

Bitcoin as Electronic Cash And Decentralisation

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Bitcoin as Electronic Cash: Directly From One Party to Another...



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- Although nodes record transactions, they are not supposed to serve as the methodology primarily used for recording transactions and processing.
- The nodes vote on the ordering of transactions, and accept whichever transaction they have seen first.
- When Bitcoin was created, the main way to conduct transactions was through IP-to-IP exchanges.
- Bitcoin is a direct communication system, one that enables users to exchange value directly.
- As such, the system mirrors cash...

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1. Alice directly gives Bob a transaction (in exchange for goods and services).
2. The tokens stay with Bob. The record of the transfer is now stored on-chain.
3. In the exchange, the nodes operate to do nothing more than accept the reference of a time-ordered transaction from Bob and record it.
4. In a fraction of a second, the nodes will return the status of the transaction to Bob.

Decentralisation: Forming the Edges of the Network



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Negotiable instruments have been used for hundreds of years. Such instruments are not paid to a particular party, but can be used again and again.

If Alice cheats, she will commit cheque fraud, and leave evidence thereof.

Evidence of ownership can always be provided through court orders, which can quickly alert the network of nodes and operators of any malfeasance.

- The nature of a peer-to-peer transaction lies in the direct communication between parties engaging in an exchange or trade. Remember, it is electronic cash.
- The nodes act as honest agents and record the information, returning information concerning the validity of the transaction to Bob.
- Under this form of operation, the nodes are not financial institutions.
- Decentralisation involves pushing information to the edges. The term 'decentralisation' refers to individuals being able to exchange information and minority groups being able to act independently.