

Coinbase CEO thinks Bitcoin offers much more promise than peril

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Brian Armstrong is a Bitcoin believer.

Given half a chance, he'll talk unceasingly about the virtues of the virtual currency. He's so into Bitcoin that he takes his paycheck entirely in the virtual currency and has a special debit card that allows him to pay with Bitcoin - indirectly at least - when he goes to the mall.

Four years ago, Armstrong's enthusiasm led him to help found and run Coinbase, a company designed to help link the [virtual currency](#) to the real world. Based in San Francisco, Coinbase helps consumers convert standard currencies to Bitcoin and helps businesses process payments made in the cyber money.

Although Bitcoin's value has been extremely volatile and backers of the currency have been struggling to reach an agreement to upgrade its underlying technology, Armstrong's faith remains unshaken. He spoke recently with the San Jose Mercury News about Bitcoin's evolution and promise and his company's role in the ecosystem. This interview has been edited for length and clarity.

Q: What got you interested in doing something with Bitcoin?

A: It's the first time the world has an open payment system. I like to draw an analogy with the Internet.

When it first came out, there were only proprietary systems where

people could publish information, like radio, television, newspaper. The Internet was the first time you had a fast, cheap, global, open protocol to do that. No company or country owned it. And that brought about all kinds of innovation.

The same thing is happening right now in finance. Bitcoin is the first time that we've had this open network, where no company or country really controls it.

Q: What's Coinbase's role in the Bitcoin ecosystem?

A: Coinbase launched with this idea of, OK, let's make it easy for people to get some Bitcoin, to convert their local currency into and out of this thing. And we did that in the U.S. with the first bank integration. And we solved some problems like security, where people were having trouble storing it. We think of ourselves as an on-ramp or off-ramp into and out of the Bitcoin ecosystem.

Q: In the early days, Bitcoin was dominated by speculators. How is that changing?

A: If you go back a year or two ago, 95 percent of activity on Coinbase was speculative investment and 5 percent was payment network. Today, it's probably 80 percent speculative investment and 20 percent payment network.

I think that trend will just continue over time, away from speculative investment to payment network. But it's going to take 10 years.

Q: What are the types of transactions being conducted using Bitcoin?

A: It is cross-border stuff - remittance, payouts for contractors in other countries, things like that. We've signed up a lot of merchants who are

accepting Bitcoin - Overstock.com, Expedia, Dell Computers. It's still small as a percentage, but they've started. There's people doing donations with it. United Way, Wikipedia, Khan Academy - these guys all accept Bitcoin through us.

Mobile games is another one that we're seeing emerge. There's people who are building games where the in-app currency is Bitcoin.

We're seeing some novel types of businesses. One of them is called Premise. They're essentially sourcing economic data from all over the world. If you want to know the price of wheat in Nairobi, how it's changing, there's somebody there with a smartphone, and they take a photo of some sign. They upload it, and they get a micro-payment for that.

Q: Won't Bitcoin's volatility scare people away from putting their money in it?

A: If you look at the last three years, Bitcoin's volatility has decreased pretty substantially. It's approaching some fiat currencies. My belief is that it will continue to decline over time.

As more and more people know about Bitcoin, they have it, they're using it, any individual event that would change the price of Bitcoin affects the total less, because the pie keeps getting bigger. Basically Bitcoin is maturing.

Q: Many payments experts are bullish on the future of the blockchain technology underlying Bitcoin, whatever their feelings may be on the currency itself. From your perspective, how separable are they?

A: I don't think they're very separable. There are going to be some banks or whoever who use blockchain technology to solve things like inter-

bank settlement. That could work, and it might be an improvement over what they currently do. But it's not going to change the world.

I think you're going to see vastly more innovation on the public Bitcoin blockchain. And Bitcoin is, of course, the blockchain that has roughly 95 percent of all investment dollars, developer interest. To me, it's far more exciting than a private blockchain.

Q: A recent article in the New York Times talked about how one of the key Bitcoin developers has declared the currency dead. What do you make of that?

A: There's a really funny website called Bitcoin Obituaries. Bitcoin has been pronounced dead 88 times now. That one was the 89th.

We know the developer pretty well. He's really talented. He was one of the guys who's been very vocal saying that Bitcoin needs to upgrade the block size so it can continue to scale. And I happen to agree with him on that.

The thing the developer's not good at is patience. He's a little pessimistic.

Brian Armstrong

Age: 33

Birthplace: San Jose, Calif.

Position: Co-founder, CEO, Coinbase

Previous jobs: Software engineer at Airbnb; started and sold a tutoring

company

Education: Master's in Computer Science, B.A. in Economics, Rice University

Family: Single

Residence: San Francisco

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Five things about Brian Armstrong

1. Spent a year living in Argentina in 2009.
2. Currently training to get a private pilot's license.
3. Got in trouble in elementary school for selling candy to fellow students.
4. Started learning programming at age 12.
5. Created his middle school's first website.

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