

The Economics of Bitcoin

Editor's Pick. Written by Robert Murphy.

Bitcoin is an ingenious peer-to-peer “virtual” or “digital currency” that challenges the way economists have traditionally thought about money. Its inbuilt scarcity provides an assurance of purchasing power arguably safer than any other system yet conceived.

But to understand these claims, one must first understand the basics of Bitcoin. My conclusion is that, in principle, nothing stands in the way of the whole world embracing Bitcoin or some other digital currency. Yet I predict that, even with the alternative of Bitcoin, people would resort to gold if only governments got out of the way.

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