Introduction

Five years after its start up in 2009, Bitcoin has begun to gain widespread recognition. Supporters and opponents of the crypto-currency still debate if Bitcoin should be regarded as a true currency. This is a public policy supporting the argument that Bitcoin should be acknowledged as a real currency. Through some examples of how Bitcoin relates to efficiency, equity and liberty, we will strengthen that argument.

The goal of this policy is to make Bitcoin a reputable and usable currency. Government agencies such as the IRS see Bitcoin as a form of property. This means that Bitcoin can be taxed, however it cannot be used as a regular currency like dollars. This situation is a federal occurrence because Bitcoin can be used around the nation.

The action that can be made within this policy is to contact the House and Senate Finance and Appropriations committee so that it can receive funding. This funding could be used to create economic research which can be used to give the government the ability to see that Bitcoin is indeed a reputable currency. With the economic research, more arguments can be made as to why Bitcoin should be a currency. It would also give investors the confidence they need to invest in Bitcoin.

While there may be concerns about Bitcoin’s lack of security, a policy idea that can be used to increase its security is by creating a FDIC like policy. This can make sure that people that obtain Bitcoins can be protected in the event that it is attacked by hackers.

Through receiving funding for economic research and receiving protection in case a security breach occurs, Bitcoin can be seen as an economic currency.

Bitcoin Relating to Efficiency and Equity

We will explore how Bitcoin can be used in an efficient way. Bitcoin is a crypto-currency which means that it is virtual. However, this provides a lot of benefits for users. Bitcoin is an efficient use of currency because it can be easy to use and manage.

However, others argue that Bitcoin is an inefficient form of currency due to constant volatility in its value. Opponents of the coin’s use would also say that Bitcoin is unequal due to the techniques used to gain it. The “mining” process of Bitcoin is not as easy as it seems. Mining Bitcoin’s seems to be a task that only those that are fully computer savvy can do. However, what the opponents don’t realize is that while Bitcoin mining may be complicated to do at first,
Bitcoins is one of the few currencies that can be bought or mined by anyone. Thus, Bitcoins are equal due to the fact that anyone can obtain them.

Now, major retailers are starting to accept the crypto currency as a form of payment. In January 9, 2014 Overstock became the first major retailer to accept Bitcoins as payment. This has affected them greatly in sales. Over “$500,000 in purchases since Jan. 9” have been documented through the use of Bitcoin (Murphy). Overstock’s use of Bitcoin as payment has bought an increase of sales towards their company. This is a prime example of how Bitcoin can be used to increase efficiency. Overstock has been able to use Bitcoin to help them increase their profits. By adding the currency, they have now included another way in order for their customers to purchase their products. Mainly, Bitcoin is efficient because it can aid a business in gaining more profits.

What’s even more interesting is that Bitcoin can be used as a payment for anything. For instance, University of Nicosia has started to accept Bitcoin as a form of tuition payment. With Bitcoin, “Depending on price trends, and on how it converts bitcoin to Euros, the University of Nicosia could end up pocketing well north of its normal tuition (€8,190 for an international undergraduate degree) when students pay with the currency.” (Tate). This is another example as to how Bitcoin can be efficient. Like dollars Bitcoins is flexible to be used as payment for multiple services and goods.

Let’s look deeper into the reason why Bitcoin is efficient. Most transactions through businesses are done by credit card. While credit cards can provide quick business transactions, it is less efficient compared to Bitcoin. For example, businesses that use credit card transactions often have to wait until the payment is cleared in order for them to receive their profit. Additionally, credit card companies make money off of these businesses based on the fees that are paid for each transaction. Bitcoins provide a better, more efficient way of transferring money and can aid businesses in creating a larger profit (Carney). Thus, Bitcoin is efficient enough to be recognized as a real currency. Through the use of Bitcoin, transaction payments are immediate. There is no wait time for the transactions and the payments are cleared automatically. Through using Bitcoins, companies such as Overstock was able to gain that $500,000 in sales without losing any of it through transaction fees that is usually charged by credit card companies. This proves Bitcoin’s efficiency. Bitcoin is able to create faster transactions than credit cards. This also saves businesses money by deleting the transaction fees that came from the use of credit cards.

