

Bitcoin value jumps, after US authorities appear positive

November 20 2013, by Virginie Montet



A pile of Bitcoin slugs sit in a box ready to be minted on April 26, 2013 in Sandy, Utah

Call it a speculative bubble or the rise of a currency of the future: the bitcoin jumped in value Tuesday after US authorities appeared to give the virtual money their blessing.

The electronic [currency](#) that is suspected of being used for illicit transactions on the Internet reached a value of \$900 for the first time on

specialized currency exchange websites.

But it is highly volatile, and a few hours later it was down to \$700, according to Mt GOX, which manages trading done in bitcoin. Back in April it was worth just \$200.

At a Senate hearing, the bitcoin was "seen in a way more positive than the market had expected because I think the market anticipated almost by definition the authorities would be negative," said Steve Hanke, a professor applied economics at Johns Hopkins University in Baltimore.

In an email to the Senate Homeland Security and Governmental Affairs Committee, the chairman of the US Federal Reserve central bank, Ben Bernanke, effectively welcomed the potential of the bitcoin.

He said that "while these types of innovations may pose risks related to law enforcement and supervisory matters, there are also areas in which they may hold long-term promise, particularly if the innovations promote a faster, more secure and more efficient payment system".

Born after the financial crisis as the invention of mysterious computer guru who goes by the pseudonym Satoshi Nakamoto, the bitcoin is both a currency generated by computer code which restricts the amount of units created, and a payment system with no centralized structure.

Virtual currency systems "are appealing because they provide cheap, convenient, efficient means to transfer currency," Mythili Raman, Acting Assistant Attorney General at the US Justice Department, told the Senate panel.

Demand for bitcoin is strong because of regulations designed to block many kinds of financial transactions as part of sanctions, Hanke said.

An alternative to transferring money

Thanks to its anonymity and lack of commission costs, the bitcoin is "seen more and more as a viable means of payment," Hanke said.

The value of the bitcoin might also be fueled in the future by China "because Chinese people are savers, and more people are seeing bitcoin as a way to store and invest their money," Linke Yang, vice president of BTC China, told AFP on the sidelines of a conference in Singapore.

BTC is the largest bitcoin trading platform in China. Its value on BTC has quadrupled in a month to \$400 in mid November.

Although bitcoin usage does not fall under the monitoring of central banks because it is not issued by a bank, that may not last for long.

A recent Fed study said that "should bitcoin become widely accepted, it is unlikely that it will remain free of government intervention, if only because the governance of the bitcoin code and network is opaque and vulnerable."

The author of the study, Francois Velde, said the bitcoin "represents a remarkable conceptual and technical achievement, which may well be used by existing financial institutions (which could issue their own bitcoins) or even by governments themselves."

"If [bitcoin](#) become competitive and grows it will become under the control of the authorities, who will try to regulate it," Hanke said.

But as seen by its wide swings in just one day, the new currency is risky and used often for short-term speculation.

In April it suffered its first mini-crash, losing three quarters of its value

in two days.

"The high price will attract competitors. It could collapse easily," Hanke said.

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