Theoretical and Applied Economics
Volume XXII (2015), No. 2(603), Summer, pp. 77-90

The issue of "true" money in front of the BitCoin's offensive

Angela ROGOJANU
Bucharest University of Economic Studies, Romania
angelarogojanu@yahoo.com
Liana BADEA
Bucharest University of Economic Studies, Romania
badea.liana@gmail.com

Abstract. *The issue of money, beyond what is usually meant by the very words "money issue" was and still is a subject of interest for a heterogeneous public, going beyond time and being the subject of numerous studies and regulations since ancient time. Over centuries, the money had different forms, and the controversies surrounding them were numerous. Currently, one of the problems is related to the emergence and use of virtual money, seen from the perspective of private currency. The question that occurs frequently in the talks of several economists is related to the ability of virtual money to survive. History has shown that man has the capacity to find ways which can "avoid" prohibitions of various types, being able, even in the case of money to find alternatives to the official currency. Is the BitCoin that private currency which will have the longest life? And if so, how long it will run in parallel with the traditional currency? Based on these questions, this paper aims at presenting the main aspects of the BitCoin, starting from specialized literature and reaching the Romanian reality.*

Keywords: BitCoin, market, competition, private currency.

JEL Classification: B25, M00.

1. The issue of private currency

As much it would change the size or would diversify the economic terms of trade, the emergence and evolution of money reveals the features of stages of the human development. The history of economic science turns out to be an important ally in the reconstruction of the logical path of money and of the arguments enlightening the premises of private currency in market economies, whatever their stage of development. At the same time, one can identify the theoretical elements, which are necessary for understanding the emergence of new forms of money and contradictory attitudes towards private currencies.

Starting with the second half of the nineteenth century, the economists' research on private currencies, by simplifying the issue, followed three directions:

- The first one seeks the origin of private currency in the behaviour of the individual who is guided in his economic actions by self-interest (Carl Menger).
- The second one associates the private currency to the expansion of the freedom of the individual initiative (Milton Friedman).
- The third one enshrines the private currency as a privilege of a private bank (Selgin, 1988).

According to the first outlined above direction, money is seen as a natural product of human economy and also as a discovery of civilization on its historical way to better serve the people needs. Carl Menger identified the origin of money in the economic phenomena as the division of products functions, thanks to the increasing complexity and diversification of production, which allowed comparing utilities. The detailed analysis of the genesis of money led Carl Menger to a categorical conclusion: *"The origin of money (unlike the coin, which is only a variety of money) is entirely natural and only in exceptional cases contain the legislative influence."* The exercise of the monopoly on the currency management was based on the presumed historical priority of the state, but also on the confusion legal-official, as the functions of money united economic, psychological and administrative interests: *"The fixing of a coinage so as to include all grades of value (Wertstufen), and the establishment and maintenance of coined pieces so as to win public confidence and, as far as possible, to forestall risk concerning their genuineness, weight, and fineness, and above all the ensuring their circulation in general, have been everywhere recognised as important functions of state administration."* (Menger, 1892: pp. 239-255).

At the same time, the expansion and diversification of trade, and increased competition demanded an adequate legal framework: *"The difficulties experienced in the commerce and modes of payment of any country from the competing action of the several commodities serving as currency, and further the circumstance, that concurrent standards induce a manifold insecurity in trade, and render necessary various conversions of the circulating media, have led to the legal recognition of certain commodities as money (to legal standards). And where more than one commodity has been acquiesced in, or admitted, as the legal form of payment, law or some system of appraisement has fixed a definite ratio of value amongst them. All these measures* *nevertheless have not first made money of the precious metals, but have only perfected them in their function as money”* (Menger, 1892: pp. 239-255).

