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# Bitcoin

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## Why was Bitcoin invented?

Bitcoin was invented to create a decentralized digital currency that allows peer-to-peer transactions without intermediaries like banks. It aims to provide financial freedom, reduce transaction fees, and enable secure, transparent transactions using blockchain technology. The invention was also a response to the 2008 financial crisis, promoting an alternative to traditional banking systems and increasing control over personal finances.

## When was Bitcoin invented

Bitcoin was invented in 2008 when an anonymous person or group using the name Satoshi Nakamoto published a white paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System." The Bitcoin network was launched in January 2009 with the mining of the first block, known as the Genesis Block.

## Who invented Bitcoin

Bitcoin was invented by an anonymous person or group using the pseudonym Satoshi Nakamoto. They published the Bitcoin whitepaper in 2008 and released the first Bitcoin software in 2009.

## What are the technological building blocks of Bitcoin

The technological building blocks of Bitcoin include:

1. **Blockchain:** A decentralized ledger that records all transactions.
2. **Cryptography:** Secures transactions and controls the creation of new units.
3. **Mining:** The process of validating transactions and adding them to the blockchain.
4. **Nodes:** Computers that maintain the blockchain and verify transactions.
5. **Wallets:** Software or hardware that stores Bitcoin and allows users to manage their funds.

## What is a Bitcoin node?

A Bitcoin node is a computer that participates in the Bitcoin network by validating and relaying transactions and blocks. Nodes maintain a copy of the entire Bitcoin blockchain, ensuring the network's integrity and security. They help verify new transactions, enforce consensus rules, and can be full nodes (holding the complete blockchain) or lightweight nodes (holding only part of the blockchain). Running a node contributes to the decentralization and resilience of the Bitcoin network.

## Explain Bitcoin in as simple a way as possible

Bitcoin is a digital currency that allows people to send and receive money over the internet without needing a bank. It works using a technology called blockchain, which is a public ledger that records all transactions. Each Bitcoin is created through a process called mining, where powerful computers solve complex problems. Bitcoin is decentralized, meaning no single entity controls it. People can buy, sell, or trade Bitcoin, and its value can change based on supply and demand.

## What is the purpose of the hash timestamp

The hash timestamp in Bitcoin serves to record the time a block was created. It helps ensure the

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chronological order of transactions and prevents double-spending by linking blocks in a secure chain. This timestamp is included in the block header and is crucial for maintaining the integrity of the blockchain, as it verifies that blocks are added in the correct sequence.

### **How is bitcoin created?**

Bitcoin is created through a process called mining. Miners use powerful computers to solve complex mathematical problems, which validate transactions on the Bitcoin network. When a problem is solved, a new block is added to the blockchain, and the miner is rewarded with newly created bitcoins and transaction fees. This process ensures the security and integrity of the Bitcoin network while also controlling the supply of new bitcoins. The total supply is capped at 21 million bitcoins.

### **What is the "mathematical problem" that minors solve? What are the starting 0s?**

Miners solve a mathematical problem called "proof of work." They must find a hash value that is lower than a target set by the network. This involves generating a hash from block data and a nonce. The "starting 0s" refer to the number of leading zeros in the target hash; more leading zeros mean a lower target and a more difficult problem to solve. This process secures the network and validates transactions.

### **Is the supply of bitcoin limited?**

Yes, the supply of Bitcoin is limited. There will only ever be 21 million bitcoins created. This limit is built into the Bitcoin protocol and is designed to create scarcity, similar to precious metals. New bitcoins are generated through a process called mining, which becomes progressively harder over time, slowing the rate at which new bitcoins are created until the cap is reached.

### **What are the different kinds of bitcoin wallets?**

There are several types of Bitcoin wallets:

1. **Hot Wallets:** These are connected to the internet and include web wallets, mobile wallets, and desktop wallets. They are convenient for frequent transactions but less secure.
2. **Cold Wallets:** These are offline wallets, such as hardware wallets and paper wallets. They offer more security for long-term storage but are less convenient for quick access.
3. **Custodial Wallets:** Managed by third parties, these wallets handle security for you.

