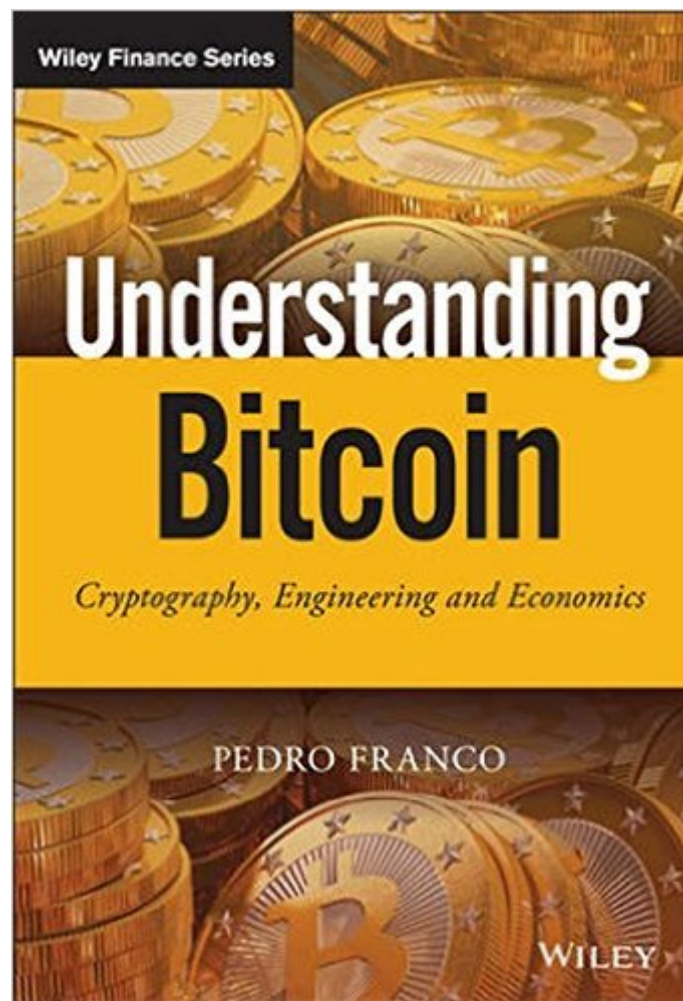


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# Understanding Bitcoin: Cryptography, Engineering And Economics (The Wiley Finance Series)



## Synopsis

Discover Bitcoin, the cryptocurrency that has the finance world buzzing Bitcoin is arguably one of the biggest developments in finance since the advent of fiat currency. With *Understanding Bitcoin*, expert author Pedro Franco provides finance professionals with a complete technical guide and resource to the cryptography, engineering and economic development of Bitcoin and other cryptocurrencies. This comprehensive, yet accessible work fully explores the supporting economic realities and technological advances of Bitcoin, and presents positive and negative arguments from various economic schools regarding its continued viability. This authoritative text provides a step-by-step description of how Bitcoin works, starting with public key cryptography and moving on to explain transaction processing, the blockchain and mining technologies. This vital resource reviews Bitcoin from the broader perspective of digital currencies and explores historical attempts at cryptographic currencies. Bitcoin is, after all, not just a digital currency; it's a modern approach to the secure transfer of value using cryptography. This book is a detailed guide to what it is, how it works, and how it just may jumpstart a change in the way digital value changes hands. Understand how Bitcoin works, and the technology behind it Delve into the economics of Bitcoin, and its impact on the financial industry Discover alt-coins and other available cryptocurrencies Explore the ideas behind Bitcoin 2.0 technologies Learn transaction protocols, micropayment channels, atomic cross-chain trading, and more Bitcoin challenges the basic assumption under which the current financial system rests: that currencies are issued by central governments, and their supply is managed by central banks. To fully understand this revolutionary technology, *Understanding Bitcoin* is a uniquely complete, reader-friendly guide.

## Book Information

Series: The Wiley Finance Series (Book 1)

Hardcover: 288 pages

Publisher: Wiley; 1 edition (November 24, 2014)

Language: English

ISBN-10: 1119019168

ISBN-13: 978-1119019169

Product Dimensions: 7 x 0.9 x 9.9 inches

Shipping Weight: 1.5 pounds (View shipping rates and policies)

Average Customer Review: 3.8 out of 5 stars [See all reviews](#) (6 customer reviews)

Best Sellers Rank: #1,073,456 in Books (See Top 100 in Books) #126 in [Books > Business &](#)

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## Customer Reviews

At the core of this scholarly book is a dissection of bitcoin's biggest achievement. That is the transmission of value over the internet, an inherently insecure channel, without any reliance on a trusted third party. Even the harshest critics of bitcoin the currency (as opposed to Bitcoin the protocol) would agree the technology has legs, and then some. Pedro Franco, the author of 'Understanding Bitcoin: Cryptography, engineering and economics' begins with a lapel-grabbing analogy: "Bitcoin could be used as an open platform for the exchange of value in much the same way that the internet is an open platform for the exchange of information." He adds that it would have been impossible to predict the importance of social networking in 1994, for example, reminding us we are currently witnessing "the first round of applications in the cryptocurrencies ecosystem". Franco's preface claims that a sceptical view of Bitcoin is perhaps the easiest to understand, which could be taken as a hint at the technical discussions that will follow. The sceptical view he is talking about is driven by a number of issues. It was very important in the beginning, when bitcoin bootstrapped itself into relevance, to rely on its miners to spread the word, to market it. This they did, sending it viral. Added to this hype, is the fact that miners are paid in bitcoin for their work securing the public ledger of transactions. This self-generating style of remuneration, combined with a wildly fluctuating exchange price, earned bitcoin a reputation among some as some kind of carefully wrought confidence trick. Perhaps mining for block rewards reminds people of scams like chain letters.

This is the first book I've encountered that appears to cover the technology of Bitcoin in sufficient detail to make it comprehensible. However, like many other technology enthusiasts writing on the same subject, this author's grasp of money and banking appears to be sorely lacking. (Despite his rather impressive credentials in the financial markets. He should know better.) In the Prologue he states (in an hypothetical conversation) that "Currencies have value because of social convention... Neither euros, dollars, nor Bitcoin are backed by anything." Nothing could be further from the truth (excepting Bitcoin). The author is equating goods and services with a "symbol" for debt - not the debt itself. The fact that someone, somewhere owes you goods and services is a matter of record. It just so happens that euros, dollars, bonds, letters of credit, and more importantly bank account statements make up the records. The records are kept by banks, subject to regulation, whose job it

is to keep these records, and more importantly to vet the people who wish to create debt. The records themselves have no inherent value. It is important to make this distinction from the get-go, else this whole business gets off on the wrong foot. Art has value because of social convention (and the society is quite small). Money, on the other hand, has value because it represents the goods and services associated with a particular denomination of money. Money, by definition, is simply debt. Debt has value because it represents readily available goods and services. It is the potential value of those goods and services that give money its value. This is not the whim of a few individuals: this is food, clothing, shelter, protection, etc., to a large number of people who create and own the debt.

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