

Bitcoin buyers see cryptocurrency in their financial future

By **Andrea Rumbaugh** | December 15, 2017 | Updated: December 15, 2017 4:55pm

2



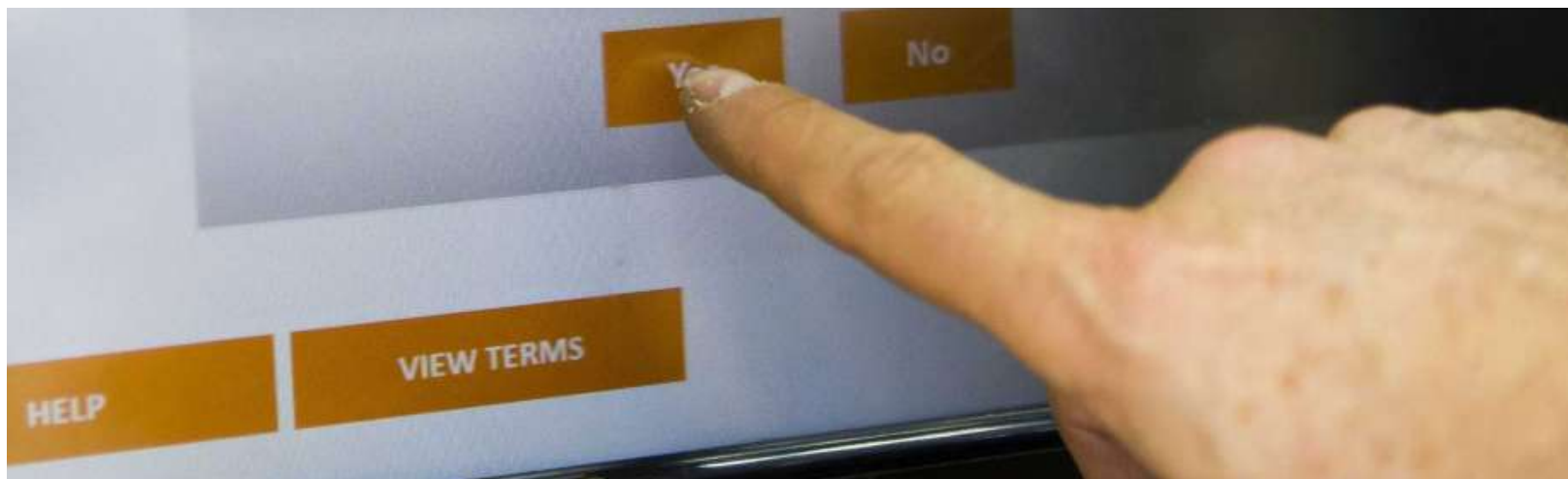


Photo: Mark Mulligan, Houston Chronicle

IMAGE 1 OF 12

Sheldon Weisfeld purchases \$20 worth of Bitcoin from one of the CoinVault ATM machines he operates in the Houston area, this one at Smartphone Repair on Harwin Drive, Wednesday, Dec. 13, 2017, in Houston. ... [more](#)

Sheldon Weisfeld spent the afternoon servicing Bitcoin ATMs, moving dollars fed into the machine for purchasing Bitcoin to the side that spits out cash when customers sell some of the suddenly popular currency.

He's been doing a lot more of that the last six months as the so-called "digital gold" jumped in value by roughly \$15,000 and the number of new customers at his three machines here tripled. For many, it's a tangible way to dabble in an ethereal financial system.

"They realize this is not Monopoly money," said Weisfeld, CEO of Houston-based CoinVault ATM. "This is real, hard U.S. dollars. This is a game changer."

Early adopters of the electronic currency, created in 2009, were mostly computer masterminds or Libertarian-leaning idealists seeking a decentralized banking system. Bitcoin slowly gained steam, until this year's spike and media buzz made it a household name. By Friday afternoon, the value had surpassed \$17,000.

A giant financial stamp of approval came earlier this week when Cboe Global Markets launched Bitcoin futures trading. CME Group is expected to follow suit next week, either paving the way for a technology-based, peer-to-peer transaction system or fueling a speculative bubble poised to burst.

"It's quite conceivable, and in my view quite likely, that the price is dramatically inflated," said Craig Pirrong, professor of finance at the University of Houston's C.T. Bauer College of Business.

The future of Bitcoin and its practicality related to other cryptocurrencies remains a topic of debate. Pirrong believes there is a future for digital money, but Bitcoin might not be the major player. He questions its usefulness on the two main purposes of currency: facilitating transactions and storing value.

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Bitcoin isn't the best for buying coffee, for instance, as its behind-the-scenes technology can take 10 minutes to approve a transaction. But it could be a more affordable option for companies needing to send millions of dollars to overseas vendors.

On the value front, consumers expect \$100 worth of Bitcoin will buy roughly \$100 worth of goods and services in a week. The recent upward movement could mean that \$100 is worth more, though it could also swing the other direction. Pirrong said such volatility is not desirable for saving money or building assets.

