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Stuff that matters to Wayne

Buying Bitcoin with your Old Gold

Posted on August 19, 2013 by Wayne Taylor

Catchy title, isn't it? Throws some monkey wrenches into the ol' investment ideas, don't it? The interesting thing to me - and I'm already a big fan of bitcoin - is that it may be not far away. Check out [this article](#) where gold has fallen from grace. One of my favourite quotes was "People own gold because they don't trust the central banks." That's also why people own bitcoin. But with bitcoin you can easily buy your coffee and fine Indian dining (at least in Vancouver, BC) as explained by Yuliya Talmazan in [this article](#) from Global News. It's much harder to whip your gold dust out while there is a line up behind you. Also, gold has an unknown amount remaining in the earth below which has the potential of lowering current values based on the supply and demand understanding. With bitcoin there is a finite amount and the day is coming when the miners won't find any more. And, really, at the end of the day it's all about trust. Some people, in their ignorance, think their paper cash holds value on its own. Banks and governments long ago made sure they removed themselves from actually having to pay up if anyone wanted to collect by removing terms like 'in silver payable' from the paper bills. I strongly recommend watching this [simple Youtube series](#) to make sure you understand the history of money. In fact, if you are like I was - very ignorant amount money and our monetary systems, you may end up with a sick feeling in your gut. But ignorance is not bliss so watch it. The trust we have towards a currency, investment, or anything else for that matter, dictates the value. Value is truly in the eye of the beholder. If I told you that there was no actual asset backing the \$100.00 bill in your hand and that the government could, with the push of a button dump a million more of them into the system, would you receive that bill happily as payment? Bitcoin allows a very convenient way of 'quantifying value' and facilitating the exchange of goods and services. Since there is a finite amount of bitcoins, we can agree in principle that each unit will have value based on the supply and demand concept. Bitcoins don't have any physical asset backing them, but people have proven with the example of cash that that will not prevent them from trusting it. So, the only thing preventing bitcoin from becoming dominant is consumer confidence and governments and other organizations who don't want to lose control of their citizens. So, I have two bitcoins reserved to buy your failing ounce of gold if you'd like.

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