Therefore, Carl Menger not only did not disputed the legislative power of the authority relating to money, but the distortion of the historical truth about the occurrence of money: *“It is not impossible for media of exchange, serving as they do the commonweal in the most emphatic sense of the word, to be instituted also by way of legislation, like other social institutions. But this is neither the only, nor the primary mode in which money has taken its origin. This is much more to be traced in the process depicted above, notwithstanding the nature of that process would be but very incompletely explained if we were to call it 'organic' or denote money as something 'primordial', or 'primaeval growth', and so forth. Putting aside assumptions which are historically unsound, we can only come fully to understand the origin of money by learning to view the establishment of the social procedure, with which we are dealing, as the spontaneous outcome, the unpremeditated resultant, of particular, individual efforts of the members of a society, who have little by little worked their way to a discrimination of the different degrees of saleableness in commodities.”* (Menger, 1892: pp. 239-255).

The second stated direction assumes that over time, the resourceful human being, having the desire to hold a certain freedom, used a variety of goods as money. Wherever the state issued currency of gold, silver or any other metal, but the man wanted to obtain an apparent freedom, he found means of the most varied. Thus, Milton and Rose Friedman showed in *“Free to Choose. A personal statement”* that basically what the various means used as money have in common is *“their acceptance in a particular time and place, as objects of exchange for other goods and services with the belief that others will accept them in its turn.”* A long time among the goods used as money, one could find the tobacco, considered *“a basic money of Virginia and its neighburing colonies for close to two centuries, until well after the American Revolution [...].During World War II cigarettes were widely used as a medium of exchange in German and Japanese prison camps. After World War II cigarettes were widely used as money in Germany during the period when the occupation authorities enforced ceilings on prices in legal currency that were well below the levels that would have cleared the market [...].People resorted to barter and to the use of cigarettes as a medium of exchange for small transactions, and cognac for large ones—by all odds the most liquid currency of which we have record”* (Friedman and Friedman, 1998: pp. 202-204). Therefore, man has demonstrated over time a real capacity to adapt to market demands, by conventional or ingenious means. Through trial and error, individuals have selected each time exactly that good that best corresponded to their expectations about the exchange.

The third direction is linked to the indissoluble relationship private currency-private banks. Selgin supports the idea that a competitive banking system, i.e. without central bank, is preferable because it can create economic stability by preventing cyclical crises. This competitive system called “free banking” provides on the monetary market a monetary equilibrium without excess of demand or supply, for a certain level of prices and allows the adjustment of money supply according to the needs of individuals holding money. In the terms of “free banking”, private money is official, legal money, not related with the individual than indirectly through the bank, at a cost of transactions (Selgin, 1988).

Beyond the items used to swap, to barter, the individual has demonstrated the ability to create some own currencies that have circulated as an alternative to the official ones. In the last century, there have been observed different types of such currencies used as alternatives. Are presented below just a few of them (Rogojanu and Badea, 2014: pp. 103-114):

- QQ - Chinese currency launched in a network on the Internet. After the advent and use of this currency in China was born a black market where the virtual currency was exchanged for the real one. In 2007 there were approximated transaction amounting of nearly 6.8 billion Yuan (one billion dollars) realized with QQ. The Chinese government has intervened and in 2008 there were withdrawn large amounts of cash of the QQ market (Business Magazin, 2009 in Rogojanu, and Badea, 2014: pp. 103-114).
- M-PESA used by Kenyans to change minutes into cash. The payment for an economic good is done by transferring a number of minutes to the phone of the cash register. Every day, through the M-PESA system there were made transactions totaling 10 million dollars, which means about $ 3.6 billion annually (Business Magazin, 2009 in Rogojanu and Badea, 2014: pp. 103-114).
- Tem - a currency used from 2010 in Volos, a Greek port city. The established system implies people to use Tem units in order to exchange products, goods and services - cleaning, cooking, repairs, teaching, baby-sitting and technical assistance. The system has been improved, and the rate of exchange Tem/ Euro is at parity, as has always been since the beginning (Dumitru, 2013 in Rogojanu and Badea, 2014: pp. 103-114).
- Sano ('a currency for barter in Siros' worth an hour of work) - the inhabitants of the Greek island of Siros realize mutual exchange of services or products and digitally record the transactions (The Epoch Times Romania, 2012).
- “Peaches” - from the end of November 2013 in Montreuil, France, people are discussing about a new currency, which is a French way of ensuring that “transactions are not lost in the banking system” and the currency is meant “to promote the local trade” (Dumitru, 2013).
- “Bees” – in Villeneuve sur Lot they are used since January 2010, when a bee had the same value as 1 euro. Every six months, “the bee” was depreciated by 2%. (Dumitru, 2013).
- In Toulouse, beside euro it is used a currency called metaphorically “soil” (Dumitru, 2013).
- In Vaucluse, euro circulates alongside the “wheel” (Dumitru, 2013).
- In Romans-sur-Isere the French are using “the measure”, in Angers - “the muse” and in Brittany there have been introduced “the Heol” (Dumitru, 2013).
- In Barcelona there are issued checks in “hours”, used subsequently in order to purchase goods or services. The model called “time bank” has spread to other Spanish regions. “In Malaga, the system functions exclusively online. In Vilanova i la Geltru, the locals use a variety of credit card made of paper, which uses an alternative currency, accepted by just a few stores. Some cities have begun to accept the peseta

