

Bitcoin Has an Image Problem— It's Time to Change That

Bitcoin and the blockchain are actually much friendlier to cops than crooks.

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Bitcoin has an image problem. If you ask the average person about bitcoin, they may think it's a "currency for criminals," because it's been used in a very limited number of cases involving dark markets or ransomware. They may know that there's a lingering mystery about who created it.

They may believe it's anonymous and untraceable. And based on a recent story in *The New York Times*, they may say it's controlled by China.

But the image is far from the reality. Here are some facts that the average person should know about bitcoin and its underlying distributed ledger technology, commonly referred to as the public or open blockchain.

Criminals are early adopters of any new technology. From pagers to cellphones to chat to Paypal to the internet itself, law enforce-



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ment continually has had to evolve as criminals have found ways to use new technology designed for legitimate purposes to facilitate crime. Bitcoin presents just the latest twist on that problem.

Criminals haven't caught on yet, but bitcoin and the blockchain are much friendlier to cops than to crooks. That's because reports of bitcoin's anonym-

ity are greatly exaggerated, and because the blockchain ledger is traceable, publicly accessible and borderless.

That gives law enforcement new tools to "follow the money" in a way that would never be possible with cash, without worrying about what type of legal process is required and without going through a foreign government.

CATCHING THE BAD GUYS

Blockchain companies are teaching law enforcement and national security authorities how to catch bad guys misusing this technology. Steptoe & Johnson LLP teamed up with the Chamber of Digital Commerce and Coin Center to create the Blockchain Alliance, a coalition of more than 20 companies and 25 law enforcement and regulatory entities around the world.

Through the Blockchain Alliance, the industry is proactively using education and engagement to protect public safety and promote innovation and the growth of this technology.

The hallmark of the public blockchain is its security. The public blockchain incorporates security and resilience by design, with encryption, validation of transactions through cryptographic proofs, and a fully globally distributed ledger that cannot be hacked like internet applications can, unless attackers penetrate thousands of computers all over the world at the same time—which requires more computing power than Google.

The bitcoin blockchain is not under the secret control of a Chinese entity. To be sure, geographic centralization in China, or any one place, is not ideal. But the problem with mining centralization occurs when a single entity controls more than 51% of the hashing power.

Even if there is more than 51% of the mining capacity inside China, it's

split up among competing individuals, none of which want any one to have 51%. Most of those, in turn, are mining pools made up of users who have an economic incentive not to allow any one pool to reach 51%.

Having said that, less centralization would be better. That's likely to happen through improvements in technology and the development of cheap electricity elsewhere. So although geographic centralization bears watching, it's not cause for alarm.

THERE'S MORE TO BLOCKCHAIN

Bitcoin is just one app for the blockchain. Saying the blockchain is all about bitcoin is like saying the internet is only for email. In the early internet days, most people used it only for email. At that time most of us could not have foreseen Google, Facebook, Airbnb, Netflix, electronic-commerce sites or other applications that are now part of the fabric of our lives. All of that came later. That's where we are today with the blockchain.

There are many other applications that are being developed for this technology that have nothing to do with bitcoin the currency. Those applications will make the blockchain an "internet for value," a secure and resilient system that allows us to transfer value in the same way that we currently transmit information.

The blockchain will transform the way we bank, transfer assets,

settle transactions, manage supply chains, protect intellectual property rights, manage our identities and so much more—the possibilities are limitless.

Knowing who created bitcoin and the blockchain, and how they work, are less important than what they can do. Can you name the person who created email? Do you know who wrote the code that makes it possible for you to do online banking, or to buy something from Amazon and have it delivered to your door? Most of us have no idea how the internet works. What we do know is that it has transformed the way we all do business, shop, socialize, communicate, consume entertainment and learn.

Like the internet, the blockchain has the potential to transform our lives for the better. And just as with the internet, the misuse of the blockchain by a few should not stand in the way of innovation that will benefit the many.

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