

Scott's Bitcoin Guide

Introduction. In early September 2012 I re-discovered Bitcoin. I had been interested in it before, the Wall Street Journal had an article on it when it hit \$30 USD per coin, but I could not get the client to run on my computer. Little did I know then that I really didn't need to get the client to run, you can get started on the web, see below!

What is it? BitCoin (BTC) is a cyber currency based on cryptology. I do not fully understand how it works but it is based on the pretty good privacy (PGP) protocol that was established early on in the internet era. Basically your "wallet" is really a set of private keys that give you permission to spend the currency that is encrypted and publically held by everyone (literally). You can receive and send your bitcoins using only a 256 bit address, so it can be totally anonymous.

What can it be used for? The only thing Bitcoin is really used for currently is to purchase illegal goods on a TOR marketplace called Silk Road and to gamble with. You can also trade it for US dollars or other currencies, usually referred to as "fiat" by the community. Until early October there was an easily accessible stock exchange but it went kaput. I really liked the stock exchange and was sorry that it closed. About half of the listings were Ponzi schemes and it was really fun to see them in operation.

The best online casino I've found is BitZino. Great games and odds. You can play for micro bit coins, basically fractions of a penny. It is a great way to pretend to be a high roller. The most popular game is called Statoshi Dice. Basically it is an over under game with a random number between 1 and 64,000. For me the transaction fees made this prohibitive, (see below), but I thought about it.

Today (February 2013) I am heavy into Peerbet.org and bets of bitcoin. The first is a no house edge "raffle" site. Don't let raffle turn you off, basically you can recreate any odds you want, it is pretty cool. The Bets of Bitcoin site allows you to bet on real world events. It is more akin to a futures market than a gambling site.

TOR. To visit Silk Road you need what is called TOR. TOR stands for The Onion Router. It was started by the US Government so that dissidents in foreign countries could post to the internet without fear of reprisal. Silk Road uses it to anonymously trade banned goods. I'm sure the irony is not lost on you. Seriously, anything other than child porn can be traded on Silk Road. Anyway, it is simple to download and install TOR and then you just point it to Silk Road and you are good to go. Amazingly, you get nothing if you try to access Silk Road with a regular browser.

Of course you'll also need an encryption client so that you can communicate with potential vendors, but I have not gotten that installed yet, mainly because I have zero intention of trading any banned goods on Silk Road, though it was cool seeing what Viagra and Ritlin were going for.

Getting Started. So Bitcoin sounds cool, how the hell do you get started? Don't do what I did and start with the base client called Bitcoin-Qt. The client is a fine application, but in order to work it has to download the "blockchain." The blockchain is the public key of every bitcoin transaction since Bitcoin was invented. It's presently over 5 GB and took a day to download. Screw that, just go over to Blockchain Info and get a wallet.

Getting Bitcoins is a huge pain and probably one of the reasons this will never really take off. The basic problem is that Bitcoin transactions are irreversible, if you send them to someone you shouldn't, well you're screwed. However, most of the ways we buy stuff over the internet, Paypal, credit cards, ARE reversible. Therefore, scammers will routinely try to buy Bitcoins for Paypal and then reverse the charges or claim their Paypal account was hacked and the Bitcoin seller is screwed. However, this makes actually getting some BTC a huge pain in the ass. Basically, if you are lucky, you can go make a cash deposit at a local bank and a service provider will credit you your BTC. I have not resorted to that yet, but admit to being tempted.

Faucets. Fortunately, there are two other ways to get rolling. The Bitcoin community is very aware that it needs to help new users and so there are numerous sites that give away free BTC. Seriously. They are called faucets. Now it is not a lot, we are talking fractions of a cent, but still, it's free and a way to get started. There are two that are currently really good. The first is DailyBitcoins. (HINT: F5 is refresh page, I never knew that until I started visiting this page. You feel like an idiot clicking away, but it can be a lot of fun!) You can get free bitcoins there every hour. The really cool thing is that the prize size varies, so if you time it right you can actually get a meaningful amount of BTC rather than just "dust." I could usually manage between .004 and .01 BTC per day there. The other site is called BitVisitor. Basically you go and look at a website for five minutes (you just have to leave your browser window open, you don't actually have to do anything, you can even open another browser window and do something totally unrelated) and get about half a cent's worth of BTC. The cool thing is with BitVisitor you get the BTC right away!

Mining. The other way is by what is called mining. I can't explain it other than your computer hacks away trying to "guess" a random mathematical answer. Graphics cards are way better at it than CPUs so a decent graphic card is a must. I found BitMinter really easy to get set up and going and would recommend it as a place to start. There are lots of other options once you get more familiar with things, but BitMinter will let you know right away if you can get any decent BTC by mining. I was better off just trying to hit the faucets pretty regularly.

Alternate Cryptocurrencies. There are other currencies besides bitcoin. Litecoin is just like Bitcoin but there will be four times as many of them. Ripple was introduced in late February 2013, it is both a payment system and a currency. There are exchanges that allow you to trade one currency for another, the one I've found most promising is vircurx.

Conclusion. While I don't think BTC will take off because it is so hostile to new users and there will only be 21,000,000 BTC created, I have had a total blast playing around with it. I say hostile to new users not because people are not welcoming, but because new users have a hard time converting their funds to BTC and are easy scam targets. With only 21 million coins, I don't see the long term liquidity to be there. Yes, BTC can go to 8 decimal places, but as transactions get small the relative size of the fees to perform the transactions increases. Anyway, people fight about this all the time on the discussion forums which are a lot of fun. I think if you play around with it a bit you'll find it a lot of fun too.

Suggested Steps

1. Go get a Gmail account for all the Bitcoin related registrations you are going to have to do. <https://accounts.google.com/>
2. Get an online wallet from Blockchain Info. <https://blockchain.info/wallet>
3. Start hitting Dailybitcoins, send the coins to your Blockchain Info wallet. <http://dailybitcoins.org/index.php#>
4. Register for a forum account. Seriously, I've actually gotten more BTC from just people handing it out than from a month's worth of hitting the faucets. You are limited to posting in the Newbie section for awhile, but it is a minor delay and I find myself spending most of my time in that section anyway. <https://bitcointalk.org/index.php?board=39.0>
5. Go get TOR if you want to do Silk Road. <https://www.torproject.org/>
6. Find a cool casino site your like, e.g. BitZino. <https://bitzino.com/craps> (note the awesome odds!)
7. Open an account at MtGOX. <https://mtgox.com/>

6&7 will both give you wallets at each of these places. Now start hitting BitVisitor [<http://www.bitvisitor.com/?ref=1P5FsDtZXEgGwjWNZwzScZPhXC7WKnZoG5>] and every other faucet you can find. However, rather than sending the coins to your main wallet, send them directly to BitZino or MtGox depending on if you want to trade BTC for USD or if you want to gamble.¹

¹ The reason you do this is so that your wallet does not get polluted with a bunch of tiny transactions. You see there is a fee for sending less than one Bitcoin and since your typical transaction from the faucets is going to be much less than .01 BTC you want to send it where you are eventually going to want it anyway so you don't have to pay as big a fee.

8. See how much you can make mining. BitMinter is really easy to use and install and gives you a great daily estimate of how many BTC you'll make. For me it was pathetic, .0005 per day, but still it was a lot of fun. <https://bitminter.com/>
