

Bitcoin's future depends on public acceptance

Laura Baverman, USA TODAY 10:19 a.m. EDT September 3, 2014



(Photo: STEPHANE DE SAKUTIN, AFP/Getty Images)

Bitcoin, the digital currency started in 2009, is facing a problem acquiring a different currency — the kind measured in wide public acceptance.

This currency deficit is perpetuated by the large conferences popping up in cities around the nation. At one event I attended last month, I was surrounded by experts and enthusiasts debating regulation and privacy and discussing the idiosyncrasies of the technology that allows transactions with digital currency.

Besides a dozen or so marketers, the population was almost entirely software developers. There was a single Bitcoin 101 session — at 9 a.m. on a Saturday. A few stragglers said they'd come in hopes of better understanding Bitcoin. They left feeling as if they should have done more research in advance.

What I learned was that if Bitcoin is ever to be understood and embraced by the masses, then it has to leave conference rooms and enter living rooms.

Bitcoin is an unregulated digital currency that provides a way for people to track, store and send payments over the Internet. Uncontrolled by any central bank or government, the global supply of bitcoin is generated — or "mined" — by a network of private computers around the world. People purchase bitcoin and manage their accounts in privately run online exchanges.

Here's some of what I learned at the Bitcoin conference:

- The technology that powers bitcoin, called Bitcoin, paved the way for dozens of new digital currencies to be created around the world. In fact, a man named Christopher Franko in the small town of Washington, N.C., created the Frankocoin. Bitcoin levels the playing field.
- What it really means to be deregulated is that cryptocurrency businesses are unincorporated and often called "projects." In some cases, they don't pay taxes. Employees are paid in bitcoin and pay capital gains taxes when they cash out.
- There is a thing called Bitcoin 2.0, and it actually makes sense. The technology that allows bitcoin to be securely encrypted, tracked (in a universal public ledger) and transferred between people can also be used for the transfer of other documents. Think real estate documents, business contracts, even passport or citizenship documents if the government gets involved.

Atlanta-based Shawn Wilkinson won a high-profile hackathon with Storj, a competitor to Dropbox that deploys Bitcoin technology to create a cloud storage network. Instead of a company charging a fee to store users' documents, photos and videos, Storj lets people sell their own hard drive space to others on the network.

A Blacksburg, Va., business called BitShares is creating Bitcoin-powered software that helps businesses operate in a decentralized way. For example, BitSharesX is a virtual bank and exchange that lets users buy, sell and trade virtual assets that are valued in dollars, gold, silver or shares of companies. Musicians may use BitSharesMusic software to sell shares of songs and deliver exclusive content to those shareholders using the technology.

- Some high-profile people are excited about Bitcoin. Venture capitalist Tim Draper made headlines in July for buying at auction bitcoin seized in the Silk Road shutdown. He'll make the coins available to people in developing nations with volatile currencies.

His venture capitalist son Adam Draper, who gave a keynote address at this particular conference, pledged to invest in 100 Bitcoin-related start-ups by 2016. Among the 26 in his portfolio today are Blockcypher, which offers cloud-based software to help Bitcoin businesses function, and Vaurum, which helps banks and financial institutions exchange and store bitcoin.

"What we've done is make financial technology sexy," Draper told me. "We're building the tools that future people will use to build Bitcoin companies."

- Finally, it's important to know that bitcoin's value is too volatile to be worth much today. That's why most retailers who accept it as payment immediately sell. This point is from Duke University finance professor Campbell Harvey, who hopes to offer a course in cryptofinance in 2015.

He counts as an enthusiast, writing in an Aug. 16 white paper that "Bitcoin is probably the most secure form of transaction in the history of the world."

"While it is minuscule today, that does not mean it will be small in the future," Harvey says.

But education, he writes, is key.

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