

Digital Gold Summary

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1-Sentence-Summary: *Digital Gold* details the beginnings of Bitcoin, including how it was developed, why its early years were such a struggle, the many people that contributed to its rise, and how it's changed our world so far and why it will continue doing so for a long time.

Read in: 4 minutes

Favorite quote from the author:



Throughout history, humans have used physical money in exchange for goods and services. To this day, we still accept these objects of value as a form of payment. But in an age where you can hold a small computer in your hand and video call someone across the world, have you ever thought about how outdated physical currency actually is?

In addition to being a hassle to produce and deal with, regular currencies are easy for governments to control. Not everyone will have problems with this, but these are some of the reasons why the cryptocurrency Bitcoin began. If you're like me and have heard of Bitcoin but you're still a little confused about how it works or where it started, we have a summary for you!

In *Digital Gold: Bitcoin and the Inside Story of the Misfits and Millionaires Trying to Reinvent Money* Nathaniel Popper gives a fascinating history of the rise of Bitcoin and teaches the fundamentals of how the cryptocurrency works. He also shares the advantages as well as disadvantages of this new technology, so now you can feel confident to join in on the conversation next time it comes up.

Here are 3 lessons in this book that have helped me understand Bitcoin:

1. Bitcoin is a new currency with all kinds of fascinating and useful intricacies.
2. The financial crisis in Argentina shows the power that Bitcoin has to transfer power to the poor.
3. Traditional money is far inferior to Bitcoin.

Let's jump right in and see what we can learn about Bitcoin!

Lesson 1: The intricacies of Bitcoin are fascinating and useful.

In January of 2009, an anonymous internet user under the name Satoshi Nakamoto had an idea that would change the world forever— a digital currency called *Bitcoin*.

Aside from being a completely digital form of money, it also differs from cash in many other ways. One of these is that anyone can get involved by downloading the open-source code. Unlike many other classic software programs, the open-source code means anyone can look at the code, and even make improvements.

Another difference with Bitcoin is that there isn't a centralized authority. National economies can do things like create more money at will or freeze bank accounts, meaning they have real control of your money. With Bitcoin, there is an established amount of currency that no one person has control of.

Further, unlike a bank account where transactions are secret, Bitcoin has a communal database called the *blockchain* that everyone can see. This way, everyone can see every transaction as well as every Bitcoin in existence and who has them.

But while your transactions aren't private like a bank account, you do have the potential to be completely anonymous. There is no limit on how many accounts, or *wallets* a user can have, and no form of identification or even name is needed to create one, just an email address.

With bank accounts, you need a PIN to protect your account, but there is no need for this with Bitcoin. Bitcoin takes advantage of its robust public-key cryptography, making it impossible for even the most powerful supercomputers to crack.

Public-key cryptography has two parts: private and public. The public part allows it to be published on the blockchain for everyone to see, but only the users involved in the transaction can access the funds.

Lesson 2: Argentina's financial crisis is the perfect example of how Bitcoin is going to change the world.

The people of Argentina know that their government's financial experiments don't work. This has meant financial crisis and severe inflation followed by failed attempts to fix the problems. This laid the path for Bitcoin to enter the scene.

Bitcoin broke down many of the restrictions the Argentine government imposed to control the Argentine peso's value. When exchange rates for the US dollar were placed artificially high, PayPal transactions were banned and those who spoke against these rules were fined. Anyone who wanted to purchase something from overseas would deal with long delays.

People found if they used Bitcoin, they didn't have to deal with these extended delays. It also helped protect the people's funds from government interference. Many people in Argentina couldn't open a bank account or have a line of credit because the government makes it so difficult.

So instead they would hold on to physical money. Unfortunately, due to the poor fiscal policies of the government, they had seen rapid inflation render their cash worthless. So naturally, Bitcoin was a safe, stable place to save their money, even if they couldn't spend it directly where they lived.

Since 2013, the Argentine peso has fallen an additional 25 percent compared to the US dollar. Bitcoin, on the other hand, has risen a staggering 860 percent.

Lesson 3: Bitcoin is superior to traditional money in a lot of ways.

Just like the advent of the internet freed information and communication all around the world, many think Bitcoin has the potential to free money from banks and governments. They might be right about this.

There are actually many major advantages. One of these is that we can instantly transfer money. Isn't it a little strange that we can send large files over the internet in a few minutes or receive a message instantly, but a bank transfer can still take days to happen? Bitcoin will save everyone the time of waiting for transfers.

Another benefit? It's universal. **You can cross borders and not have to deal with foreign transaction fees.** And in addition, we can divide it into tiny amounts, so online services can deal in tiny fees, like 0.01 cents to skip an ad.

There are other applications, too. Its powerful verification system through the blockchain allows trust. Everyone can view the blockchain, no one can manipulate it. Unlike needing traditional legal systems of trust, such as having a witness present to sign a contract, the blockchain ensures the contract really took place, no witnesses needed.

Bitcoin may be a new thing, but it's clear it has the potential to change the way we use money entirely. However, the author believes that the most interesting uses of Bitcoin have yet to be found.

Digital Gold Review

Bitcoin is so cool! It's always been in the back of my mind since a few years ago when I heard about some of my neighbors who were going to try to live off of it. It makes me want to find out how that went for them. Today I've invested a little bit in it and am excited to have books like *Digital Gold* to teach me all about it!

Who would I recommend the Digital Gold summary to?

The 57-year-old who doesn't know what cryptocurrency is and is skeptical about it, the 41-year-old that doesn't have much trust in banks, and anyone who wonders why only smart people know about and invest in Bitcoin.