again, these being the national currency before joining the euro zone; in the present context, the central bank in Madrid estimates that Spanish people still own pesetas amounting $ 2.4 billion that they have not surrendered before the introduction of the euro.”(Dumitru, 2013)

- In Mataelpino city and 10 other towns in the Sierra Norte region, people are paying with “moras” (blackberries). In the capital city of Madrid are also accepted “boniatos” (sweet potatoes) and “bivs”; in Bilbao “gitas” and in Valladolid “neighbors”. In Sevilla were issued “jaras” and “cougars”, in Catalonia “the echoes” have spread and the Basque Country uses “eusko”. (Dumitru, 2013)

History shows that human ingenuity has reared on providing an alternative and shaping competition between private and official currency. In the literature, this issue have been given rise to lots of controversies, even today not being said the last word on the subject. Thus whenever we are currently discussing about the crypto-currency, we are rapidly remembering the representatives of the Austrian School, known for their works presenting the thought that the currency can be created by the market, not necessarily by the state. In the On the *Origins of Money*, Carl Menger wrote: *“Money has not been generated by law. In its origin it is a social, and not a state institution. Sanction by the authority of the state is a notion alien to it. On the other hand, however, by state recognition and state regulation, this social institution of money has been perfected and adjusted to the manifold and varying needs of an evolving commerce, just as customary rights have been perfected and adjusted by statute law”* (Menger, 1892: pp. 239-255). In the same way, Menger claimed that *“money is neither an invention of States, nor the result of a legislative act”* (Menger, 1994: p. 261).

The idea that at the origin of money the presence of state is not mandatory was subsequently taken by other representatives of the Austrian School of Economics. Thus, the intellectual biography of different authors, such as Friedrich August von Hayek, has undergone some exciting transformations, which were translated into some fundamental procurement in terms of the theory of private currency: *“ Not so very long ago, in 1960, I myself argued that it is not only impracticable but probably undesirable even if possible to deprive governments of their control over monetary policy. This view was still based on the common tacit assumption that there must be in each country a single uniform kind of money. I did not then even consider the possibility of true competition between currencies within any given country or region. If only one kind of money is permitted, it is probably true that the monopoly of its issue must be under the control of government. The concurrent circulation of several currencies might at times be slightly inconvenient, but careful analysis of its effects indicates that the advantages appear to be so very much greater than the inconveniences that they hardly count in comparison, though unfamiliarity with the new situation makes them appear much bigger than they probably would be”* (Hayek, 2006: p. 99). At the same register of the renewal of theory, Hayek was wondering and asking: *“Why not to allow the competition between currencies, so you no longer need a standard currency, because people will choose the one that is better. So I got to wonder why the competition should be bordered at money of other governments, prohibiting the private initiative to produce money?”* (Hayek, 1999: p. 191)

