

Quick History

In order to understand what 'Bitcoin' is, we must go back and understand why and where the phenomenon first originated.

The start

Back in 2007, 'Satoshi Nakamoto' is said to have begun work on his or their, new and innovative currency concept. It is unknown if 'Satoshi Nakamoto' is a person, or a group of people, to this day, secrecy and conspiracy surround his or their existence. While "he" is recorded to have lived in Japan, many think it is a pseudonym for a group of people.

Fast forward to 2008, after an 'interesting' patent application and Bitcoin.org was born!



It's here!

The site domain was registered at anonymousspeech.com, a site which allows users to register domain names anonymously. Towards the end of 2008 'Satoshi' published a design paper apparently proving to have solved the problem of 'double spending', thus preventing the currency from being copied.

Bitcoin: A Peer-to-Peer Electronic Cash System

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Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed without redoing the proof-of-work. The longest chain not only serves as proof of the sequence of events witnessed, but proof that it came from the largest pool of CPU power. As long as a majority of CPU power is controlled by nodes that are not cooperating to attack the network, they'll generate the longest chain and outpace attackers. The network itself requires minimal structure. Messages are broadcast on a best effort basis, and nodes can leave and rejoin the network at will, accepting the longest proof-of-work chain as proof of what happened while they were gone.

The financial crisis

It is also interesting to remember what was going on at that time, with regards to global finance and banking. The financial crisis of 2007/08, referred to, by many economists and experts, as the worst global financial crisis of modern times!

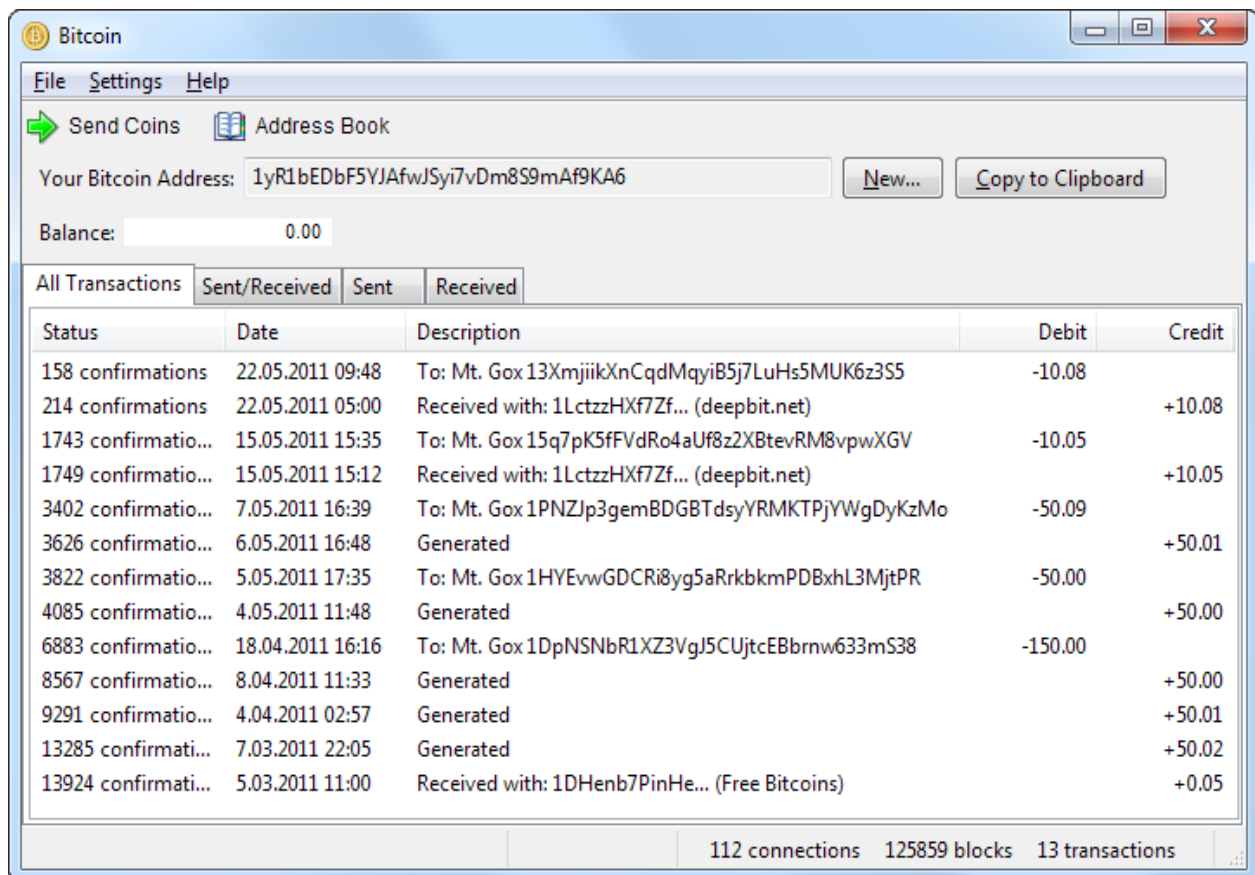
An ideal time, many would argue, for a financial revolution.