Yet economist Camden Dore said it "functions very well" as a store of value because the algorithm dictates that only 21 million Bitcoins will ever be created. These are infinitely divisible, but he said the limited supply will prompt people to hold Bitcoin as a financial asset, creating scarcity and buoying prices.

That's not to say the market isn't experiencing a bubble. Many people are buying Bitcoin because of the steep price hikes and may sell if there's a rapid drop, said Dore, a senior associate at Sutton Stone, a local business accelerator that also helps companies embrace cryptocurrencies.

Still, he added, the fundamentals should keep prices on an upward trajectory. He said price swings will be less likely as more people adopt it.

"What you're seeing now is a very young currency," Dore said.

Some local companies are already integrating Bitcoin into their businesses. Weisfeld, who is also in real estate, will soon allow renters to pay in Bitcoin.

Weisfeld installed his first ATM at George R. Brown Convention Center in 2014. This year, CoinVault ATMs were installed at the Meineke Car Care Center across from Katy Mills and at Smartphone Repair in southwest Houston. He plans to add two more locally, plus 13 ATMs outside the area, in the first quarter of 2018.

"We know that mainstream adoption is coming," he said.

To use one of the ATMs, which convert cash to Bitcoin and vice versa, people need a smartphone, ID and cash. The ATM scans their ID and prompts new customers to create an online account. They put in cash, which is converted into Bitcoin, and they get a printed receipt detailing how much Bitcoin they own. There is no physical coin or bill.

Customers also can go to coincafe.com to manage their newly created accounts.

Troy Fearnow, who founded Cryptoart.com, a business to store digital currency in artwork, in The Woodlands in 2014, said Bitcoin's sudden ascent in value has been validating. But he admits he would prefer slower, consistent growth. He reports the company, now based in Austin, has doubled sales each year.

"I've been telling my friends about (Bitcoin) for years," he said. "It's funny, my phone has been blowing up the past couple of months."

Jim Joseph, a 40-year-old Sienna Plantation resident of Libertarian-leaning political views, says he was drawn to Bitcoin's decentralized aspect four years ago. He, too, finds affirmation in the rate increase.

"The more the price goes up, the more it validates our original belief that Bitcoin and blockchains are going to replace the old financial system and the old middle-man system," he said.

The Houston native used publicly available code to help develop a variation of Bitcoin, called Bitcoin Script. Today, he's a senior associate at Sutton Stone and helps clients tackle the technical and legal aspects of incorporating blockchain, the technology behind cryptocurrency, into their business.

He also sees cryptocurrencies as a way of encouraging younger generations to embrace Libertarian ideals - even though he suspects the true motivation of the recent Bitcoin adopters.

"I personally believe it's more speculators than Libertarians," he said. "But again, the market is validating these Libertarian ideals."

Economist Aaron Yelowitz of the University of Kentucky agrees political beliefs are not what motivates people to use Bitcoin. His 2015 study, based on analysis of Google search data, found one driver was Bitcoin's suitability to black markets because skilled users can make it difficult to trace the currency back to the purchaser.

"It serves a purpose for covering your tracks," he said, "and there's always going to be a need for that."

Bitcoin long was associated with a former online black market called the Silk Road, but today's enthusiasts are trying to distance the cryptocurrency from illegal uses.

Dore argues the dollar is far more anonymous than Bitcoin, and the majority of crimes involve cash. Further, he said, cryptocurrencies have a public ledger and require in-depth understanding of the technology to truly be anonymous.

"I think a lot of mainstream people will try to point to nefarious uses of Bitcoin as a way of discrediting it," he said.

Either way, Yelowitz recommends treating Bitcoin like the lottery. People shouldn't invest more than they can afford to lose.

That was Jed Goldberg's perspective when he invested in Bitcoin three or four months ago as it became more mainstream.

"I think it's great technology," he said. "I think there's a chance for future appreciation."

But like many others, he's not sure which digital currency will emerge as the winner. Bitcoin has its drawbacks, and other up-and-coming cryptocurrencies may prove more practical. So Goldberg, 31, of Houston also invested in Litecoin and Ethereum.

UH professor Pirrong said this is just part of the trading game, noting that when people think gold or silver is worth too much relative to the other they sell one and buy the other.

"People are doing the same kind of trading with cryptocurrencies that they've done with wheat and oil," Pirrong said.

Dore, of Sutton Stone, said people who missed the rise in Bitcoin are purchasing other cryptocurrencies hoping they, too, will see their value rise.

Kevin Sykes, 31, of Cypress invested earlier this year in one called Ripple. He thinks it will succeed because it works with banks and governments.

Sykes also invested in Bitcoin and said he feels the rise has helped bring up the value of Ripple. He believes technology ultimately will move people toward a cashless society.

"It's going to take a while," he said, "but I definitely think that's the way society is going to go."

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