



## Why Bitcoin is Lindsay Lohan, For Now...

28 February 2014

It's been an "interesting" week to follow the fortunes of Bitcoin and Mt. Gox, with rumors abounding of the death of both the exchange and the fledgling currency itself. It certainly looks like the wheels have fallen off Mt. Gox, with today's announcement of filing for bankruptcy protection and \$63.6 million of outstanding debt. But, the demise of Bitcoin itself is less certain. The faith that investors have placed in Bitcoin has clearly been a 'buyer beware' situation - even the most cursory look at the value of the currency over the last year is a textbook rollercoaster ride...

Much of the volatility of Bitcoin can be attributed to the choke point of Mt. Gox, dealing with up to 80% of exchanges for a science project currency that was thrown into the global spotlight around March last year. This single point of entry and exit of currency exchange proved vulnerable to attacks, causing Bitcoin prices to fluctuate wildly. Bitcoin was and still is Lindsay Lohan, growing up in public with all of the dangers that can occur with a lax regulatory environment and money thrown at you in spades. We can consider the very likely demise of Mt. Gox as a stint in rehab for this bright new star virtual currency and as a cautionary tale for all of the other virtual currencies waiting in the wings. Despite much speculation of this being the end for Bitcoin and even calls to [ban Bitcoin](#) in recent days, I strongly suspect that Bitcoin and virtual currencies will prevail.

The brand new Federal Reserve chair, Janet Yellen, is [washing her hands of Bitcoin](#), for now, but the appeal of virtual currencies at a state level is increasing as has been seen with [MintChip](#) in Canada. The load balancing of Bitcoin has been a problem from the outset and subsequent virtual currencies such as Ripple have developed checks and balances to decentralize the issue. It will be an iterative process as these currencies mature and legitimize, although some will also inevitably [crash and burn](#) on their way to stardom. Ultimately, Bitcoin will, I believe, move beyond this Lindsay Lohan moment to become something more like a Robert Downey Junior.

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