Basically, Bitcoin is an efficient currency because it creates faster business transactions and its lack of transaction fees. Recognizing Bitcoin as a real currency gives the benefit of faster transactions and more profitable businesses.

Bitcoin should be recognized as a real currency because of its ability to promote economic equality. Economic equality can be gained through Bitcoin because it has no restrictions. Jeff Fong states that “Bitcoin's global reach means it could economically connect people on a level previously unheard of and at tremendous cost savings compared to existing options” (Fong). This means that Bitcoins will be able to level the playing field for every country worldwide. People from third world countries can receive the coin and use it to buy things that their domestic currency would not be able to obtain.
Many will argue and state that Bitcoin is very hard to get unless one has advanced computer skills. Critics will point that “mining” Bitcoin is hard and the resources used to do so are highly expensive. However, that is not the case. Although Bitcoin mining can be a complicated process, there are alternative ways for the average user to receive it. Opposers who believe that acquiring Bitcoin is only available through mining do not know the other methods that can be used to find this currency. In fact, users can purchase Bitcoins from exchanges which serve similar to banks. Just like with cash, citizens do not mint their own money, rather they withdraw it from a bank. Exchanges function like banks and ATMS except for Bitcoins.

For example, a homeless man “has earned somewhere between four or five Bitcoins — about $500 to $630 today — through YouTube videos, Bitcoin Tapper, and the occasional donation” (Hernandez). Because of this, Bitcoin should be used because of its ability to provide equality for everyone. Through alternative methods, anyone can receive this crypto-currency. There are no restrictions, and there are alternative methods that can be used to gain the coin. Thus, Bitcoin should be recognized as a real currency because it is able to provide an equal opportunity for anyone to receive it.

With this public policy, we believe that Bitcoin should be recognized as a real currency. Not only is it more efficient than traditional methods of transactions, but also it promotes economic equality. Opponents of this public policy would say that Bitcoin has a lot of volatility. This means that the value of the coin can increase or decrease very quickly. They would also say that Bitcoin is not equal because it requires some computer expertise in order to mine these coins.

However, these opponents are wrong. Bitcoin is more efficient because it allows for quicker transactions than the use of credit cards and cash. This can result in businesses being able to increase their sales. Also it is equal because it promotes economic equality by giving anyone the right to use it. Although opponents say that it requires heavy computer skills to mine the coins, alternative methods can be used to receive Bitcoins.

Security

Out of the multitude of currencies that are in the world, Bitcoins provide the most security. Opponents state that Bitcoins are volatile and its value can change quickly. Bitcoin cannot offer stability such as traditional currencies. Robert Peterson states that, “Bitcoin also poses something of an issue for central banks like the Bank of England or US Federal Reserve, which appear to have no ability to influence the value of Bitcoins”. (Peterson) Bitcoin’s volatility is a crucial problem with the currency. Opponents fear the coin because central banks or the US Federal Reserve cannot affect it. Thus, their decision to reject this public policy is due to its lack of security.

Mt Gox used to be one of Bitcoin’s large currency exchanges. After it had failed, the concern for Bitcoin’s security has increased. For instance, Jose Pagliery states that “The image of Bitcoin would undoubtedly take a major hit if the situation gets worse for Mt.Gox. Having the exchange shut down would rock confidence in the digital currency’s future and leave many investors empty handed, and speed up calls for government intervention” (Pagliery, 2014).
Opponents can say that Bitcoin should not be recognized as a real currency because one of its primary currency exchanges has failed. Due to this, they could argue that Bitcoin is not secure and that use of it could cause future problems.

Additionally, when speaking about Mt Gox, the future of Bitcoin does not rely on it. In fact, the failure of Mt Gox was the owners who had created it fault. When attempting to reassure investors, a group stated "This tragic violation of the trust of users of Mt.Gox was the result of one company's abhorrent actions and does not reflect the resilience or value of Bitcoin and the digital currency industry,"(). One can say that Bitcoin’s security is weak due to the fact that one of its currency exchanges had failed. However, this failure does not mean that Bitcoin is insecure. The failure had been caused due to the fact that the owners of Mt Gox’s were unable to fully protect their Bitcoins from hackers. If Bitcoin was to be referred to as a real currency, the public policy would be used in order to increase the security of the coin.

