

Internet buying exchanges have morphed into the Bitcoin revolution

 By [Tom Cleveland](#)

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PALM COAST, FLORIDA, US: What would you make of a headline that read, "BitPay Passes 10,000 Bitcoin-Accepting Merchants On Its Payment Processing Network"?

Do you even know what a "Bitcoin" is? I personally have read a few of the glowing articles that have hyped the latest entrant in the field of virtual currencies, the Bitcoin, and I have to admit that this new variety is definitely a newer, more compelling twist on an old theme - the desire of IT specialists to bypass the banking infrastructure in order to render a payment transaction that can happen in a nanosecond.

I am not sure if Bitcoins will succeed where concepts like Beanz, Flooze, and a cast of other wannabes have failed, but the attack this time around is on a global basis. Bitcoin exchanges have sprung up in several global markets. A flourishing market, albeit one of electronic bartering, has given birth to a crypto-currency that professes to end the need for merchant processing fees, for authorizing a transaction, or for elaborate fraud prevention schemes.

The Wikipedia definition

If my words have already confused you, then here is a quick Wikipedia definition for this new currency, the Bitcoin:

"Bitcoins are the unit of currency of the Bitcoin system. A commonly used shorthand for this is "BTC" to refer to a price or amount (eg: "100 BTC"). There are such things as physical BitCoins, but ultimately, a Bitcoin is just a number associated with a Bitcoin Address."

There is no central bank controlling this currency either, but there is an algorithm for expanding the number of Bitcoins in circulation over time. Valuations in local currency are then determined by ordinary supply and demand. You can buy Bitcoins from local exchanges, but for you merchants out there, the goal is to get you to accept the currency as payment for your goods or services. It seems that this one Atlanta firm, BitPay, has already achieved a milestone in that regard.

Bitcoin has its roots in the IT realm, based on a detailed paper that was published under a pseudonym just a few years back. Investors have jumped in to fund many of the support firms, like BitPay, that have sprung up to equip merchants and educate consumers. But all is not peaches and cream in this new virtual world. Regulators and national governments have been quick to protest about the lack of controls to prevent money laundering and the criminal element in our society from leveraging this payment system to their unique benefit. Anonymity is a key feature within the Bitcoin world.

Daisy chain

A daisy chain of electronic messages validates your ownership rights and ability to spend. Valuations stem from market valuations in local currencies from the various networks of qualified exchange managers that feed the system. Values for one Bitcoin in the US have fluctuated from a low of US\$13 at the beginning of this year, up to US\$213, then crashed to US\$70, before recovering back to the US\$120 range.

Is Bitcoin just another Ponzi scheme or scam? Many believe it to be so. A host of critical articles have already appeared that make a case for this judgment. I am reminded of the cavalcade of buying exchanges that jumped into the Internet a decade ago. The promise was to eliminate the middleman and force prices for basic commodities and many other products and services down to more reasonable levels.

What happened? There were oodles of buyers, but the sellers vanished for lack of profit potential. These exchanges folded, but the only one that I know of that succeeded was Fedbid.com, a firm that focused on reducing costs for governmental agencies. Will the same fate befall the Bitcoin folks? As the old expression goes, "You pays your money, and you takes your chances."

ABOUT TOM CLEVELAND

Tom Cleveland has had an extensive career in the international payments industry.
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