



## Paying your bar tab with Bitcoins?

*A lounge is among the venues accepting the digital currency*

By: Quentin Fottrell – April 8, 2013

---

Bitcoin is a peer-to-peer currency that doesn't require a bank or Treasury Department. Its value rose to around \$130 from below \$50 in March and \$10.50 two years ago. MtGox.com (short for Magic the Gathering Online Exchange), the main exchange for users swapping Bitcoins, handles around 80% of all Bitcoin trade and charges 0.25% to 0.60% for its brokerage services, depending on the size of the trade. There are around 11 million Bitcoins in circulation, putting the currency's value at nearly \$1.4 billion, according to BitcoinCharts.com, but they won't exceed 21 million to prevent neverending hyperinflation and the last coin won't be created by around 2140.

There is a brisk — if narrow — trade in Bitcoins. Justin O'Connell, CEO of GoldSilverBitcoin.com, says he conducts \$15,000 in Bitcoin trades a day. "A lot of people who got into the Bitcoin market earlier are switching them into silver and gold," he says. "They are taking advantage of the high Bitcoin prices and low silver and gold prices." The recent slump in the silver and gold prices has created opportunities for Bitcoinites. Silver has fallen more than 20% since October and 10% in 2013, while gold is down around 6% this year. "We accept Bitcoins for metals and metals for Bitcoins," he says.

On Sunday, EVR bar and lounge in New York will start accepting Bitcoins for drinks and food. "We have to train all the waitresses," says Charlie Shrem, a partner at the club. Shrem is also CEO of BitInstant, a company that facilitates the retail purchase of Bitcoins at over 700,000 locations throughout the U.S. and co-chairman of The Bitcoin Foundation, which aims to standardize, protect and promote Bitcoin. "It's a nonpolitical online money backed exclusively by code and it's only as good as its cryptography and math."

Unsurprisingly, perhaps, e-commerce companies are among the first to accept them. The publishing software company WordPress accepts Bitcoins for features that are dependent on credit-card and PayPal payment systems; PayPal, it says, blocks access to certain countries. The social network Reddit accepts them for its premium service, as do Web-hosting company BTCWebHost.com, SurvivalCampingStore.com and online gaming site Minethings.com. Consumers can spend a fraction of a Bitcoin too: It's divisible to the eighth decimal place. It's also possible to purchase clothing, cigars, and various goods and services with Bitcoin. See a complete list of merchants.

Bitcoins could flourish in underground economies, among individuals hoping to avoid taxes or buy illegal drugs, says Jim Harper, director of information policy studies at the Cato Institute, a nonprofit think tank in Washington, D.C. "The more likely adoption path is not through the wealthy West but through economies where banking systems are weak, seizure of wealth is common and political systems are more unstable," he says. Because people can use just a fraction of a Bitcoin for payment, however, he says they are

also ideal for micropayments. “Want to listen to a song online?” he says. “Pay 3 cents to do it.”

Founded in 2009 by a developer (or group) called Satoshi Nakamoto, it’s still early days in the life of the virtual currency. “It’s a very, very high level experiment,” says Ari Zoldan, CEO of technology and media company Quantum Networks in New York. For people purchasing goods and services online, however, he says it could potentially change the entire currency landscape and “be to regular currency what Skype was to the telephone industry.” Instead of trusting large institutions or central banks or governments to safe keep your money, Zoldan says, “it shifts that responsibility to individuals.”

Given the currency’s meteoric rise, some critics have expressed concerns about a Bitcoin bubble. This week, UBS stockbroker Art Cashin wrote in a note to clients: “It is rare that we get to see a bubble-like phenomenon trade, tick for tick, in real time. Usually, it’s kind of regional aggregate pricing like real estate reports.” And Josh Brown, a financial adviser at asset management firm Fusion Analytics, tweeted: “Looking forward to answering two dozen client emails about should we diversify into \*\*\*\*ing Pac-Man pellets.”

The government gives them as much recognition as it does to Monopoly money: Not much. And most brick-and-mortar companies on Main Street still prefer plastic or dollars. Despite his own foray into Bitcoins, Shrem doesn’t expect other businesses to follow his lead — yet. “Brick and mortar companies are going to be the last one to accept Bitcoins,” he says, “especially the mom and pop stores.”