The belief of Hayek that free competition between private producers of currency is the best way to achieve a healthy currency has generated a number of critics both outside and inside the Austrian School of Economics (Rogojanu, and Badea, 2014: pp. 103-114). Murray Rothbard himself claimed that: *"Hayek is surely correct that a free market economy and a devotion to the right of private property requires that everyone be permitted to issue whatever proposed currency names and tickets they wish. Hayek should be free to issue Hayeks or Ducats, and I to issue Rothbards or whatever. But issuance and* ***acceptance*** *are two very different matters. No one will accept new currency tickets, as they well might new postal organizations or new computers. These names will not be chosen as currencies precisely because they have not been used as money, or for any other purpose, before"* (Rothbard, 2003).

At the same time Rothbard *"*calms the spirits*"* inflamed by fear economic meltdown: *"Many people believe that the free market, despite some admitted advantages, is a picture of disorder and chaos. Nothing is "planned," everything is haphazard. Government dictation, on the other hand, seems simple and orderly; decrees are handed down and they are obeyed. In no area of the economy is this myth more prevalent than in the field of money. Seemingly, money, at least, must come under stringent government control. But money is the lifeblood of the economy; it is the medium for all transactions. If government dictates over money, it has already captured a vital command post for control over the economy, and has secured a stepping-stone for full socialism. We have seen that a free market in money, contrary to common assumption, would not be chaotic; that, in fact, it would be a model of order and efficiency"* (Rothbard, 2005:p.83)

Therefore, it can be seen only from the few references above that concerns, both theoretically and practically, about an alternative currency, a rival to the official one, go back a long time, along with supporters or opponents, always present.

During the last years, currencies such as Bitcoin (BTC), LiteCoin, PeerCoin, AuroraCoin, Dogecoin, Ripple etc. have emerged on the market and have given rise to the most heated discussion – from the theme of the competition to the official currency to the issue of various illegalities committed on the Internet using such a currency. The most visible of the above listed currencies, generically called crypto-currencies, is the Bitcoin (BTC), which is a digital peer-to-peer, decentralized currency, whose circulation is based on the principles of cryptography in order to validate the transactions and to generate the currency itself. It is worth mentioning here that over time, modern technology has been used to produce such currencies, among those who failed enumerating: Cybercash, Digicash, Flooz and Beenz (Ding and Unnithan, 2004). One of the frequently asked questions is related to the survival reasons of the BTC compared with the bankruptcy reasons related to similar currencies. Details are as numerous, as controversial. In any case, crypto-currencies have emerged naturally and spontaneously, as a natural phenomenon replicated to the online economic activities.

2. The offensive of BitCoin

2.1. General issues

BTC appeared in early 2009, being “the work” of an anonymous entity with the pseudonym “Satoshi Nakamoto”. Users get the currency through an operation called “mining”, which involves programming a powerful personal computer, being in competition with other computers on the network, to “look” for fresh solutions to some new problems generated in the network.

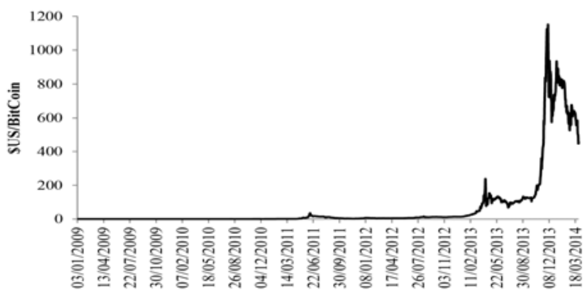
In order to increase the confidence in BTC, over time there have been created different associations or institutions, such as: The Bitcoin Financial Association (http://bitcoin financialassociation.org), the Bitcoin Foundation (https://bitcoinfoundation.org) and Bitcoin Exchanges, as Bitstamp and Mt. Gox (Gonzalez, 2014: pp. 185-211), although not all of them have managed to take their duties to an end.

