white paper) which explains everything (pdf)

The website of the Bitcoin foundation

The Link of the original article:

https://www.nzz.ch/finanzen/bitcoin-14-antworten-zum-hype-ld.1336477