Here we go.....

Late 2009 and the 'Bitcoin project' is registered on an open community network, dedicated to the development and distribution of open-source software.

The so-called 'Genesis Block' (the first block of the blockchain) was also established during this period, 2009 proving to be a very busy time, Version 0.1 of Bitcoin was also published.

The foundations were being laid for future cryptocurrency everywhere.



The screenshot shows the Bitcoin desktop application window. The title bar reads "Bitcoin". The menu bar includes "File", "Settings", and "Help". Below the menu bar, there are buttons for "Send Coins" and "Address Book". The "Your Bitcoin Address" field displays "1yR1bEDbF5YJAfwJSyi7vDm8S9mAf9KA6" with "New..." and "Copy to Clipboard" buttons. The "Balance" is shown as "0.00".

The "All Transactions" tab is active, showing a table with columns: Status, Date, Description, Debit, and Credit. The table contains 13 rows of transaction data.

Status	Date	Description	Debit	Credit
158 confirmations	22.05.2011 09:48	To: Mt. Gox 13XmjiiikXnCqdMqyiB5j7LuHs5MUK6z3S5	-10.08	
214 confirmations	22.05.2011 05:00	Received with: 1LctzzHXf7Zf... (deepbit.net)		+10.08
1743 confirmatio...	15.05.2011 15:35	To: Mt. Gox 15q7pK5fFvDRo4aUf8z2XBtevRM8vpwXGV	-10.05	
1749 confirmatio...	15.05.2011 15:12	Received with: 1LctzzHXf7Zf... (deepbit.net)		+10.05
3402 confirmatio...	7.05.2011 16:39	To: Mt. Gox 1PNZJp3gemBDGBTdsyYRMKTPjYWgDyKzMo	-50.09	
3626 confirmatio...	6.05.2011 16:48	Generated		+50.01
3822 confirmatio...	5.05.2011 17:35	To: Mt. Gox 1HYEvwGDCRi8yg5aRrkbkmPDBxhL3MjtPR	-50.00	
4085 confirmatio...	4.05.2011 11:48	Generated		+50.00
6883 confirmatio...	18.04.2011 16:16	To: Mt. Gox 1DpNSNbR1XZ3VgJ5CUjtcEBbrw633mS38	-150.00	
8567 confirmatio...	8.04.2011 11:33	Generated		+50.00
9291 confirmatio...	4.04.2011 02:57	Generated		+50.01
13285 confirmati...	7.03.2011 22:05	Generated		+50.02
13924 confirmati...	5.03.2011 11:00	Received with: 1DHenb7PinHe... (Free Bitcoins)		+0.05

The status bar at the bottom of the window displays "112 connections", "125859 blocks", and "13 transactions".

How much!

The first Bitcoin transaction was made on January 12th 2009, between 'Satoshi' and Hal Finney, a developer and cryptographic activist.

Towards the end of the year, an exchange rate was established and later published.

$$\text{US\$1} = 1,309.03 \text{ BTC}$$

The math

The exchange rate was calculated by dividing \$1.00 by the average amount of electricity required to run a computer with high CPU for a year. Then multiplied by the average residential cost of electricity in the United States for the previous year. Then divided by twelve months and finally divided by the number of bitcoins generated by a computer, over thirty days, easy right!



Extra peppers, please.....

The first 'real world' Bitcoin transaction, a programmer offers to pay 10,000 BTC for a pizza. At the time, the exchange rate put the price of the pizza around \$25!



What next?

The Bitcoin price has rocketed since last year and does not seem to be wavering and appears to be here to stay, for the long term. A number of countries already adopting Blockchain technology, into their daily commerce.

Right now, we are in the middle of a technological revolution, an understanding, or at least an awareness of Bitcoin, digital currencies and most notably, Blockchain, is important as we evolve as a society.