The novelty that comes with BTC is the use of a decentralized system; in other words, no central bank and no government are involved. The system was programmed in order to provide a limited number of currencies in a certain period of time. It is expected, based on the generation algorithm of BTC, that the total amount (21 million) provided by the system to be reached in 2025 according to some authors (Plassaras, 2013: p. 387) or in 2140, according to others (Hall, M., 2013). On July 20, 2014, on the market there were put into circulation 13.04 million of BTC, meaning about 62% of the total possible. On November 10, 2014, there were put into circulation 13,486,500 of BTC, the market capitalization exceeding 5 billion USD, or almost 4 billion Euros (http://bitcoincharts.com/bitcoin/). It should be noted that the rate of issuing this crypto-currency began to fall. If in January 2009 there were released at every 10 minutes 50 BTC, starting 25 of November 2012, the rate of release of the BTC dropped to 25 for every 10 minutes of “mining” activity. It is estimated that by November 2016 the rate of release of BTC on the market will reach its half, i.e. 12.5 BTC every 10 minutes (Iwamura, M., Kitamura, Y., Matsumoto, T., Saito, K., 2014).

It is said that the BTC transactions are pseudo-anonymous; the person’s identity using the BTC is private, but the achieved transaction is public. Although among BTC defenders the anonymity argument frequently appears, it has been observed that practically the anonymity is lost when converting BTC's in cash or paying for a service / good with BTC (Kirk, 2013).

The relationship between BTC and the traditional currency is still not regulated, therefore, responsible for how are flowing on the market are businesses using BTC. It should be noted that, as a private currency, used in the virtual environment, BTC has experienced in its short history a high volatility. Thus for the USA, a BTC ranged between $ 0.05 (2010, July) and $ 646.30 (2013) (Rush, D., 2013 and Farrell, M., 2013). Basically, the evolution of BTC exchange rate is amazing. BTC has grown from $ 0 in 2009 to $ 13 in January 2013, and later evolved absolutely spectacular – it recorded an increase of 8000% to $ 1100 at the end of 2013 (Ciaian, et al., 2014), which can be seen in Figure 1.

Figure 1. *Evolution of the $ US / BTC*



Source: Ciaian, P., Rajcaniova, M., d'Artis K. (2014), *The Economics of BitCoin Price Formation*, Cornell University Library, http://arxiv.org/ftp/arxiv/papers/1405/1405.4498.pdf

The evolution of the BTC is not spectacular only for the developed and consecrated markets, but also for those at the beginning, like the one in Romania. Thus for the Romanian market, from June to November 2014, 1BTC that ranged from 1050 to 2100 lei, the average being 1262 lei, as one can observe in Figure 2.

Figure 2. *Evolution of the BTC/RON*

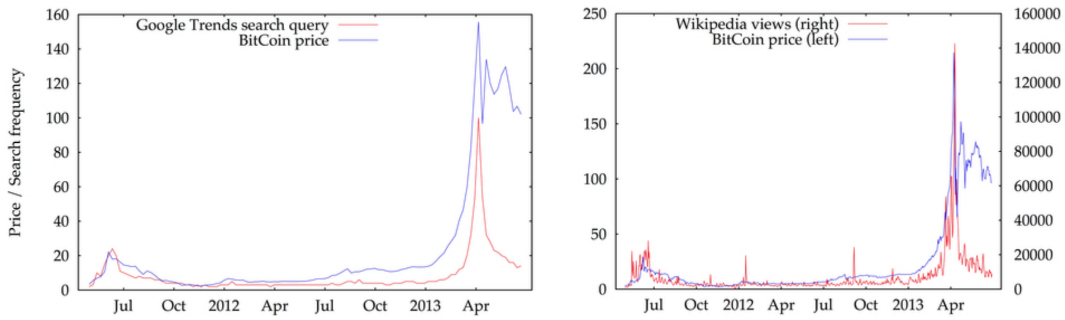
Source: http://bitcoincharts.com/

When it comes to BTC, controversies are the most diverse - often starting from private currency issue and its doctrinal implications and resulting in identifying the factors that influence the exchange rate for this crypto-currency. Lev Louis Grigberg, Todd G. Buchhotz, Brian Kristoufek, Van Wijk are just some of the economists who have studied the issue concerning the factors that are influencing the price of BTC, listing the market fundamentals of supply and demand of BTC, the attractiveness to investors and the development of global financial indicators (Ciaian et al., 2014).

