



Meet the people trying to make Bitcoin happen in Washington

It's like explaining the Internet to grandma in 1992

By [Chris Moody, Yahoo News](#)

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A growing army of Bitcoin advocates are working to craft an elevator pitch to explain something many lawmakers don't understand.

Hank Aaron was just one long ball away from beating Babe Ruth's career home run record when, on April 8, 1974, he launched a ball high and deep toward the left field wall of Atlanta's Fulton County stadium. It sailed over the fence and landed in front of a BankAmericard billboard, cementing Aaron's record as the home run king. The ad, which pictured a credit card, featured this historic pitch: "[Think Of It As Money.](#)"

At the time, the concept of using a plastic credit card instead of cash or checks was foreign to many Americans. The BankAmericard ad campaign was an attempt to convince consumers and merchants that money can come in more forms than they were used to.

Forty years later, the early adopters of Bitcoin, a decentralized online protocol that facilitates a rapidly growing peer-to-peer network to exchange virtual money, face similar challenges as they seek to bring their cryptocurrency into the financial mainstream.

Though Bitcoin was introduced in 2009, [most Americans still can't identify what it is](#). This lack of knowledge extends to Washington, D.C., where regulators and policymakers are trying to make sense of what is not just a new currency but also a new *type* of currency. As Bitcoin usage becomes more prevalent throughout the world — the number of Bitcoin users has grown significantly in the past year, according to [Bitcoin Pulse](#) — U.S. government agencies are racing to catch up and understand how Bitcoin is covered by current laws, or if its emergence will require an entirely new regulatory structure.

Enter the Bitcoin “lobbyists,” the not-entirely-accurate label given to a growing group of advocates who have a zeal for explaining Bitcoin to Washington, in hopes the federal government doesn’t squash what they consider a technology that could transform everyday life as much as the Internet itself has.

Despite [recent headlines](#) dubbing them lobbyists, Bitcoin’s brigade of capital city supporters is more akin to a passel of tech missionaries. Only one is formally registered as a lobbyist, but all are part of the community doing advocacy work around “the protocol,” as insiders call the Bitcoin technology.

The Bitcoin Foundation kicked things off in 2012, when it opened its doors in Seattle, Washington, with a mission to “standardize, protect and promote” Bitcoin around the world. The group would also serve as the trade association that represents [businesses that operate in the Bitcoin](#) economy. In April, the group hired Jim Harper, an information policy expert at the libertarian Cato Institute, to oversee its global government relations effort in Washington. And the organization has sought guidance from D.C.-based strategist [Mary Beth Stanton](#) from the lobbying firm Heather Podesta + Partners.

Across the Potomac River at the [Mercatus Center](#), a free-market research organization at Virginia’s George Mason University, researcher Jerry Brito cranks out studies and papers that aim to explain the virtual currency and provide intellectual ammunition for its supporters. Brito wrote one of the earliest [mainstream media profiles about Bitcoin](#) and has studied the issue since 2011. The [Digital Asset Transfer Authority](#), launched by Bitcoin industry leaders in the summer of 2013, oversees self-regulation of bitcoin merchants from its McLean, Virginia, office.

And more Bitcoin advocates are jumping in all the time: In late May, an independent San Diego, California-based entrepreneur named Brett Stapper, the founder of Falcon Global Capital, filed paperwork to lobby Congress on cryptocurrency issues. In an interview with Yahoo News, Stapper said he’s in the process of coordinating with a law firm — he won’t say which — to organize lobby days and post a “practical guide” to Bitcoin online.

“We want to work with regulators. We want to work with governments,” Stapper said. “We’re not libertarians who see this as a thing that is possible on a massive scale without the help of these organizations.”

Others in the cryptocurrency community have different views. The emergence of the new crop of D.C.-based advocates has ignited a small firestorm of debate online, pitting those who want Bitcoin to remain unregulated with others who think shaping a regulatory framework for it will be essential to the technology reaching its full potential.

“There’s the cryptoanarchists in the Bitcoin community, who are great. And there’s the businesspeople, who are great. I think they’re less different than they think they are,” explained Harper, who receives his Bitcoin Foundation paycheck in bitcoins and cut his hours down to half-time at Cato to conduct his work on behalf of the Foundation. “The qualities of Bitcoin that make it great for freedom are the same qualities that make it great for business,” he said.

As for his own role: “I’m a cryptoanarchist in a suit!”

The Bitcoin groups don’t all work together in lockstep, but they share a common goal: Explain Bitcoin to Washington.

This is no easy task.

“It’s hard to get people to understand,” Harper told me recently over beer at Brasserie Beck, a downtown D.C. restaurant that takes JetBlue airline points but does not accept Bitcoin as payment. “I’m still not sure how to introduce Bitcoin. I think the first line is to say that it is digital cash.”

Harper, concedes that “digital cash” is an imperfect description, but it’s a starting point to help newcomers visualize and understand what bitcoins are.

