

Crypto-Currencies, Bitcoins, and the Enduring value of Gold

By Trish Mahon

Bitcoin, Litecoin, Peercoin, Mastercoin, Anoncoin, Zerocoin ... the sudden, frenetic rush of cyber currencies is hard to keep up with. This new flood of digital money is not backed by a central bank, government, or country. They operate independent of our current monetary system and tout free market principles. Why does that sound so familiar?



The Bitcoin has taken the lead position in the virtual currency war. Bitcoiners embrace a global exchange that is not impacted by politics, powerful governments, or the oppression of central banks. Their digital money is accepted within its own marketplace. One can buy

books, electronics, appliances, and jewelry via online Bitcoin shops and stores. In some places, one can purchase a home with Bitcoins along with a brand, new Tesla. With enough Bit-savings, it is even possible to fly into space on Virgin Galactic

With all the makings of a modern “whodunit” thriller, the Bitcoin was developed by a mystery programmer who published a paper outlining a “Peer-to-Peer Electronic Cash System” back in 2008. This individual or groups of individuals devised the Bitcoin system followed by a software release in 2009. The anonymous programmer has all but dropped out of sight but the software is now maintained by an open source community.

The decentralized appeal of the Bitcoin is astonishingly similar to the historical lure of gold and other physical metals. Like gold and silver, this new crypto-currency operates in a realm outside of the constraints of government and beyond the manipulative reach of any State or Federal Treasury. Ironically, one must “mine” for Bitcoins ... not by excavating the earth but by solving complex, multipart algorithms.

While this virtual money is gaining in popularity, it is not without its shortcomings. It is a start-up currency whose value has fluctuated wildly. Since it is not regulated, Bitcoin transactions lack basic buyer protections. Bitcoin payments cannot be reversed or refunded, and they are heavily reliant on code, software, and technology so there’s always the possibility of glitches.

But, the important take-away of the Bitcoin story is the fundamental lack of faith in government-backed currencies that inspired it. While the dollar is the exchange of our current fiat system, the Bitcoin is the exchange of an emerging online system. Gold, however, is the world’s original mode of exchange. While the Bitcoin possesses “exchange” value, it lacks the “intrinsic” value of gold. Whereas the Bitcoin exists in a market that is arbitrary and speculation-prone, gold’s role is firmly rooted in human civilization and has been preserving wealth for thousands of years.

The Bitcoin bubble will expand and contract and fortunes will be made and lost in the compu-brawl of new coin technologies but it is gold that will endure in all markets, all formats, and all exchanges ... as the world’s timeless and longstanding store of value.