Unlike gold, BTC has no intrinsic value. Unlike the official currency issued by a central bank, the BTC is not strictly influenced by the typical factors such as the size of GDP, inflation, interest rate or any other typical economic indicator. What influences the BTC is mainly the supply-demand relationship, and how the supply is predefined, then it means that the demand plays an important role in the fluctuations recorded in the BTC price.

The precise size of the demand is extremely difficult to be determined. Therefore, many economists have tried to identify tools and means by which they can forecast the evolution of the course. One method is as ingenious, as disputed. Ladislav Krištoufek economist at Charles University - Prague believes that if we study Google Trends and Wikipedia, we can establish the number of individuals who searched the word “Bitcoin” and this number is related to how the course of BTC evolves. Thus he discovered that these two variables - the number of Internet searches for the term “BitCoin” and the course of BTC - are bidirectional linked, as it can be seen in Figure 3.

Figure 3. *Link of BTC course - number of Internet searches*



Source: Krištoufek, L. (Dec. 2013), *BitCoin meets Google Trends and Wikipedia: Quantifying the relationship between phenomena of the Internet era, Scientific Reports* 3, Art 3415, doi:10.1038/srep03415

After many investigations, Ladislav Krištoufek concludes that beyond the typical factors, the large number of speculators that appear on this market is, in fact, the main factor to be considered when discussing the course of BTC, which is brought to the fore in the “weaknesses” alongside illegal activities which can be committed by using BTC. Unfortunately, speculators and illegal activities do not miss the legal and formal currency. Beyond the numerous discussions on the factors that are influencing the evolution of BTC course, conducted only in certain environments and beyond the fact that BTC is on the market for five years, this crypto-currency remains a mystery to most people, a substantial part of it not knowing at present what the word “BitCoin” means (Neal, 2013).

2.2. BitCoin: past, present and future

BTC has gained increasingly more use in the real economy, this currency being accepted for payment in more and more situations and in different geographical areas. Sites such as Wordpress.com, Reddit, files hosting service web, Mega, and other service providers / producers of goods began to accept besides the formal currency also one of the alternative currencies (Rogojanu and Badea 2014: pp. 103-114). The increase of the number of users was influenced both by the advantages provided by the virtual environment and by the diminishing confidence in the banking system. For example, ATMs have been installed in Cyprus, Canada, Romania, etc. and through them one can convert real currency in BTC (Abrihan, 2013 in Rogojanu and Badea, 2014: pp. 103-114). In Romania, in October 2014, as a result of the partnership between ZebraPay and ATM operators, 874 terminals spread across over 160 cities were functioning; through them payments may be made with BTC and also could convert the national currency – lei- in BTC; most terminals were placed in hypermarkets such as Auchan, Carrefour and Kaufland (Siddique, 2014). It is interesting that even universities, as true pioneers, do not fall short in adapting to the demands of the IT environment; the first university in the world that accepts the university fees also in BTC was recorded in Cyprus and its representatives were stating that the strategy they use consists in converting immediate the alternative currency in Euros (Szoldra, 2013).

Following the acceptance of BTC by various traders and not only, the developers of mobile phone software have already created a number of applications facilitating the use of BTC to their holders (Gonzalez, 2014: p. 197).