Even the simplest way of describing it winds up being a bit complicated: Bitcoin (with a capital B) is an online, decentralized network that serves as a worldwide, virtual ledger called the “blockchain” where users can trade units of exchange called “bitcoins” (with a lowercase b). Individual bitcoins are created by computers that “mine” new units by solving complicated mathematical problems. When the problems are successfully completed — a process that takes a heavy amount of computing power and time — it adds a new page or “block” to the blockchain. Bitcoins are given value based on supply and demand, and they can be traded or used to purchase goods from a growing list of vendors that accept the currency. Bitcoin operates independently of government-backed money, making it a new type of currency. Trading bitcoins is pseudonymous because every interaction is published onto the blockchain using identifiers that can be tracked to individuals and that can’t be erased, although users typically don’t attach their names to their transactions or bitcoin wallets.

And all the septuagenarians in Congress said, *“Say what?”*

Such is the struggle of a Bitcoin evangelist, and educating lawmakers is one of the foremost goals of the cryptocurrency pioneers. As part of that effort, Brito co-wrote a [39-page guide](#) for policymakers and Harper this spring published a [detailed study](#) of impediments to Bitcoin’s success.

“It’s going to take a full-scale campaign for them to win the hearts and minds of folks,” Stanton said. “It’s not something we can do in a year or two. I think it’s going to take a while to educate and activate.”

For policy and regulatory purposes, Bitcoin’s transformative technology blows open a hive of questions. Is it currency? Is it a commodity? Is it property? Will it threaten the almighty dollar? Which agency should regulate it? How should it be taxed? Should vendors that trade bitcoins be treated like banks? Can I accept bitcoins as campaign donations? Is it dangerous? Should we ban it?

Many lawmakers were introduced to Bitcoin when it arrived at their doorstep along with a flood

of horrible publicity in 2011, when the website [Gawker](#) first reported about an online underground marketplace called Silk Road, where shoppers used bitcoins to purchase all kinds of illegal goods, including drugs. The revelations led Democratic Sens. Chuck Schumer of New York and Joe Manchin of West Virginia to call for a crackdown on the currency. In another setback, one of the largest Bitcoin exchanges, Tokyo-based Mt. Gox, announced in February that [hackers had stolen](#) hundreds of millions of dollars in bitcoins from the company's coffers and that the site would shut down.

In response to the Mt. Gox catastrophe, Manchin urged the Federal Reserve to [ban Bitcoin entirely](#). (He later [softened his tone](#) when the proposal went nowhere, and Federal Reserve Chairwoman Janet Yellen testified before the Senate Banking Committee that the Fed lacked the authority to regulate it.)

“That trial balloon went over like a lead zeppelin,” Harper said, pointing out that due to Bitcoin’s decentralized nature, it would be impossible to ban anyway. “Nobody thought that was a good idea. And I don’t think he thinks it was a good idea anymore. The important point is that he’s educated now.”

Bitcoin supporters say the process of educating Congress has been slow but steady. Several committees in the House and Senate have held hearings to investigate Bitcoin, and the Senate Homeland Security Committee is planning to release a report on the subject soon.

Instead of calling for bans, lawmakers have increasingly shown an interest in learning how best to regulate the market. Even Schumer, once a vocal advocate for using the force of the federal government to rid the nation of Bitcoin, appeared less aggressive during hearings last year.

Mercatus’ Brito, who has been called to testify multiple times before committees in both chambers, urges lawmakers to use caution when determining how to apply regulations to the network.

“Policymakers should take care that their directives do not quash the promising innovations developing within and on top of this fledgling protocol,” Brito warned in [the primer](#) he wrote for lawmakers. “If Bitcoin exchanges are overburdened by regulation and shut down, for instance, money launderers and drug traffickers could still put money into the network by paying a person in cash to transfer his or her bitcoins in to their virtual wallets.”

Already, a handful of enterprising lawmakers from both parties have begun to embrace the technology. In May, the Federal Election Commission announced new rules allowing candidates to accept Bitcoin donations. Since then, Texas Republican Rep. Steve Stockman and Colorado Democratic Rep. Jared Polis set up accounts to take donations on their websites. Carl DeMaio, a Republican challenging Democratic incumbent Rep. Scott Peters in California, has directed his campaign to establish a Bitcoin page as well. The Libertarian Party (of course) was the [earliest political party to accept such donations](#).

A month before the FEC announcement, a company that specializes in "[Bitcoin ATMs](#)" set up one of its machines in a congressional office building and Polis used it to buy \$10 worth of

bitcoins as a curious Virginia Republican Rep. Bob Goodlatte, the chairman of the House Judiciary Committee, looked on.

The steep Bitcoin learning curve hasn't stopped some agencies from issuing guidance on it. For instance, the Internal Revenue Service in March [declared](#) that Bitcoin would be treated as "property" for tax purposes. The directive was helpful in that it ensured Bitcoin would be taxed at the same rate as capital gains. But without further regulations, it also left a major problem: Bitcoin users are now possibly subject to a tax on every purchase or trade, large or small. If you buy a cup of coffee using Bitcoin, you must declare it to the IRS if you bought it with a bitcoin that increased in value since the time you bought it. But how would you know that the bitcoin used for that cup had gained or lost value, and precisely what its value was when you walked into the cafe? Compliance during tax season would be a nightmare. A solution, Brito says, is to set what's called a De Minimis exception on the currency, meaning the tax would apply only on purchases or trades above a certain threshold.

