

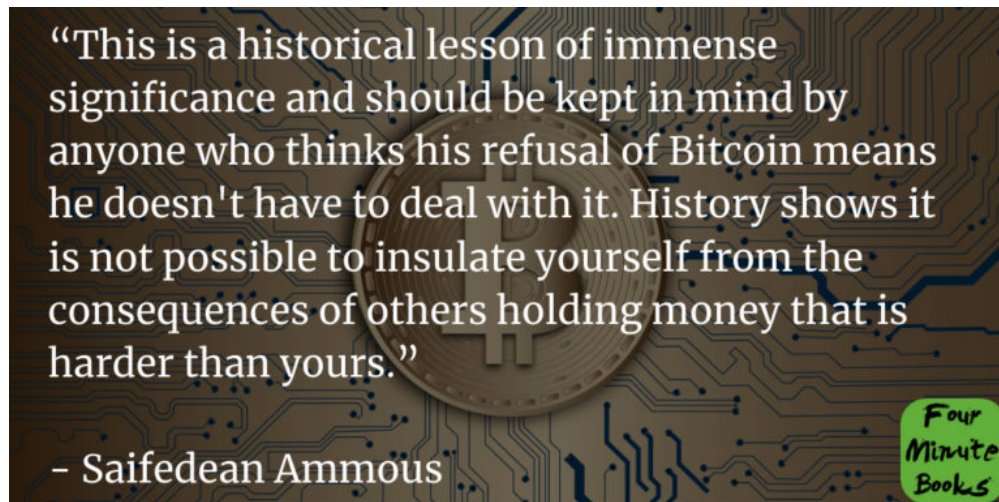
The Bitcoin Standard Summary

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1-Sentence-Summary: *The Bitcoin Standard* uses the history of money and gold to explain why Bitcoin is the way to go if the world wants to stick to having sound money and why it's the only cryptocurrency to be focusing on right now.

Read in: 4 minutes

Favorite quote from the author:



Have you ever thought about the world before money? How did it work? Actually, it was pretty simple: people just swapped stuff. They traded a horse for a cow and so on. It worked okay, except if you didn't have something your neighbour needed. Once people figured out you could exchange universally valued objects for goods, everything changed.

From there, we've gone from all kinds of currency valuable metals and now paper printed by governments. But since we ditched the "gold standard" of money and started relying only on easily manipulated paper money, we've seen a century of boom and bust and increasing debt. How can we have money that is secure and free from manipulation?

Luckily for us, a new kid on the block is here that is perfectly suited for our needs: Bitcoin. In *The Bitcoin Standard: The Decentralized Alternative to Central Banking* by Saifedean Ammous, we explore the promise that digital cryptocurrency brings to our modern world. Like gold used in old times, it's very stable and can be used universally. If we could fix a few problems, we could be on our way to the next best currency.

Here are 3 lessons the book teaches that explain Bitcoin in more detail:

1. Humans created money as an easier way to exchange goods and services, and gold quickly became the foundation of consistent standards.
2. Bitcoin's security and scarcity make it a unique candidate to replace money as we know it.
3. We have to overcome some hurdles before we can use Bitcoin to its full potential.

Ready to get a crash course in the intricacies of Bitcoin? Let's dive right in!

Lesson 1: Money is how we exchange goods and services, the standard for which has historically been gold.

Early money wasn't very much like the paper you keep in your wallet today. Money has been different all over the world in the past. People have traded everything from stones and shells to livestock.

What makes good currency is that it is salable or easily sold. With the technology of smelting metals, early pre-Christian civilizations could make highly salable coins that were also extremely portable.

The preferred type of coin was gold. It has a few unique qualities. First, it's almost impossible to make or destroy. It also is fairly hard to retrieve from the ground, so you need to mine to get it, and the more you get, the deeper you have to mine. So even as technology has improved for gold mining, the supply of gold grows both slowly and predictably.

When transportation and communications boomed from the eighteenth to the twentieth centuries, nonphysical forms of payment like paper bills and checks became justified. **The way they convinced people to trust these pieces of paper was by backing them with gold.**

Britain led the way with this standard to back bills with gold, known as the "gold standard." Soon countries all across the world followed suit, making this period the time of sound money. This introduced an era of great prosperity.

Lesson 2: Bitcoin could replace money as we know it because it is scarce, secure, and unique.

After the First World War, financial deficits forced European powers to drop the gold standard. They introduced fiat money, which was backed by decree instead of gold. This switch led to an age of unsound money where governments could intervene in the economy to stabilize the value of their currencies.

Unsound money causes a myriad of problems, like recessions and debt. Interventions of governments distort markets and cause boom and bust cycles. The only solution would be establishing a new gold standard. This is where Bitcoin comes in.

Like gold-backed money, Bitcoin has a fixed supply— there will never be more than the 21 million in existence.

They also have a stable supply because, like gold, bitcoins are mined. The computers across the Bitcoin network use their combined processing powers to solve increasingly complex math problems, and once they are cracked, the “miner” receives bitcoins as a reward.

Bitcoins are the only good defined by absolute scarcity, which makes them immune to manipulation.

It’s also incredibly secure. The public ledger, known as the blockchain, keeps a record of all recent transactions. Everyone can see it, and it is backed by every computer on the network, making it near-impossible to manipulate. The best part is you don’t even need a central authority to oversee it.

Lesson 3: If we want to use Bitcoin to its full potential, we need to overcome some obstacles first.

We know it is incredibly promising, but of course, there are challenges. One of these is price volatility. From 2010 to 2017, an individual bitcoin has jumped from \$0.000994 to \$4,200, a 422,520,000 per cent increase! But in just 2017 alone, bitcoin went from \$750 to \$20,000.

This volatility is mostly due to demand, and because it’s so new, demand is highly variable. But this variability has only undermined its status. People wonder how it can be reliable if it fluctuates. However, the author believes that as the market grows, these fluctuations should even out.

The second challenge for Bitcoin is that it needs to grow. But eventually, Bitcoin would need to rely on centralized institutions to continue growing. Unfortunately, there doesn’t seem to be a viable way around this: the more transactions that happen, the more copies of the ledger need updating.

All of this requires higher transaction fees and more processing power. This might make a compelling case for establishing a currency backed by bitcoin, essentially a new gold standard. However, a centralized institution would have to oversee this.

Even then, though, bitcoin has the potential to give us the framework for a new sound-money policy like we had in the past, ushering a new era of economic stability.

The Bitcoin Standard Review

I’ve been diving into the details of Bitcoin recently, and *The Bitcoin Standard* really helped me see why this currency is going to be the future. The hype about Bitcoin is real, and this book explains why it’s not just a fad but why it has so much power to improve our world. I really hope a lot of people will read this book and learn how much potential it has!

Who would I recommend The Bitcoin Standard summary to?

The 61-year-old who thinks that Bitcoin is just another passing craze, the 33-year-old that wants to invest in cryptocurrencies and isn't sure what they're doing, and anyone who wants to know the history of money and where our current technologies could be taking us in the future.