

From: [REDACTED] <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: [Dewayne-Net] Building Better Bitcoins (Of course this author also wrote 'Why negotiations with Iran are doomed to fail ...')
Date: Sun, 01 Dec 2013 21:14:06 +0000

Typos, misspellings courtesy of iPhone.

Begin forwarded message:

From: Dewayne Hendricks <[REDACTED]>
Date: November 30, 2013, 8:52:12 PM CST
To: Multiple recipients of Dewayne-Net <[REDACTED]>
Subject: [Dewayne-Net] Building Better Bitcoins (Of course this author also wrote 'Why negotiations with Iran are doomed to fail ...')
Reply-To: [REDACTED]

[Note: This item comes from reader Randall Head. DLH]

From: Randall Webmail <[REDACTED]>
Subject: Building Better Bitcoins (Of course this author also wrote "Why negotiations with Iran are doomed to fail ...")
Date: November 30, 2013 at 6:43:03 PM PST
To: Dewayne Hendricks <[REDACTED]>

Building Better Bitcoins
By Stephen L. Carter
Nov 29 2013

<[REDACTED]>

It has been a rough couple of months for bitcoins.

In October, the U.S. government shut down the Silk Road website, where bitcoins were being used to purchase illegal drugs. Then in early November a researcher at Cornell University published a paper asserting that the virtual currency is broken -- that is, that the system of difficult algorithms that one must solve to obtain bitcoins might be successfully exploited by a group of sufficiently clever and selfish bitcoin miners.

Next came the U.S. Senate hearings aimed at discovering whether these so-called crypto-currencies are a tool for drug dealers and money launderers to do business beyond official scrutiny. And now, just in time for the holiday shopping season, comes the disclosure that the Bitcoin Internet Payment System -- or BIPS -- has been hacked. Customers lost the equivalent of about \$1 million in bitcoins.

Hacking BIPS isn't like stealing from a virtual bank run by an Australian teenager. According to its website, BIPS is "the premier bitcoin service provider," helping to facilitate bitcoin use even in the brick-and-mortar world.

Bitcoins are mined by solving algorithms that were posted on the Internet five years ago by a programmer or

group of programmers using the pseudonym Satoshi Nakamoto. Successful miners earn a certain number of bitcoins. The rate of bitcoin distribution automatically slows over time, so that the currency cannot be inflated. In fact, the total number of bitcoins is capped at 21 million.

Valuable Asset

Bitcoins may or may not be money -- economists differ on whether they are in sufficiently widespread use to constitute a medium of exchange -- but they are plainly a valuable asset. Like other assets, they will have value as long as people want them.

And right now, bitcoins are hot. Very hot. The bitcoin market has shrugged off this bad news, recently hitting a high of more than \$1,000 -- a considerable feat given that less than a year ago, a single bitcoin was worth about \$13. One of the reasons digital thieves risk breaking into virtual vaults is that the value of bitcoins keeps rising.

Certainly bitcoins have captured the imagination of the news media. Consider the excitement over the first bitcoin ATM, installed in a Vancouver coffee shop, or the front-page Wall Street Journal story about a couple who traveled the world using only bitcoins.

At the same time, there have been lurid stories about how easily drug dealers and money launderers can manipulate the anonymity of the bitcoin for their own purposes. Yet the U.S. government's takedown of Silk Road suggests that hiding in the bitcoin system isn't as easy as it looks. "It is not in fact anonymous," says Assistant Attorney General Mythili Raman. "It is not immune from investigation."

If bitcoins are to have a future, the selling point can't be anonymity -- a characteristic sure to draw increasing government scrutiny. The selling points will have to be security and convenience.

The concepts are not unrelated. A principal knock on bitcoins has been the claim that they are inherently insecure. The principal defense has been that they are as secure as "real" currency. Both can be lost or stolen. And, as bitcoin supporters like to point out, most of the cases of hacking involve individuals who have followed poor password security procedures -- the sort of carelessness that would cause you equal trouble with your dollar-denominated online banking account.

The trouble for the crypto-currencies is that being as safe as other forms of currency isn't enough. Precisely because bitcoins are new and feel peculiar to a world raised on the notion that governments control the supply of money, bitcoins will probably enter widespread use only when their advocates can credibly argue that the virtual currency has advantages other than anonymity over the real thing.

[snip]

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