

Taking the “Digital” out of “Digital Gold”

There's an idea that bitcoin should be a “store of value”, like digital gold, instead of something used directly for every day transactions.

But this misses the entire point of digital gold.

Gold has been the most pervasive form of money on the planet for thousands of years because it has the best properties of any substance to act as money. The one property gold does not have is portability.

That missing property is the source of many monetary woes in history. It makes gold easy to seize by governments. It requires claims to gold to be used in every day transactions, instead of gold itself, which opens an entirely new opportunity for fraud, fiat, and inflation.

The idea of digital gold is to take all the amazing attributes of gold and add the one thing it's missing: portability. That's what the “digital” part means. The magic of bitcoin is that it found a way to maintain all the very best properties of money found in gold and add to them the greatest portability of any money in existence with instant, near free global transactions. Until bitcoin, there was always a choice between the other key attributes of money and portability. Digital scarcity was thought impossible. Bitcoin emerged as a new kind of money that puts the properties the oldest and best form into bits and bytes for maximum portability.

If the plan is to hamper the portability with low block limits, long waits, high and radically changing fees, then it's not digital gold at all. The whole point of making gold digital is to take advantage of the portability of digital. Without that, it's just like regular gold. But we already have regular gold.

If it requires second layer solutions and claims to the underlying asset, it's no improvement over gold standards with paper money, which may be better than what we have today but vulnerabilities in that system also got us to today.

If you kill portability, you don't have digital gold. You have a gold competitor that brings no new attributes to the table, save perhaps the known limit of supply.

To make use of the “digital” in digital gold is to ensure that one great property that physical gold lacks, portability. An instantly portable gold functions as cash. But better. It functions as the best properties of cash but with all the key properties of gold at once.

So a bitcoin unusable for daily transactions should certainly not be called electronic cash. But I think even digital gold is too generous, since there's no point to digitization if you

don't take advantage of it. It's more like gold without history.

I prefer the vision in Satoshi's paper. All the best properties of gold with instant portability is a game changing advance in human society.