

Link to the article

<http://www.forbes.com/sites/paularosenblum/2014/01/27/bitcoin-the-currency-of-the-future/>

Analysis and opinion

The article handles about the advantages and disadvantages of Bitcoins, a crypto currency, compared to traditional currencies (such as the Euro or Dollar). After starting with a short history and description of its working, the pros and cons of this new virtual currency are discussed. The points in the article focus on the anonymity of the currency. It is said the hidden nature of Bitcoins is a concern as it allows illegal activities to be obscured and facilitated. The case presented in favor of this argument is that of Silkroad, a former website on the deep web, used for the trade in drugs and weapons. Personally, I agree with this concern as it does make these forms of illegal activities easier. However, given the increased surveillance and the surveillance scandals I also see the increased need for such digital currencies.

A second point the article makes is that of the ease of transaction. Here, the author is more favorable towards Bitcoin. It is argued that Bitcoin allows for an easier transfer of money between countries as one does not need to worry about exchange rates. Although this is through, I believe this application has limited application as Bitcoins still need to be transferred to local currencies in order to have any practical value. Given exchange between Bitcoins and traditional currencies is often related to the US Dollar (as an intermediary currency) and the high volatility of the Bitcoin against the US Dollar, the practical value of the proposed method in the article is severely limited. However, once Bitcoin becomes more widely accepted currency this could change, making Bitcoin transfers a viable alternative for tradition money transfers.

Finally some differences to the regulation if the currency are discussed. As Bitcoin is currently unregulated, high volatility exists. This currently makes Bitcoin share more of the characteristics of stock than currencies. Although it has practical problems and makes the currency more speculative, this does not limit the possibility of this currency in my opinion.