

Bitcoin: Money 2.0?

Have you heard of Bitcoin? It's a form of digital currency created, transferred and organized through cryptography that allows secure data to be exchanged over the Internet. While that description might make Bitcoin sound more like the trinkets characters collect in computer games than real money, the virtual currency can increasingly be used to buy real goods and services.

Companies as diverse as WordPress and GrubGo, a St. Louis-based restaurant delivery service, now accept Bitcoin. GrubGo's decision to accept Bitcoin drove up traffic to the website and endeared the company to tech experts who pointed out flaws that hackers could exploit. "Just because we started accepting Bitcoin, they wanted to make sure we were taken care of," says Matt Hanley, one of the founders of GrubGo, which also provides technology services to restaurants. "It helps getting your name out there."

One reason Hanley and other proponents cite for using the currency, which is anonymously transferred from computer to computer without going through a central bank, is because Bitcoin transfers are less expensive than credit card transactions and other methods of exchange. Experts say low transaction costs make Bitcoin especially attractive to international merchants despite recent volatility that drove the value of a single Bitcoin as high as \$266 on April 10 before it closed at \$130 that same day.

"Volatility is basically a result of the sudden growth at this point," says *Bitcoin Magazine* writer Vitalik Buterin. "The market still doesn't know exactly what the price should be after all the recent influx of attention, so we'll be hopping back and forth for a short while simply because of this. Another factor is the exchanges, which still haven't had the chance to fully catch up with the increasing attention."

The volatility also has attracted regulatory scrutiny, although certain federal guidelines issued in March that affect some in the Bitcoin industry are anything but clear. What is clear is that digital currency—whether it's Bitcoin or whatever competitor comes next—is not going away anytime soon.

—Charlene Oldham



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