The most important regulatory battle for Bitcoiners, however, may not even be at the federal level. In 48 states, any company that wants to exchange or trade currency must travel to the individual state and apply for a license before it can operate. Forcing new companies that traffic in Bitcoin to undergo such a burdensome process could discourage new companies from setting up shop, advocates argue.

"Ideally you have the federal government pre-empt all this garbage. Never say never, but the federal government's not about to do that," Brito said. "I'm not sure there's much we can do other than hope they will be rational about it and try to make it as simple and clear a system as possible."

When not deep in the nitty-gritty of policy work, Washington's Bitcoiners go to great lengths to point to its potential, especially for poor and oppressed people. Bitcoin, they say, has vast potential to revolutionize the way we transfer money and purchase goods and services. In impoverished, rural areas where people lack access to banking institutions, Bitcoin users can send and receive money wherever they can access the Internet on a computer or a phone. (Bitcoiners use the term to describe these people — "the unbanked" — with the same concern a Southern Baptist might have referring to "the unchurched.") For immigrants who need to send money to families in their home countries, Bitcoin would make it easy and relatively cheap.

Bitcoin could also be useful to those living under oppressive government regimes, advocates say, allowing them to support illegal speech or causes without fear of censorship. Critics say the same principles could be applied to terrorists seeking to undermine more reasonable governments.

The growth of Bitcoin could, of course, undermine and disrupt fee-charging money-transferring services such as MoneyGram and Western Union; both are now considering adding a [Bitcoin option](#).

"If I were a company like [that], I would be very afraid," Stanton, who has advised the Bitcoin Foundation, said.

A worldwide embrace of the Bitcoin protocol could pose serious risk to the remittance and banking industries, which has prompted them to keep a close eye on its development. Last month, a federal lobbyist filing disclosure for MasterCard listed “Bitcoin” as an industry it would focus on.

Some might not have a choice, especially as Bitcoiners plant their flag deeper inside the nation’s financial system. And in some cases, they’re literally doing so. In Manhattan’s financial district, just steps from the building that houses the New York Stock Exchange, a group of Bitcoin entrepreneurs has set up shop in the first floor of a sprawling event space it has labeled “The Bitcoin Center.”

Wall Street brokers walking to their offices or enjoying lunch outside can’t miss the loud orange sign outside a building that houses computers noisily mining for bitcoins 24/7. The Bitcoin Center opened in 2013 as a clubhouse for Bitcoin fanatics to meet, mingle and trade bitcoins in a social setting. Nick Spanos, a former Republican campaign aide who most recently worked for former Texas Rep. Ron Paul, runs the place, along with James Barcia, another former Paul hand and a handful of staff.

The space comes alive every Monday and Thursday night, when hundreds of traders flood the office to buy and offload their bitcoins together over drinks from an open bar. The center provides a small stage on which traders can announce what they’re selling.

“We provide a little bit of theater,” Spanos said. “The use of this technology could be done with a phone and a whisper. But that’s not useful to me, because I want to educate the public, and the media in particular.”

Before Spanos opened the center, the group met to trade in public parks and the dining section of Whole Foods grocery stores. For obvious reasons, this new space, where paintings of world currencies line the white walls, lends an air of credibility.

“We want to be the first regulated exchange,” Barcia told me over the hum of the bitcoin mining machines. “That’s the purpose of being here. We’re in a liquidity building stage as we’re waiting for the regulation.”

The center receives a steady stream of curious visitors from the street, including a few household names. Just a few weeks ago, a man who identified himself as only “Tim from out of town” walked through the door and asked to be shown around.

Barcia instantly recognized him as Tim Pawlenty, the former Minnesota governor and failed Republican presidential candidate who in 2012 accepted the lead role at the Financial Services Roundtable, a lobbying group for big banks.

“I really wanted him to be forthright and engage us,” Barcia recalled. “Maybe find some common ground. But instead he desired to be known only as ‘Tim from out of town,’ which I think is not the right tack.”

Barcia showed him around anyway and didn't mention that he recognized him or that he was on the Ron Paul team that helped take down his presidential campaign in Iowa in 2011.

“That,” Barcia said of Pawlenty’s decision not to introduce himself, “was an example of a missed opportunity.” (A Financial Services Roundtable spokeswoman confirmed Pawlenty's visit.)

Having the Bitcoin Center in the heart of America’s financial capital, Barcia and Spanos said, is one of the best ways to help people understand the technology, which they admit is challenging.

“The elevator pitch is not easy,” Barcia said.

“Listen,” Spanos added, “when the wheel was invented, did they know that there was gonna be a wheelbarrow? Or a bicycle? Or a train? Or a car? Did they know any of that? ... No, they just started laughing when it went rolling down the hill. ... We’re just trading the rewards on the protocol right now. Nobody knows what’s going to happen.”

For now, though, those betting early on Bitcoin are doing everything they can to prepare for a world in which the invisible bitcoin is as widely used as plastic credit cards.