

Kelli Scott | Getting back to the Bitcoin basics

by Kelli Scott Editorial Page Editor Dec. 28, 2017, 9:46 a.m.

In a column last week I attempted to explain the basics of Bitcoin for the uninitiated. I failed.

“My wife and read it and we still do not know what a Bitcoin is,” a reader emailed me. “What is a ‘digital token’? Please expand on the definition. Or tell us where we can go for simple definitions.”

OK. Here we go. I can do this.

Bitcoin is a digital currency — a new, bank-free, online-only form of money. There is no physical coin or paper bill attached to it, thus the term “digital token”.

You know what? Let’s just start over and read together this explanation from the embarrassingly titled website, **teachingkidsnews.com**:

“Bitcoin sounds like what it is — a type of money. But it’s a special kind of money that could not exist without the Internet. It is digital and virtual; people can’t carry it around in their pockets or keep it in a bank. Despite these differences from traditional money, there are places around the world that are starting to accept bitcoins to pay for things. ...Bitcoin has been around for a few years but it is becoming more popular. ...Bitcoin isn’t distributed by a central bank, or stored in banks at all. The currency is virtually ‘mined’ by computers solving difficult math problems, and bitcoins are then traded from one person to another.”

Still confused? That’s alright. The World’s sports editor, Jarrod Peterson, doesn’t understand all the technical ins and outs of cryptocurrency either, and he just made a couple thousand dollars experimenting with it.

Jarrod is a special kind of young and hungry. When he’s not managing the sports page, the ambitious 27-year-old from Minnesota drives a car for Lyft and dabbles in online sports betting.

He’d heard from a few friends about something called Litecoin, a digital currency similar to Bitcoin that runs on the same kind of technology, called block chain. Jarrod describes Litecoin as the silver to Bitcoin’s gold.

In early December he went online to the popular, easy-to-use cryptocurrency trading site called **coinbase.com**, where people can buy and sell the three biggest cryptocurrencies: Bitcoin, Litecoin and Ethereum. Jarrod linked his checking account to the website and, with a few clicks of the mouse, purchased \$1,000 worth of Litecoin, which that day was priced at \$101. For the next 10 days, Jarrod obsessively monitored the price of Litecoin.

“It was kind of fun to watch it go up and down,” he said. “But it’s almost more stress than it’s worth.”

Then, about a week and a half after his purchase, Jarrod sold all his Litecoin, which that day had jumped to \$324. Jarrod walked away with a tidy \$3,045. Counting for the \$30 transaction fee charged by the website, Jarrod made more than \$2,000 on the transaction.

Jarrod’s father is a financial adviser back in Minnesota, and not a big fan of cryptocurrencies.

“I told him about it and he got pretty pissed,” Jarrod said. His dad prefers traditional investing and good old-fashioned saving. And Jarrod tends to agree. He won’t be purchasing virtual money again any time soon.

“It is a gamble because it’s just so volatile,” Jarrod said. The price of Bitcoin fluctuates by hundreds of dollars every hour. “That scares a lot of people, and I think it should.”

Thinking of buying Bitcoin, Litecoin or some other emerging cryptocurrency? Here is Jarrod’s advice: Do your research. Don’t quit your day job. And don’t invest your life savings. (*Disclaimer: Jarrod and I are, of course, not financial experts.*)

As for making billions on Bitcoin? “That ship has sailed,” he said. And it sailed years ago, back when Bitcoin was priced around 5 cents.

The other day, Jarrod gave a ride to a Lyft customer who’d just moved here from Chicago. The reason for his move? Our region’s inexpensive power is ideal for Bitcoin mining.

Kelli Scott’s column appears Wednesday through Friday. Reach her at (509) 661-5205 or kscott@wenatcheeworld.com.