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What fuels the demand cycle, as Bitcoins despite concerns, surge to 20K?

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Sandip Sen in What happens if? | Markets | ET

Last year, a week before Christmas a friend of mine invested in 5 Bitcoins at the rate of Rs 56,000/- each, paid through in Indian Rupees through his Visa Debit card. In one years time his investment of Rs 3 lacs is worth Rs 6 million (Rs 60 lacs), an unbelievable growth of 20 times in just around 12 months. This despite the fact that several experts like JP Morgan Boss Jamie Dimon, and Saudi Prince Alwaleed Bin Talal have emphatically denounced Bitcoins as a Ponzi scheme. Also nations like China, which accounts for three fourth of the Bitcoin mining, came down heavily on the cryptocurrencies refusing to give them official recognition.

Nobody can deny that such runaway 2,000% annual growth has been witnessed only in pyramid companies previously, and the volatility of Bitcoin adds to the suspicion. Yet the surge in demand shows that the cryptocurrency market is vibrant and Bitcoins are increasingly being used in many areas. Such is the investor demand that major commodity exchanges like the CME group is permitting the trading of Bitcoin futures. Let us see who are the biggest users of cryptocurrencies and why cryptocurrencies have such intrinsic demand. We will study one each week, the most interesting one first.



Funding unintended DDOS attacks

The Minecraft gaming saga that led to the arrest and conviction of 3 young American computer nerds last week gives a glimpse of the gaming madness that haunts the world – funded largely by cryptocurrencies. Paras Jha, Josia White and Dalton Norman, three 21 year old college students from Rutgers pleaded guilty in an Alaskan Court of masterminding the Miraibotnet. The botnet powered by thousands of unsecured wireless routers and security cameras and devices had launched devastating DDOS attacks on key internet services across the world months before the US Presidential election.

The bot was created by young gaming pros to deliver crippling attacks on Internet services of opponents. It was devised to gain advantage over rivals in the popular internet game called Minecraft. Anybody could join the attack by paying a sum of \$50 or an equivalent in a designated cybercurrency. It is believed that more than 100,000 youngsters joined the fun in the first week. They mostly paid in cybercurrencies and provided their internet of things devices for an all out DDOS attack, first on French telecom provider OVH and then a US tech company Dyn. When the FBI fearing a cyber attack before the US elections tracked down the originator of the Mirai bot it found reckless students not terrorists behind the attacks.

The gaming industry has extremely sophisticated hardware which is funded by the regular currencies. But there are multiple services & components that are bought by crypto currencies and the demand surge has just about began. Even if 0.1% of the \$22 billion gaming industry is funded by cryptocurrencies, a 100 bitcoins could never meet its demand.

DISCLAIMER : Views expressed above are the author's own.



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