The spread of using BTC in transaction seems to be related to the benefits BTC confers, this currency being characterized by flexibility and avoidance of transaction costs associated to foreign exchange. Beyond the strengths, as any other currency, BTC involves other aspects, as can be observed in the table below, which is not intended to be an exhaustive mean of analysis:

Table 1. *SWOT analysis of the BTC*

Strengths	Weaknesses
- Any individual who has the necessary technological elements can become a source of BTC mining - BTC saves time and physical space of those involved in transactions using the virtual environment - It is not controlled by any authority, being able to move freely and directly between people, without intermediaries imposing transaction costs. - BTC price results from the confrontation of supply and demand - Avoid bureaucracy and expenses related on monetary emission, transportation, storage, security and circulation of traditional currency - Being rarely (limited quantity), does not generate inflation	- Representatives of several banks around the world believe that the investments in BTC are risky because it is not regulated by any national bank and by no government, and because of fluctuations in its value - Increased volatility on all the markets where it is used - The accessibility is conditioned by the level of education compatible with the new communication technologies - Limited trust in BTC, caused mainly by the incomplete information and by the fact that BTC is used in illegal activities - encourages gambling, tax evasion, terrorism, facilitate transactions of goods prohibited by law (drugs, weapons) - Significant initial investment and electricity generation costs for people who currently use BTC (purchase of performing equipment and the necessary software).
Opportunities	Threats
- None of BTC users did not set out to destroy the current monetary system, most of them is satisfied that they have found a better use of new technologies; therefore the BTC meets the requirements of the “IT generation”. The new technologies find their raison d'être in the economy more than ever. - Use of the virtual environment can be an incentive for some individuals to improve their skills in using of different types of software. - BTC illustrates the free market model that spontaneously is self-arranging - BTC is compatible with the globalization of financial markets - The traditional markets have made quite a few exemptions to the monetary theory of reference, for example giving up to the standard currency, waiving parity, renunciation to the simultaneity of the pair of symbols state - currency and language - hymn - today we have currencies without a country, but also countries without their own currencies - The advantages of trading with BTC are visible, the number of those accepting BTC is increasing - restaurants, cafes, shops, universities	- Increased vulnerability caused by the use of the online environment. Security breaches can lead to loss of savings in BTC. If the BitCoins are lost or stolen, there is no intermediary institution to reward the loss. - Attraction to BTC is a reason for concern for traditional, conservative and rigid markets. - Pressure from supporters of classical monetary canons, especially towards the recognition of BTC through a political act of state. - The concern of the regulatory authorities generated by the possibility of using BTC for money laundering and other illegal activities - Lack of intrinsic value for the correlation with the price of traded goods and services - The fact that the state loses by not taxing the transactions made with BTC may lead to ban using BTC - Prohibition of trading BTC in certain territories

From the above table it can be seen that the BTC presents both advantages and disadvantages. BTC defenders tend to assert that the disadvantages associated with this currency are not higher than those accompanying the formal currency. Meanwhile, traditionalists emphasize the online threats and lack of access to technology for all individuals, showing that BTC is nothing else than the currency of a generation - the IT one. As a saying circulates among specialists - “Let three economists together and you will have at least four different ideas”, time will probably be the one to prove which of the sides is right.

Regarding the widespread use, we can see that even countries that initially proved reluctant to use BTC on their territory, reached the conclusion that the market and the unpredictability of human behaviour are variable worthy of consideration. Thus, in July 2014, the Central Bank of Russia announced that it is prepared to legalize BTC, despite the risks and responses recorded worldwide (Capital, 2014). Russia's reaction is probably a consequence of the fact that the use of BTC is allowed in several countries, including: Australia, Austria, Belgium, Brazil, Bulgaria, Canada, California, China (with certain restrictions), Cyprus, South Korea, Denmark, France, Philippines, Finland, Germany, Israel, Japan, Lithuania, Malaysia, Norway, Poland, Romania, Slovenia, Turkey, United Kingdom, etc. (Beigel, 2013).

However it is not to hide the fact that there are countries that have banned the use of BTC on their territory, such as: Bolivia, Ecuador, Kyrgyz Republic, Taiwan, Thailand, Vietnam and Jordan (CoinDesk, 2014).