Despite all of these arguments, Bitcoin is actually a secure currency. Traditional methods such as credit cards and domestic currency are less secure than Bitcoin. Bitcoin’s financial system allows for more security than these methods. Credit cards are not safe due to instances such as identity theft. Additionally, cash can be easily lost, stolen or robbed from the owner’s possession. The only problem that can happen with Bitcoin is that it is hackable. Bitcoin can be protected through passwords and codes which allow more security than that of a credit card. By rejecting the policy to recognize Bitcoin as a currency, opponents ignore a new financial system that is more secure than the traditional services.

Bitcoins are even more secure than traditional methods such as wallets and bank accounts. For instance, “If you’re homeless, the great thing about Bitcoin is that you can set up a wallet without an ID or a street address.”(Hernandez, 2013). Bitcoin provides a safer outlet for people to hold currency without having to face the risks that are associated with holding cash. This is even better for people that are poor or homeless because it protects them from losing their money due to consequences such as robberies. Bitcoin is one of the currencies that allow more protection than cash. Its financial system is set up so that only the owner can access it. Since it is virtual, the coin cannot be stolen by any physical means. Thus, the coin should be recognized as a true currency because of its security.

One thing that could be used to protect the further use of Bitcoins could be the introduction of a FDIC type role. The FDIC currently insures up to $250,000 per person in its policy. By creating a policy that insures a certain amount of Bitcoins per wallet, it would further increase the security of Bitcoins. Opponents state that Bitcoin should not be recognized as a real currency because it has a volatile security procedure. On the other hand, by creating an insurance policy that will insure the Bitcoin investors’ protection of their coins, the security of Bitcoins could be increased.

The crypto-currency is young so problems are going to arise. By creating an insurance policy, the security of Bitcoin can be strengthened which will increase confidence in this currency. Additionally, by doing this the investors of Bitcoin will regain their confidence and trust in the crypto currency. Basically, to increase the security of Bitcoin, an insurance policy should be created in order to protect user’s coins.
Bitcoin should be recognized as a real currency because of the security it can provide. Opponents would state that due to the current failure of Mt Gox and Bitcoin’s volatility in security that it should not be considered a real currency. However, it provides more security than traditional methods of currency such as cash and credit cards. By providing an insurance policy that can insure the Bitcoin investors, steps can be taken in the future to strengthen the security of Bitcoins.

Conclusion

To conclude, we believe that Bitcoin should be viewed as a usable currency. It is a new form of virtual currency and provides a multitude of benefits. The IRS may see Bitcoin as a piece of property. However, Bitcoin should be regarded as a reliable currency because of the benefits it provides.

Since it is a form of virtual currency it is efficient. It is efficient in the way that it can be used anywhere. Bitcoin does not restrict international countries from obtaining it like other currencies. It is also secure in the way that it can be protected more than other uses of currency like money and credit cards. Unlike money and credit cards, Bitcoins are encrypted which makes fraud difficult.

Although opponents would state that Bitcoin is neither efficient nor secure, Bitcoin actually is proven to be safer than most currencies. Due to its virtual aspect, businesses can use it to receive and send money without being taxed by credit card companies. Additionally, it can be secure due to the fact that Bitcoins cannot be taken away such as cash and credit cards and must have a password in order to be used. Through creating economic research and a protective law similar to the FDIC, Bitcoin can become a reliable type of currency. By doing this we can make sure that Bitcoin is flexible and is able to be used throughout the world.

Thus, Bitcoin should be used as a currency. It has been efficient and proven to be safer than other method of transactions. Despite the controversy that has risen through Bitcoin, it is actually a reputable form of currency that is starting to aid businesses such as Overstock. In conclusion, this new currency should be viewed as a reputable means of currency. Many economic opportunities will be opened through the use of Bitcoin which will then create more growth within our country.
Works Cited