### **What are the best arguments for Bitcoin?**

1. **Decentralization:** Bitcoin operates on a peer-to-peer network, reducing reliance on banks.
2. **Limited Supply:** There will only ever be 21 million bitcoins, which can protect against inflation.
3. **Security:** Bitcoin transactions are secured by cryptography, making them difficult to alter.
4. **Transparency:** The blockchain ledger is public, allowing anyone to verify transactions.
5. **Accessibility:** Bitcoin can be accessed globally, providing financial services to the unbanked.
6. **Investment**

### **What are the best arguments against Bitcoin?**

1. **Volatility:** Bitcoin's price fluctuates wildly, making it unreliable as a currency or store of value.

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2. Energy Consumption: Bitcoin mining requires significant energy, raising environmental concerns.
  3. Regulation: Governments may impose restrictions or bans, impacting its use and value.
  4. Security Risks: Exchanges and wallets can be hacked, leading to loss of funds.
  5. Lack of Adoption: Limited acceptance by merchants and businesses hinders its practicality as a currency.

### **How is Bitcoin taxed in the US?**

In the US, Bitcoin is treated as property for tax purposes. This means that when you sell, trade, or use Bitcoin, you may incur capital gains or losses. If you sell Bitcoin for more than you paid, you owe taxes on the profit. If you hold it for over a year, you may qualify for lower long-term capital gains rates. Additionally, receiving Bitcoin as payment or mining it also triggers taxable income. It's important to keep accurate records of transactions for tax reporting.

### **Can Bitcoin be copied? Is the code open source?**

Bitcoin itself cannot be copied because its blockchain is a unique, decentralized ledger that records all transactions. While the Bitcoin code is open source, meaning anyone can view or modify it, creating a new cryptocurrency based on that code does not replicate Bitcoin itself. Instead, it would result in a different cryptocurrency, often referred to as an altcoin. The security and value of Bitcoin come from its network and the consensus among its users.

### **Who updates the Bitcoin code?**

The Bitcoin code is updated by a decentralized group of developers and contributors from around the world. Anyone can propose changes or improvements through a process called a pull request on the Bitcoin GitHub repository. These changes are reviewed by other developers, and if approved, they can be merged into the main codebase. The community ultimately decides on significant updates through discussions and consensus.

### **What is an off-chain transaction in bitcoin?**

An off-chain transaction in Bitcoin refers to a transfer of value that occurs outside the Bitcoin blockchain. These transactions do not require confirmation from miners or inclusion in the blockchain, allowing for faster and cheaper transfers. Off-chain transactions can occur through methods like payment channels or centralized exchanges, where balances are updated without recording every transaction on the blockchain, reducing congestion and fees.

### **Who are the current (2/12/2026) core developers of bitcoin?**

As of February 12, 2026, the core developers of Bitcoin include notable figures such as Wladimir van der Laan, Pieter Wuille, and Greg Maxwell. The development team is composed of various contributors who work on Bitcoin's codebase, but specific roles and members may change over time. For the most accurate and up-to-date information, refer to the official Bitcoin repository on GitHub or Bitcoin-related forums.

### **Are there Exchange Traded Funds (ETFs) on Bitcoin?**

Yes, there are Bitcoin Exchange Traded Funds (ETFs). These funds allow investors to buy shares that represent a stake in Bitcoin without directly owning the cryptocurrency. Bitcoin ETFs can track the price of Bitcoin or hold Bitcoin futures. They are traded on stock exchanges, making it easier for investors to gain exposure to Bitcoin's price movements.

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### **Are there exchange traded derivatives on Bitcoin?**

Yes, there are exchange-traded derivatives on Bitcoin. These include Bitcoin futures and options, which allow investors to speculate on Bitcoin's price movements without owning the asset directly. Futures contracts obligate buyers to purchase Bitcoin at a set price on a future date, while options give the right, but not the obligation, to buy or sell Bitcoin at a predetermined price. These derivatives are traded on various exchanges, providing liquidity and price discovery for Bitcoin.