In the past two years, both in academia and beyond have started discussions about the need to regulate BTC. Based on various fraudulent acts that can be performed through this currency and reaching the argument that taxing the transactions made with BTC can bring additional revenue to the state budget, increasingly more voices raise the question of shaping strict rules on how to use and tax the transactions with BTC.

In the USA at a close examination of the issue of taxation, it was discovered that from a legislative point of view it is quite difficult to classify BTC. Thus, to draw up a real and possible taxation system there have been proposed several versions (McLeod, 2014: pp. 379-406):

- Taxation of the transactions using BTC similar to those of barter;
- Use as standard of the model of taxation of the transactions using foreign currency;
- Reporting to the property model, where the number of held BTC can be converted to the true market value;
- Considering BTC as a financial instrument and taxing all the transactions made with BTC as when using any other financial instrument.

According to consecrated authors, it seems that none of these proposals does not fit like a glove to this crypto-currency for various reasons (McLeod, 2014: pp. 379-406), which shows that if the American government really wishes to tax transactions made with BTC, will have to find a new and innovative solution that will take into account the uniqueness and unpredictability of the BTC system.

It seems that in terms of finding an adequate system for taxation of the transactions with BTC, not only USA is concerned, but also other countries, among which we can mention:

- Canada;
- Brazil - April 2014 it was decided that BTC transactions exceeding the amount of R$ 35,000 will be subject to financial assets regime,
- Germany - German tax introduced a 25% tax on benefits obtained, free for the first year for those who declare their transactions.
- Bulgaria - applies also the financial assets regime, the tax rate being of 10%,
- Finland - September 2013 it was decided to apply the scheme of income taxation, and in January 2014 it was concluded that BTC is a commodity and therefore will be applied the scheme for commodities,
- Australia etc. (CoinDesk, 2014)

Therefore this currency is still at the border between fiscal requirements and non fiscal ones, between legal and illegal, between real and virtual space, raising debates among economists and beyond.

3. Instead of conclusions

We live in a world where uncertainty and change are major coordinates, and in some areas the resistance to the new and the fear of change are at home. The majority of economists reject the idea of private currency. The reasons are numerous.

Spontaneously arose, perhaps from a desire to escape from the watchful eye of the state, BitCoin generated followers who gradually organized themselves for reasons of identity and recognition and rivals who tried to outlaw the BTC. BitCoin is the result of the spontaneous and voluntary actions of individuals, not the result of a decision of a statutory authority, therefore users have gradually agreed on their immediate objective - defending private, free, non-inflationary currency, which is in line with the developments in information technology, from the real dangers among which are found both aspects of reliability of technology and the consistent reality of the state canon.

The defenders assume that BTC is more than a medium of exchange among many others existing, BTC represents money generated in strictly limited quantities, and is therefore from the very beginning a rare currency. The amount of BTC cannot increase more than originally expected, but the value of BTC could, theoretically, grow no matter how much. Since we are talking about a market, the demand and supply of money are those which give the value of BTC.

On the flip side, rivals relate to the rigidity and conservatism of some theories and are trying to highlight the dangers associated with this currency, based on examples of fraud and theft that have been done using this currency and are also reaching up to the issue of prohibiting the use of BTC. Moreover, it appeared lately the idea that this currency is simply the preserve of the young generation, called the IT generation; therefore, it does not allow the access to those from other generations that are not willing to adapt.

Regardless of which of the barricade we place, one should notice that there are arguments on either side.

On one hand, the desire for freedom can push us to defend the alternative currency, and history shows that the disappearance of one alternative currency was accompanied by the appearance of another one, man being resourceful. On the other hand, it is impossible not to take into account the weaknesses and threats that accompany the BTC. We remain, therefore, in a gray area, where there have not been formulated answers for questions such as: How much BTC will survive?, Will be the BTC that currency able to benefit from a higher degree of trust than in the present, based on the growing discontent of individuals, generated by multiple imbalances in the economies of emerging states?

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