



# Bitcoin: Economics, Technology, and Governance

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## Abstract

Bitcoin is an online communication protocol that facilitates the use of a virtual currency, including electronic payments. Bitcoin's rules were designed by engineers with no apparent influence from lawyers or regulators. Bitcoin is built on a transaction log that is distributed across a network of participating computers. It includes mechanisms to reward honest participation, to bootstrap acceptance by early adopters, and to guard against concentrations of power. Bitcoin's design allows for irreversible transactions, a prescribed path of money creation over time, and a public transaction history. Anyone can create a Bitcoin account, without charge and without any centralized vetting procedure—or even a requirement to provide a real name.

Collectively, these rules yield a system that is understood to be more flexible, more

amenable to regulatory oversight than other forms of payment—

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Our purpose is to present the platform's design principles and properties for a nontechnical audience; reviews its past, present, and

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future uses; and points out risks and regulatory issues as Bitcoin interacts with the conventional financial system and the real economy.

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**E58** Central Banks and Their Policies

**L51** Economics of Regulation

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