

HMAVIEWPOINT

Get paid in magic internet money.



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Magical internet money? “It’s impossible. How can you have a purely digital currency? Can’t I just copy from your hard drive and have your money?”

Those are the first thoughts that might enter someone’s mind when first introduced to Peer-to-Peer decentralized cryptocurrencies such as Bitcoin (BTC), Bitcoin Cash (BCH) or Ethereum (ETH). On the other hand, perhaps it’s inevitable. “I think the internet is going to be one of the major forces for reducing the role of government. The one thing that’s missing but that will soon be developed, is a reliable e-cash,” said Nobel Prize winner Milton Friedman in 1999, a full ten years before the birth of Bitcoin.

As of April, 19 major companies that do business online accept Bitcoin for payments. While we don’t know of anyone in the hobby industry accepting payment in cryptocurrencies right now, it could reach our industry in the future.

Money is more than something accepted by someone else in exchange for something of value. Good money must be durable, portable, fungible, verifiable, divisible, accepted and scarce.

Gold meets some of those criteria. Gold is the undisputed king of durability. Also, gold is divisible and fungible. But, there are good reasons you don’t buy your coffee with gold. If you were handed a gold bar today, you’d have a difficult time proving that it was pure, or traveling without fear of theft.

U.S. dollars are probably the most familiar form of money, representing the strength and faith of the U.S. government. They are divisible down to the cent, hard to counterfeit and readily accepted. Grocery stores in Venezuela these days only accept physical US dollars due to hyperinflation of their own Venezuelan Bolivars. The problem is that only three percent of the economy is still in the form of paper cash; the other 97 percent is created by banks as IOUs lent to each other back and forth perpetually. Every loan issued, and every bill printed from Uncle Sam’s mint, is taken from the value of the cash in your pocket.

Bitcoin has often been compared to “digital gold” with scarcity built into its code. It’s not held or overseen by any single entity, but is created by a network of peers that validate each transaction on a public ledger. While gold has intrinsic value for its chemical properties, Bitcoin has value due to its mathematical properties. If you needed to carry millions of dollars on your person without being dependent on a bank or receiver, it could be as easy as Bitcoin on a USB key. While the audit trail of any Bitcoin transaction is permanent and public, the users are pseudonymous. (So your illegal cocaine rocket launcher purchase is probably better paid in cash.)

But hold on to your blockchain, Bitcoin is far from being the belle of the ball. The value of Bitcoin (BTC) itself is subject to wild fluctuations, in multiple instances losing half its value in a few days. Right now one BTC is worth about \$3,900, which is one-fifth of its all time high of \$19,900 in December 2017. You’re not about to price goods in Bitcoin anytime soon. Furthermore, the Bitcoin (BTC) network has a capacity of only seven transactions per second, which sometimes leads to additional fees, payment delays and uncertainty during peak transaction traffic. Who would want to get paid like that?

Fortunately there are solutions to both of those problems. Services like Bitpay and Coinbase Commerce charge one percent so that you can accept Bitcoin payments without ever having to hold Bitcoin. They make it possible to exchange Bitcoin with dollars. Both of these services also accept a variant of Bitcoin called Bitcoin Cash (BCH) that’s designed to be used as a medium of exchange rather than a store of value.

I don’t think anyone can really tell you what’s in store for the future of cryptocurrencies, but there’s little downside to accepting them from your hobby accounts (or e-commerce customers). That is, if you can convert that magic internet money to dollars somewhere on the way to your checking account. And if you’re feeling lucky or bold, or want the excitement of a speculative roller coaster, holding some cryptocurrency will probably net you a better payout than the craps table at The Orleans. **HM**



Hobby Manufacturers Association

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