

## MARKET COMMENT

**eResearch Corporation** is pleased to provide a commentary from freelance writer, Lucy Wyndham, on bitcoin mining.

The article is referenced with “Notes” and the links for these Notes are provided at the end of the article.

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### Bitcoin Mining



#### Bitcoin Miners Are A Dying Breed, And Here Is Why

*Bitcoin mining is an industry* (Note 1) that is turning heads nowadays. Not only do participants help to guarantee the safety of the network, but also they generate a profit for their efforts in the form of Bitcoin. The mythical stories of people passively generating an income through mining are greatly exaggerated, and the reality is that to see a return on any mining investment, most crypto-currency miners must make large leaps of faith. In short, it is anything but passive.

#### Bitcoin Mining Is A Full Blown Business Now

Mining in crypto-currencies is a shorthand term for participating in the generation of coins. To create a Bitcoin, for example, one must verify transactions on the network, then his/her computer must create a Proof Of Work and, after that, the miner is rewarded with Bitcoins for his/her effort. Put that way, it sounds like the computer does the heavy lifting, and the *income generated requires little hands-on work* (Note 2) from the miners.

The reality, however, is that mining is time-consuming and expensive. Bitcoin does not have a limit on the current number of coins that can be mined but, as more coins are mined, the effort a mining rig must put in to generate a Proof Of Work goes up. Currently, creating a mining computer costs an average of three to four thousand dollars, including region-specific *intensive electrical bills and the cost* (Note 3) of a good internet connection.



## The Golden Era Has Passed

The miner is paid in Bitcoin, and the value of the pay scales with Bitcoin's net worth. As of 2017, a crash saw that worth plummet to below half of its apex value. Earning back the *cost spent on bitcoin mining equipment* (Note 4) alone can often take several weeks to several months with an adequate mining computer and, in that time, miners are betting on Bitcoin to raise or maintain its value, a bet that is in no way guaranteed.

The long and short of it is, mining means helping to build a block-chain by finding a particular code that meets the system's requirements. The requirements change each time, leaving thousands of miners trying literal trillions of combinations before one finally finds a key that meets the block-chain's criteria. The participants then verify that the key found is legitimate, and everyone is rewarded for their participation. As a result, this is an intensive process.

## Is It Worth It?

Bitcoin is the first great crypto-currency, and its value has not disappeared for those trading in it or mining it. However, building a computer that can mine crypto-currencies requires several thousand dollars, and a connection to the internet and electrical power grid capable of supporting it.

Finally, miners must work together to delve through numerous possible combinations before finding the right key, all to be rewarded in a currency whose worth has fallen drastically.

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Note 1: [Bitcoin mining is an industry](#)

Note 2: [income generated requires little hands-on work](#)

Note 3: [intensive electrical bills and the cost](#)

Note 4: [cost spent on mining equipment](#)

Another Article:

<https://www.newcurrencyfrontier.com/2017/11/08/bitcoin-miners-are-coming-do-you-understand-how-to-value-them/>