Who Seeks Bitcoins? Study Pinpoints Probable User Groups

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Bitcoin users lean tech-savvy, libertarian, and from the western US. Go figure.

Ever since Bitcoins burst on the marketplace in 2009, the burning question has been: Who would want to use this newfangled cryptocurrency. A recent study compiled by two professors at the University of Kentucky pinpoints two probable user groups, one of which may dismay Bitcoin supporters.

Aaron Yelowitz and Matthew Wilson wrote the 2014 study (http://www.tandfonline.com/doi/full/10.1080/13504851.2014.995359#.VcIx0Eu3nPk), "Characteristics of Bitcoin Users: An analysis of Google search data." Using what they termed anecdotal evidence about Bitcoin users, the researchers devised four proxies for probable Bitcoin consumers: computer programmers, speculative investors, Libertarians, and criminals.

The rationale for those categories varied based on the particular motives — curiosity, politics and profit — of the individuals. For instance, speculative investors might be attracted to the cyber currency because of its sometimes wild price fluctuations, while Libertarians typically are against any type of central bank regulation and favor the mostly unregulated nature of Bitcoins. Meanwhile, computer programmers, or "miners," can earn the currency in exchange for utilizing special software to authenticate real-time Bitcoin transactions, states the report. (Those seeking to discover new Bitcoins are termed miners.) Lastly, the anonymity of dealing in Bitcoins appeals to criminals.

The researchers then studied Google Trends to ascertain a correlation between search queries and potential Bitcoin users. Specifically, they examined data gathered between January 2011 to July 2013 from all U.S. states and the District of Columbia.

Search terms naturally included the word Bitcoin, including "Bitcoin mining," "Bitcoin value," and "Bitcoin price." Other terms utilized to determine whether the interest was possibly perpetrated by criminals, Libertarians, and speculative investors included "Silk Road," "Free Market," and "Make Money," respectively.

It's worth noting the data was culled at time when Silk Road, a website offering everything from drugs to forged passports, was about to be shut down by the

FBI. Leading up to its closure, the website had already achieved some notoriety, most notably in a Gawker article (http://gawker.com/the-underground-website-where-you-can-buy-any-drug-imag-30818160). Due to the black market nature of Silk Road, transactions were made in Bitcoins. As a result, reporters seeking more information or curious citizens, not just criminals, may have undertaken Google searches about Silk Road.

In fact, Yelowitz told Coindesk.com (http://www.coindesk.com/google-search-study-hints-shady-truth-bitcoin-users/) in 2014 that the study was far from the ultimate analysis of Bitcoin users. "We do, however, end our analysis in July 2013, before Silk Road was shut down and exploded in interest among general public. Nonetheless, a variety of users – such as law enforcement, journalists, and even academics like me – also type in such terms as Silk Road or Bitcoin with no intent of illegal activity. Given the paucity of data on Bitcoin, I view our study as a first step – but certainly not last step – into understanding this market."

With the data analysis in hand, the researchers concluded computer programming and illegal activity underscored a lean toward Bitcoin usage. Little to no evidence supported an affinity for Bitcoin from Libertarians or speculative investors.

"We find robust evidence that computer programming enthusiasts and illegal activity drive interest in Bitcoins," write the researchers, "and find limited or no support for political and investment motives."

Since the report was completed, Bitcoin has witnessed much more mainstream acceptance. For example, last month, a Federal Reserve Bank of San Francisco (FRBSF) (http://www.frbsf.org/) official, noting the growing popularity of Bitcoin, wrote an advisory note (http://www.moneysedge.com/newsimage?id=204) to community banks imparting information and advice about the digital currency market and suggesting best practices to mitigate risks.

"Virtual currencies are growing in popularity. While the collective value of virtual currencies is still a fraction of the total U.S. dollars in circulation, the use of virtual currencies as a payment mechanism or transfer of value is gaining momentum," FRBSF director Wallace Young wrote.Therefore, the study's conclusions may have come at a time when the digital currency was seen in a far less than favorable light than today.

The researchers concede making a definitive correlation between search terms and potential users "is inherently difficult to measure." Nevertheless, they assert Google Trends can be used to extract data for precise search terms as well as more general topics because the search activity is unlikely to be censored.

However, the study emphasizes online searches don't necessary translate to actual usage. Nevertheless, the researchers point out there is a "strong positive correlation between Bitcoin searchers and exchange prices."

Among other interesting findings from the study: Heavy interest in Bitcoins emanated from Utah, Oregon, California, Washington, Nevada, New Hampshire, and Vermont.

-*Maria Wood*

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