

Bitcoin: Commodity Investment or Currency?

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Bitcoin has had a highly volatile period amidst some difficult events. The [Wall Street Journal](#) today weighs the pros and cons of it as an investment or payment system. It is treated as a commodity by the IRS and the same as gold in this category.

The past year has brought publicity to Bitcoin due to the Silk Road incident of drug dealing on its website and the anonymous hacking theft that left Mt. Gox, the largest Bitcoin Exchange, in bankruptcy this past February. Campbell R. Harvey, a professor of finance at Duke University in Durham, N.C., makes an important distinction about bitcoin as an investment or currency. The fall to bankruptcy of Mt. Gox is not the fault of Bitcoin. He states, "Blaming bitcoin for the Mt. Gox bankruptcy is like blaming the U.S. dollar for the downfall of Lehman Brothers."



Photo by Astrid Stawiarz

Despite the high volatility significant numbers of Bitcoin wallets have been opened this year. Bitcoin owners have over 11 million bitcoin out in the world cryptocurrency community. The original Satoshi Nakamoto white paper in 2009 and its algorithm provide 22 million bitcoins that could be mined by the Bitcoin miners.

Coin Desk reports each day the opening and closing price. Since July, Bitcoin was at a high of \$650. It closed Friday, September 18 at \$437. The volatility is to be considered if you are investor, then you can commit to purchases at different times. Your investment portfolio will be

one of dollar cost averaging of the different buy prices.

There are many online retailers and other companies who accept bitcoin payment, such as DELL, Overstock.com, DISH network and **restaurants** are becoming very popular in acceptance of bitcoin as payment. This is the difference in the use of Bitcoin. It can be a long term hold as an investment or as a payment currency. There is a Coin Academy available online, so you can educate yourself.

The **Coin Academy** will walk through how to open a bitcoin wallet. There is a public key and a private key. One is for encryption purposes for security and the other is for convenience in use of a payment for purchase. The public key is the number that will receive bitcoin sent to you. The private key is the number that only you are supposed to know. You release bitcoin for payment or transfer with your private key.

Bitcoin movements are immediately placed into a ledger so the overall money supply maintains track of bitcoin. The ledger is on the Internet cloud. Many refinements to the original Satoshi Nakamoto white paper of 2009 have been enhanced in the program code at the Bitcoin Foundation.

Mining bitcoin is changing as the mining is done on larger computers and capable for the serious investor to invest in it as a technology investment. Hansel Dunlop, a London-based developer and bitcoin investor states, "It has become less of a hobby and more of a business for people requiring constant investment and careful attention to margins and costs."

CEO Jack Dorsey of Square released today, "We're building a register so that sellers can accept a credit card, so they can accept cash, so they can accept a cheque, so they can accept bitcoin and so they can accept any form of payment that comes across the counter including future ones and burgeoning ones like Apple Pay." Perhaps, Bitcoin is best viewed as a peer-to-peer currency payment transfer system released by Satoshi Nakamoto.



Comment



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