



Online Currencies on the Rise

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illegal drugs over the Internet.

Online purchases often rely on credit cards. Merchants are stuck covering the transactions fees they credit pay card companies. Additionally, potential customers who don't possess a credit card are left in the lurch, making electronic currencies more attractive to merchants and consumers.

Assigned Standard Values

WingCash launched in 2009. Each customer of this electronic currency is given a page which is assigned a URL address which serves as the equivalent of the serial number on paper money.

WingCash founder and president Bradley Wilkes says WingCash transfers are "just like cash" because, "the transactions are transparent to both the payee and payor, neither payee nor payor pay a transaction fee, and all transactions are final. For these reasons the WingCash payment platform is considered a hybrid with attributes similar to both a prepaid card system and transactions conducted with coins and paper currency."

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The Salt Lake City

Deseret News reported this past July that WingCash is seeking regulatory approval in several states. The Utah-based WingCash is the latest Internet currency attempting to circumvent the 3 percent transaction costs charged by credit card companies for online purchases.

Online currencies are gaining traction despite legislators' pleas for Justice Department and Drug Enforcement Agency investigations. This past June, U.S. Sens. Charles Schumer (D-NY) and Joe Manchin (D-WV) encouraged the DOJ and DEA to investigate electronic currency Bitcoin and its use in purchasing

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Wilkes says WingCash is different from other electronic currencies because WingCash is based on the U.S. dollar and its value—an exchange to another currency is not required to participate in the platform. The platform is also easy to understand: WingCash pages are assigned standard monetary values from \$0.1 to \$100.

WingCash is completely online—no physical paper or card is required to participate, and transactions are secure because a person or business isn't required to share confidential account information during a transaction.

WingCash is also free to join, and there are no charges for transactions. A 25 cent fee applies if money is moved to a bank that doesn't participate in WingCash.

'Online Clearinghouses'

"Most electronic currencies have not been currencies at all, but rather online clearinghouses for trading traditional currencies or commodities," says Jim Harper, director of Information Policy Studies at the Cato Institute.

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Perhaps one of the most common electronic currencies is PayPal. Harper explains PayPal maintains a ledger of who has sent money to whom on their system, releasing the money when a customer wants to withdraw funds he or she holds.

"Money doesn't really move around on PayPal—it just moves around on PayPal's books," Harper said.

Anonymous Digital Currency


Bitcoin is another widely known electronic currency, created in 2009 by Satoshi Nakamoto. It's the world's first distributed and anonymous digital currency, says Jerry Brito, a senior research fellow and director of the Technology Policy Program at the Mercatus Center at George Mason University.

Bitcoin is closer to an actual currency that travels from hand to hand than PayPal, Harper says..

"Bitcoin is a really fascinating idea, though I don't know if it's ready for use in day-to-day transactions," said Harper.

"Just counting up the good things and the bad things, I think Bitcoin falls on the good side. But I think it will take some time for people to trust it, and people should be cautious with it," Harper said.

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