



## Ep. 25: Cryptocurrency: Wall Street or Main Street?

July 7, 2021

*As cryptocurrency becomes more widely accepted as a payment method, it leaves many people wondering whether it will remain a volatile investment or become as common as a debit card. In our second cryptocurrency podcast, we asked the question: is cryptocurrency Wall Street or Main Street?*

**Dan Plunkett:** Welcome to the next edition of the McGlinchey Stafford cryptocurrency podcast. In our first episode, we asked the question, cryptocurrency: Wall Street or Wild West? And I became mostly convinced that it was Wall Street. And so today, we welcome **Chris Bottcher**, a seasoned commercial litigator from our Birmingham office, onto the podcast to help us answer the question, cryptocurrency: Wall Street or Main Street? I'm **Dan Plunkett**, co-chair of the firm's government investigations team. And Chris shares with me a fascination, if not my fledgling understanding, of cryptocurrency. Chris, welcome to the show.


**Chris Bottcher:** Oh, thank you, Dan. It's good to be here.

**Dan Plunkett:** So, Chris, I think that where my fascination begins is the 2010 story of the Florida resident who orders two large pizzas. The bill comes to \$41 and, in lieu of a couple twenties and a George Washington, he pays with 10,000 Bitcoins. My math isn't all that good, but I suspect that's several hundred million dollars' worth in today's value. You've heard that story?

**Chris Bottcher:** I have heard that story and I don't know whether it's true or not, but the number is around \$613 million that he paid for those two pizzas in today's Bitcoin.

**Dan Plunkett:** I hope they were good pizzas. The news is also filled now with, you can actually use Bitcoin and other cryptocurrencies to order food at various fast food joints. I think even Pizza Hut's joined the parade. Tesla did, for a while, accept it, and now doesn't. But at what point, what's it going to take for Bitcoin to become as ubiquitous as a debit card?

**Chris Bottcher:** You know, Dan, no doubt that the cryptocurrency has made great strides toward becoming a Main Street way of conducting business for people like you and I. There are



remittance networks that now allow merchants like Pizza Hut, Coca-Cola, and Whole Foods, and you know, other big retail names that people know and use every day, to accept cryptocurrency. However, I think that the volatility in crypto still makes it difficult to use for your retail consumers. And not only the volatility, but also sort of the ease of transacting business. It can be a little confusing. It's just not as simple a process as using the dollar.

**Dan Plunkett:** I certainly agree with you. I don't know how to carry Bitcoin in my pocket. I don't know how to exchange it, or put it in a vending machine, or to tip the valet. In my 50-something years of life, I've become pretty adept at using dollars. And I understand what a dollar is. I don't really understand though, Chris, what a Bitcoin is and why its value changes day to day. Is that ultimately the impediment?

**Chris Bottcher:** I think the volatility is probably the biggest impediment to its use for everyday transactions, like purchasing a Coca-Cola, you know, at a convenience store. When you exchange that dollar for that soda, you and the seller have a pretty good understanding of what that dollar is and represents. With Bitcoin – and you have situations like celebrities and people like Elon Musk who make disparaging or supportive comments about the currency – the value fluctuates as much as 30% in a very short period of time. And so, for a seller, the risk is that it gets devalued, and they've just accepted less in Bitcoin than they would have taken in dollars. And then obviously, as a purchaser, you have the situation like the man in Florida who paid \$613 million for his pizza. Nobody wants to do that.

**Dan Plunkett:** So we know that the stability – we can't take the volatility out, right, because of all of the factors that go into it and being openly traded around the world. And so unlike the dollar, which gets fairly well pegged to stability, Bitcoin's never going to be stable, is it?

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**Chris Bottcher:** Well, I think the jury's still out on that. I mean, when you think about what Bitcoin is, I mean, it's a currency that has value because we believe it has value, and it's seemingly backed by nothing but that belief. I just think that there's a lot of volatility that's inherent with the lack of anything substantive behind it. There's not a government, there's not a gold, anything like that. Now it's scarce because the person that created it says that there's only going to be so much Bitcoin mined, you know? So there's just a lot of factors out there. You also have the issue of government regulation. Right now, we are trying to use existing Fiat currency regulations and apply them to this new cryptocurrency. But you've got to think that the United States and China and other large countries are going to start regulating it. And it's just hard to say what the effect on the value is going to be.

**Dan Plunkett:** So I'm pretty well convinced that it's not Main Street yet, but you're making me doubt even whether it's truly Wall Street these days. So when I think of investments, I think of things that are pretty stable. Stocks rise and fall, but not 30% during a Saturday Night Live monologue, for example. Are we now trading Bitcoin and cryptocurrencies like we do stocks?

**Chris Bottcher:** Well, some people are, depending on your risk tolerance. I mean, there are actually investment vehicles that fluctuate that much now. I mean, you can trade in other countries' currencies, you can trade in futures options, and all that type of thing. So there is a place for cryptocurrency in people's portfolio, and there are options. There's investment advisors like Grayscale that actually offer a digital large cap fund, which is basically comprised of a trust, I believe, that they created that holds Bitcoin. And as the value of the Bitcoin goes up and down, your interest in that fund is worth more or less. And then just recently, a friend sent me an article about Bitwise, who has offered a Bitwise 10 index fund, which a lot of retail investors are familiar with where there's indexes that are tied to the S&P or the Dow Jones or whatever. You know, this is tied to an index of various cryptocurrencies. It's not just Bitcoin.

**Dan Plunkett:** Well, I think I want to come back on another episode with you, Chris, and talk about some of the questions that I have surrounding FDIC protection, for example, for Bitcoin investments and the like. But there's something that we've got to talk about today. I've just seen that the U.S. government itself is talking about getting into the digital currency business. They're talking about a digital dollar. It would be known as the Central Bank Digital Currency. It's a lot to put your mouth around, the CBDC. What's this digital dollar all about?

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**Chris Bottcher:** Well, it's a direct claim on the U.S. Treasury. So I'm not exactly sure, quite frankly, what the effect will be on the existing cryptocurrencies. But this digital dollar, it's a little bit more tangible, in my thinking, than Bitcoin, because it is backed by the full faith and credit of the U.S. government. And so you have the dollar, and it can be bought or sold, I guess, or traded. And the buyer has the security of knowing that it's backed by the Federal Reserve.

**Dan Plunkett:** So it's much more like what we might think of as an e-currency rather than a wildly volatile cryptocurrency that fluctuates up and down day over day.

**Chris Bottcher:** That's what we're hoping to see. And I think the Fed is experimenting with four or five of these digital dollar options, with the first one, maybe, being released as early as July of 2021.

**Dan Plunkett:** Well, I'll tell you what, we'll come back shortly thereafter and talk about how you're paying for your pizzas these days, whether it's in Bitcoin or digital dollars or good old

fashioned greenbacks. Chris, I appreciate you coming on today to talk about this. It's certainly fascinating. And I'd like you to come back to talk about traditional bank protections and the like, and how those compare with cryptocurrency. Would you do that?

**Chris Bottcher:** Love to. Thank you very much.

**Dan Plunkett:** Excellent. Thank you all!

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