



Written by [Alex Newman](#) on April 17, 2013

## Digital Bitcoin Gains Prominence as Alternative to Fiat Currency

The non-government-backed digital currency known as bitcoin (BTC) has soared to prominence in recent weeks after a meteoric rise in value from less than \$50 to over \$250 in just days followed by a devastating crash back down to about \$85 today. Amid the [wild volatility](#), analysts and experts weighed in to speculate about what may be going on, with some seeing bitcoin as the wave of the future and others downplaying it as a potentially interesting anecdote for historians to examine that is unlikely to displace establishment currencies.



Bitcoin supporters and users come from all across the political spectrum, but the cyber currency is especially popular among libertarians, anarchists, and advocates of limited government. One reason for that, according to experts, might be because bitcoin offers a decentralized and supposedly anonymous way to do business — allowing users to purchase everything from drugs and guns to pizza, cars, and even hotel rooms online.

Another plus for anti-establishment types is that the bitcoin system largely bypasses big banks and especially government-backed central banking currency monopolies like the Federal Reserve and the European Central Bank. While the supply of fiat dollars or euros can be expanded indefinitely — surreptitiously robbing all holders of the currency — the amount of bitcoins in circulation is strictly limited.

While the market for bitcoins remains relatively small so far, its growth has been phenomenal, according to experts and people who use it. Facing increasingly fierce economic crises, people from Argentina to [Cyprus](#) have been [pouring money](#) into the digital currency in recent weeks and months — many as a hedge against inflation and a novel way of protecting wealth. That trend is expected to continue, though the regulatory environment remains somewhat uncertain.

“I do believe in BTC,” Executive Editor of Laissez Faire Books Jeffrey Tucker, a prominent free-market thinker who has come out strongly in support of the digital currency, told *The New American*. “Central bankers might be nervous. As for government, BTC puts regulators in a hard position. Do you warm to it and tax it — this seems to be the current way— or try to stamp it out? So far, we are seeing a tolerance, mainly because it is already too big and too functional.”

In a series of recent articles about bitcoin, Tucker has been [touting the digital currency](#) as a potential form of future money and an already-viable alternative to government-backed fiat currencies. While the new monetary system may be in its early developmental stages and there are still issues that need to be worked out, he expects bitcoin to continue gaining prominence. “The trajectory is clear and those who see this and act on it will be ahead of the historical curve,” he noted.

Many experts and analysts agree, with more than a few already calling bitcoin a “success.” In addition



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to the “underground” markets, for example, over ten thousand “legitimate” merchants already accept the digital currency, and the number is expanding at break-neck speed. While one major player, Japan-based [Mt. Gox](#), currently controls most of the exchange market, the number of online exchanges where people can freely trade bitcoins and government-backed fiat currencies is growing as well.

“Bitcoin is rapidly becoming a legitimate online currency alternative,” [noted](#) a recent analysis published in *Forbes* by partner and Internet expert Alex Ferrara with Bessemer Venture Partners in New York. “To date the bitcoin network has seen more than 15 million aggregate transactions with more than 50,000 senders and receivers transacting in a given day... Bitcoin may or may not ultimately prove to be the right implementation, but it is a compelling concept that offers a window into a potentially profound paradigm shift in how we think about the future of money on the web.”

There has, however, been [massive volatility](#) in the bitcoin market recently, shaking confidence in the currency among some investors and users. Shortly before the major plunge from over \$265 to less than \$100, some analysts were already warning that the unsustainable rise in value relative to dollars was bound to end in a crash. On April 10, in a piece entitled “[How the looming bitcoin crash will be exploited by globalists to outlaw decentralized crypto currencies](#),” *Natural News* editor Mike Adams issued a prescient warning.

“There’s a bigger agenda happening with bitcoin that needs to be publicly stated, and this goes far beyond the issue of the financial harm that will be caused when the bitcoin bubble finally implodes,” he wrote shortly before the value against dollars collapsed in spectacular fashion. “Central banks hate bitcoin. They hate it because it doesn’t allow them to loot bank accounts (Cyprus) and control the movement of capital around the globe.”

According to Adams, bitcoin actually threatens the “very foundation of monetary control that underlies all the corrupt governments of the world.” So, considering that threat, Adams predicted that “globalists” would target the digital currency with an eventual goal of outlawing it altogether. In the analysis, he said that central bankers would drive the price up, start a massive selloff, incite panic in the market, exploit victims of the scheme to play on people’s emotions, then push for the criminalization of the currency altogether.

As of now, bitcoin remains legal, though U.S. authorities [recently announced](#) that the digital currency would have to submit to some regulation — similar to how companies like Western Union are regulated. Federal officials are also supposedly working to crack down on the bitcoin-linked trade in illegal goods. Indeed, the potential for government action to restrict or perhaps even criminalize bitcoin and other digital currencies continues to weigh heavily on the market.

Madrid-based St. Louis University economics Professor David Howden told *The New American* that the always-present fear of government intervention could pose a significant barrier to bitcoin expansion. “The threat of legislative action against them is a big negative, as governments move to decide whether they need to be regulated more heavily or not,” he said. “Congress could legislate all sorts of changes in the stroke of a pen that would compromise the usefulness of bitcoin. And I would think that bitcoin users are aware of this and watching the situation closely. I know I would be!”

Another major obstacle holding back the digital currency: security concerns. “The lack of a safety net for bitcoin storage might be the biggest force working against it, besides the threats of increased regulatory oversight,” Howden explained, pointing out that outside of [bankrupt or crisis-plagued countries like Cyprus](#), bank accounts are generally considered safe even as bitcoin could be vulnerable



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to hackers. "It's difficult to sell this idea to an average Joe or Jane if there are storage concerns involved with the money itself."

According to Howden, the future of bitcoin is still uncertain. "I have my doubts that they can replace established currencies and become anything more than a form of 'hobbyist' payment system, similar to how it is now," he said, noting that it was also difficult to establish what bitcoins are worth. "The big negative going against them is that established currencies are very hard to dethrone... It could displace an established currency in theory, but like I say the practical threat is minimal."

The wild fluctuation in the value of bitcoins experienced recently has also spooked potential users. However, major players in the digital currency world insist that the recent volatility will not kill the currency or the markets — both underground and "legitimate" — that have come to rely on it. The founder of the black-market website Silk Road, for example, recently sent a rare public statement to *Forbes* [insisting](#) that trade in bitcoins will go on regardless of booms and busts.

With increasing uncertainty surrounding even major fiat currencies such as the U.S. dollar, the euro, and the Japanese yen, savers have increasingly been looking for alternatives to maintain the value of their wealth. Gold has historically been considered among the most reliable safe havens, but that, too, suffered a major blow in recent days — [quite possibly orchestrated by central bankers themselves](#) — that could affect the appetite for precious metals for some time to come.

While some disagree, more than a few prominent analysts say it seems like bitcoin could have a bright future, but experts have urged caution before putting too much money or trust in the new digital currency. Regardless, time will tell whether bitcoin and other schemes like it end up displacing traditional fiat currencies, co-existing alongside them, or simply as an interesting footnote in the history books.

Image: [stack of bitcoins isolated on white](#) via Shutterstock

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