

Bitcoin supporters clash over ideological, practical issues

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On the second day of CoinSummit, a virtual-currency conference at the Yerba Buena Center for the Arts last week, bitcoin entrepreneur Andreas Antonopoulos took the stage to issue a resounding defense of bitcoin's anarchist spirit.

It was the day after the Internal Revenue Service issued tax guidelines for virtual currencies. Antonopoulos, who is widely regarded as a public face of bitcoin, called banks criminals and warned regulators that bitcoin is a gecko - "and when you stomp on the gecko, you cause it to evolve until it becomes a komodo dragon and it bites your foot off."

Hemant Taneja urged bitcoin enthusiasts at the San Francisco conference to take themselves more seriously and focus more on consumer applications.

"There's a lot of stuff in the way of bitcoin succeeding," said Taneja, whose firm, General Catalyst, has invested millions in bitcoin companies. "We're taking the view that entrepreneurs working with regulators are the ones that in the end are going to succeed."

Taneja and Antonopoulos are two sides of the same bitcoin - evidence of a schism within the bitcoin community that has grown wider as virtual currencies inch toward the mainstream.

Bitcoin, and the broader world of digital currency, are fringe technologies rooted in libertarian ideologies and hacker ethos that inherently distrust existing financial systems and government regulation. But if bitcoin's believers want it to catch on - and by all accounts, they do - that will probably mean moving away from the fringe.

Big-time backers

This circular logic breeds division. In the words of Scott Robinson, who manages a bitcoin startup accelerator at Plug and Play Tech Center, there are the "crypto-anarchist" bitcoin types and the "banker, Wall Street, entrepreneur" bitcoin types. Your Antonopouloses and your Tanejas.

This rift was particularly evident at CoinSummit, an insiders event that put the movers and shakers of crypto-currency in one place for two days.

Bitcoin, a decentralized peer-to-peer payment system that uses cryptography to control the flow of currency, was introduced in 2009, but only began to achieve substantial use in the past two years. Between 2 million and 3 million people own pieces of bitcoin, industry groups say.

Both public awareness and suspicion have been bolstered by recent events - the high-profile collapse of Mt. Gox, once bitcoin's largest and most prominent currency exchange, and Newsweek's controversial attempt to unmask its mysterious creator.

A year ago, an event like CoinSummit - two days of lectures, "networking coffee breaks" and breakfast banquets serving eggs with lavender sea salt - would have been inconceivable.

It would have been even more unlikely to attract a keynote speaker like venture capitalist and Netscape co-founder Marc Andreessen, who made waves across the Internet with a strong endorsement of bitcoin. Andreessen dismissed business titan Warren Buffett's contention that bitcoin is a "mirage."

"The historical track record of old white men crapping on your technology who don't understand your technology is pretty much 100 percent," he said. By Andreessen's account, Buffett, basically, is a buffoon and digital currencies are the inevitable future.

The next day, three bitcoin startups separately announced that they had raised more than \$23 million from venture investors - a sizable chunk considering the total \$58 million in venture funding bitcoin companies raised in all of 2013.

That context - investors and mainstream thought leaders taking virtual currency seriously - is what has placed bitcoin in its present, precarious position.

"This whole space is in an interesting spot right now," said Taneja. "The first couple of years it was essentially a bunch of hobbyists. The benefits are just now becoming more clear."

Countering the culture

Both sides agree that bitcoin could widely and drastically change the way currency moves online. But even its staunchest advocates admit that it's not quite there yet: privacy and security issues remain, and infrastructure needs to be perfected or built. More confusing is whether it is a currency, an investment or something else altogether - and how, if at all, should it be regulated.

Those questions, combined with its reputation as a cloistered and highly technical community, result in a product that's not consumer friendly.

Jackson Palmer created Dogecoin - a bitcoin rival that features a Shiba Inu from the "Doge" Internet meme as its logo - in part as a "friendlier" alternative crypto-currency.

"Bitcoin needs an ultimate makeover," he said. "I want to dispel all the elitism. We need to welcome new members."

That sense of elitism may be one of the biggest hurdles bitcoin faces in gaining a wider user base.

Susan Athey, a Stanford economist who studies crypto-currencies, said that those who oppose working with regulators - or even the idea of regulation at all - will make progress more difficult for the entrepreneurs trying to grow the space.

"My own view is pragmatic: The services provided by bitcoin will be more useful if it is easier to get money in and out," she said, "but getting money in and out requires working with the financial system, and that requires working with regulators."

That position could either clear the way for alternative currencies to enter the space or force the "bitcoin ecosystem" to adapt.

For Zach Harvey, bitcoin was an ideological interest that became an entrepreneurial one. Harvey is the CEO of Lamassu, one of the companies producing bitcoin ATMs. He describes himself as an "anarchist," but anarchy, it turns out, doesn't make for a very good business plan. At least, not one that will help get bitcoin to the masses.

"Now that bitcoin is out there, the argument for it can't be an ideological argument," he said.

Tom Mornini, co-founder of an accounting system for developers, insists bitcoin will one day replace the dollar - even if it never caters to the masses.

"People are going to be forced to use bitcoin. I guarantee it isn't going away," he said. "It's a great time to be alive."

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