Class 1: Why are these buildings burning down?

Schedule

Before 11:59pm tomorrow (Tuesday, 13 January):

1. **Read:** Course Syllabus

2. **Read:** *The Magic of Mining*, The Economist, 10 January 2015.

3. **Read:** *Chapter 1: Introduction* and *Chapter 2: How Bitcoin Works* from Andreas M. Antonopoulos, *Mastering Bitcoin: Unlocking Digital Cryptocurrencies* book (also available in print).

4. **Setup** a bitcoin wallet (if you don't already have one, MultiBit is a good choice for this). After creating a wallet, you should find the Recieving Address, to use in PS0. Note that it is not necessary now, or at any time during this class, for you to actually buy bitcoins with your own money. If you are inclined to do this, be careful, and don't use any funds you cannot afford to lose!

5. **Submit** Problem Set 0 before **11:59pm tomorrow** (Tuesday, 13 January).

Notes

What is currency?

> *Every commodity admits two uses: (1) its proper use, (2) its use as an article of exchange.*
> Aristotle's *Politics*

What properties should a currency have?

What is a *fiat currency*?

> *All these pieces of paper are, issued with as much solemnity and authority as if they were of pure gold or silver… and indeed everybody takes them readily, for wheresoever a person may go throughout the Great Kaan's dominions he shall find these pieces of paper current, and shall be able to transact all sales and purchases of goods by means of them just as well as if they were coins of pure gold.*
> Macro Polo (on Yuan Dynasty paper money, 13th century)

Was salt a fiat currency as used by the Romans?

Was salt a fiat currency as used by the Han Dynasty?

China's Millenniums-Old Salt Monopoly No Match for Economic Reform, New York Times, 21 November 2014.

What does it mean to *own* something digital?

Questions

Why will bitcoin mining facilities continue to frequently burn down?

How $3.6 Million Worth Of Bitcoin Mining Equipment Went Up In Smoke, Brave New Coin, 6 November 2014.

Why are there over 600 cryptocurrency startups?