Abstract

This thesis examines motives of demand for digital currency Bitcoin. We estimate transaction and speculative motives of Bitcoin users and their impact on the emerging digital currency. We analyze Bitcoin data and argue that external Bitcoin trading is mostly influenced by speculative motive. Speculative trade volume on average appreciates Bitcoin exchange rate. However internal Bitcoin transactions are driven mostly by transaction motive and are largely independent on Bitcoin trading. Speculative and non-speculative motivated users thus coexist in separate circuits, interacting mostly indirectly through exchange rate and acceptability of Bitcoin.

In the last part we argue that quantity theory of money is well applicable on transaction-based data, which Bitcoin provides, and use it to estimate money velocity and output index. We show that growth of Bitcoin accounts brings significant network effect and along with number of transactions largely explains growth of output index.

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