

Good the legal uncertainty of bitcoins research paper example

[Economics](#), [Currency](#)



Executive summary

Government agencies, central banks, and other financial agencies are overtly racing to define the legal status of the recently discovered digital coins, bitcoins, and the decentralized digital currency system. Tracing the coin's rapidly advancing legal status is prodigious. In the bitcoin system, transactions are recorded in a ledger, without the intermediation of a single authority. Whereas countries continue to embrace the bitcoins, others are implementing strict policies to curtail its use. Through a review of literatures that exists over the use of bitcoins, various scholars seem to support its use. A research on a sample of 30 people who filled questionnaires reveal that people have never used the coin and are not ready to use it due to the risks that they associate to it. However, the research recommends that the coins should be endorsed to stimulate commercial progression.

Introduction

One of the issues that have recently garnered massive public and media attention is the use of bitcoins. Bitcoin is a peer-to-peer payment system introduced by Satoshi Nakamoto. The use of bitcoin has lately been of interest to legal regulators, tax authorities, and law enforcement agencies who are striving to understand how the crypto currency fits current frameworks. Many factors determine the legality of bitcoins all over the world (Turk, 2013; pg. 27). As technology continues advancing and software engineers taking development and digitalization to greater heights, various opinions have emerged as to whether bitcoins should be used or not. This paper shall candidly and comprehensively strive to examine the issue and

specifically answer the question whether bitcoins should be legalized in the contemporary world.

Literature review

In November 2012, the U. S senate became very interested in the digital coin. The senate inquired about the validity and the ability of the coin to be used in transactions. Representatives from financial agencies and law enforcement agencies informed the senate that they were not too worried about the coin. The senate ordered a research to be conducted throughout the world after realizing that most Americans were indeed using the coin. Consequently, research was conducted in Brazil and China and it was found that the use of bitcoins had relatively spread in those countries. The trading fee of 0. 3% charged on bitcoins previously discouraged people from using the coin (Clinch, 2013; pg. 192). However, with time, people started appreciating the importance of the coin and the charge became almost insignificant. Nevertheless, the countries have some specific regulations applicable to the use of the coin since they fear that the digital coin might adversely affect the national currencies, adversely impact on taxation policies, and might be used by criminals for the disadvantage of entrepreneurs and conglomerates. The exploration further established that countries such as Slovenia, Israel, and Ireland have made gestures that they want to issue tax guidance on bitcoin while Singapore, Canada, Germany, and Finland had already issued tax guidance on the coin. Subsequently, the use of the coin is becoming predominant among the developed and developing nations (Turk, 2013; pg. 123). The U. S is leading the way for this

rapidly advancing technology and greatly believes that the use of the currency will increase global transactions and minimize the cost of doing business overseas.

In Argentina, bitcoin is considered money but not legal currency. Despite regulations by the government, Argentinians are uninterruptedly using the coin for their daily dealings. According to Clinch 2013, some governments such as that of Germany have recognized bitcoin as a 'unit of account,' 'store of value' hence it can be used for taxation purposes. The country significantly uses the coin for tax and trading purposes and the Germans appreciate the efficiency created by the use of the coin (Clinch, 2013; pg. 182).

Additionally, Kirk 2013 and Francois 2013 offer an inordinate literature on the advantages of the digital coin and the overall public and government rejoinders to the use of the coins. The authors superficially state that supporters of bitcoin believe that it should be perceived as a legitimate currency since it has very little transaction costs. Notably, Francois, an economist, states that, "The Bitcoin protocol provides an elegant solution to the problem of creating a digital currency.. and ensure that it can be conveyed safely-without relying on a single authority" (François, 2013; pg. 199).

Mihm 2013 and Spanier 2013 share their sentiments on the issue of bitcoins. They state that some governments oppose the use of the coin since it is too volatile and can be used in illegal transactions particularly by drug lords. Additionally, many governments are still confused over how to account for bitcoins. Such limitations of the currency ominously limit its ability to be

authorized and used throughout the world. The controverting literatures imply that a proper research should be conducted to ascertain how prevalent bitcoin has become and determine whether the completely new groundbreaking currency will positively transform the world.

Aims and methodology

The key intention of the research is to determine how prevalent the bitcoin is and ascertain whether members of the public are cognizant of its use.

Survey and specifically the use of questionnaires was selected as the most suitable methodology for the study. A sample size of 30 ($n = 30$) people (18 male and 12 female) were randomly picked from Lancaster town for the study. It was a pick-and-drop technique where the participants were issued with questionnaires that contained questions such as:

- Have you ever heard about Bitcoin?
- Have you ever used Bitcoin?
- Would you try to use Bitcoin as a form for payment?

The questions were simply and formulated in an apt way that avoided a depiction of any prejudice. This was to ensure participants comprehend the questions, give accurate answers thus help in the derivation of a compact and reliable deduction. The findings were analyzed through tallying to establish a common statistical point and/or trend.

Results and discussion

The research revealed some very instructive and startling facts about bitcoins. Out of 30 people, only 11 people had heard about bitcoins, but had never used it and were not willing to use it. The rest (19) had never heard

about the digital coin. Most people believe that the coins are not a safe payment method, not convenient in making payments. They believed that it was only a temporary investment product whose price highly fluctuates. Only 3 participants were willing to try using bitcoin in transacting while 8 participants were not willing to try to use the newly produced coins. Four interviewees concurred with the idea that bitcoin should be legalized while seven interviewees had no idea whether it should be legalized or illegalized. Remarkably, most people had not heard or used the coin since it has already been illegitimated in many nations. Commonly, there has been a deleterious discernment created about bitcoins and businesses are not ready to accept the coin. This outstandingly limited the use of the coin. Few people have an idea about the coins due to the scarcity of the coins and the various laws that outlaw the use of bitcoins.

Conclusion and recommendations

The above elucidations clearly indicate that the use of bitcoins is growing in a field of legal uncertainty. While various countries continue incorporating the coin into their currency system, some are striving to outlaw it for fear that it might replace the national currency, increase the rate of criminal activities, or adversely affect economic growth due to the challenges it possesses to tax collecting agencies (Kirk, 2013; pg. 138). The research conducted in Lancaster indicated that most people have never heard about the coin and were not ready to use it. However, the findings of the research cannot be relied on since the research was limited by the use of a small sample size that compromised the validity of the findings. Additionally, the

research and/or interview concentrated in a single area (Lancaster) hence it did not incorporate ideas from a wider perspective. Future research should consider using a large sample size of about 1000 people randomly selected from different parts of the world. Huge data will be developed, investigated, and solid deductions over the ambiguity surrounding bitcoins. The research recommends that governments should not ban the use of bitcoins but should rather formulate and implement policies that will guide the use of the coins (Kirk, 2013; pg. 193). Illegalizing the coins will only devastate the current economic and technological advancements.

References

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