

What is Bitcoin, Money, Currency or Something Else?

By Michael Storm

What is Bitcoin, is it money, or currency, or is it something else? I see this basic question asked a lot. I see this question answered ignorantly, emotionally, and sometimes plain wrongly. It is because people confound money.

Is Bitcoin Money?

To answer the question "Is bitcoin money?", you must know what money is. When asked I say, Money is a technology to facilitate exchange in the absence of immediately desired or tradeable goods or services. No, money is not evil, doing away with it will not save the world. Money is a tool.

Money is what it does. It is not so much form as it is function. There are different ways to define it, but the textbook definition says money must meet specifically three conditions, the literal functions it serves. To be money, a thing must be a medium of exchange, a measure of value, and a store of value.

“I CRY OUT AGAINST MONEY JUST BECAUSE EVERYBODY CONFOUNDS IT . . . , AND THAT THIS CONFUSION IS THE CAUSE OF ERRORS AND CALAMITIES WITHOUT NUMBER” - FREDERIC BASTIAT

Money is a Medium of Exchange

Gold, Salt, and Comic Books are all used to facilitate exchange. Where there is no equal value in product or service available, you can use Money for the difference or instead. Left to this single defining trait anything can be money so long as parties to the exchange agree on a value. Luckily, we have two more defining traits.

Money is a Measure of Value

You use Money to place and compare value between items. In the supermarket, the myriad of different product types are definable by their value in terms of money. One need not know how many eggs it takes to purchase a loaf of bread.

Money is a Store of Value

This is where things which are not money are exposed. To be a store of value something must be valuable when you take it out of storage. It seems straight forward enough, but I must throw another word at you. The value of money must be intrinsic (natural). To be money, to always be valuable after storage, the medium of exchange must have usage outside the ability to be exchanged. This is why commodities are considered as money. Gold, Silver, and even salt require investment to acquire and can be used for more than to facilitate exchange.

Bitcoin is not money. Bitcoin has value and put in storage it still may be valuable when taken out. Perhaps it would even be more valuable than when it was put in storage? But in the end, Bitcoin has literally no intrinsic value. Bitcoin cannot be used for anything else but to facilitate exchange.

Is Bitcoin Currency?

Yes, it is. But what is currency? Currency is current, and it flows. The things that define money also define a currency. It is a means of exchange, and it can be used to set value. It is readily accepted on the open market and has a definable desirable value in exchanges. Ideally, it is something that can be exchanged on the spot by whatever means, including digital transfer. Bitcoin is like having an American Express in the fact that only some places accept it as a currency.

The best way to be certain something is a currency is to apply the money test. Does this "thing", whatever it may be, have any real intrinsic value? If the answer is no, then you have a potential currency, if someone will accept it from you. Many physical things meet the money test on some level, so it is important to make sure that the test is not easy to pass. While blank paper could pass the test, paper money like the Federal Reserve Note does not. A blank piece of paper is still useful as something other than a means of exchange. An FRN is a final product of what was once a commodity use as a currency is set, almost. I mean, it works as toilet paper... but keep reading.

Is Bitcoin Something Else?

Now that we know what money and currency are, where does Bitcoin fit in? Bitcoin has the properties of currency, but it fails the money test. So, Bitcoin is a currency limited by its acceptance. Use Bitcoin for exchange, but it can only be exchanged with others who are interested in Bitcoin. This may sound familiar to you if you are a collector.

I have owned more than 12,000 comic books in my life. I currently own more than 1,000 toys. In my youth, I collected thousands of sports and non-sport cards. I own and run a comic book, gaming, and collectibles, shop. I also have a large and valuable collection of digital collectibles. From a small investment I have collected thousands of different digital collectibles. They range in value from five cents to hundreds of dollars. Some of them as rare as only a handful of units. I know collectibles, I know the collectibles market, and I know the behaviors of a collectible and its collectors.

Bitcoin is a Digital Collectible

Bitcoin is just like my comic books or my toys or my Digital Collectibles. It can be used to facilitate exchange, but I must find someone who is a collector too. I must find some way to change my limited interest currency to a currency of interest in the larger market. This is what collectors do when they want to sell a collectible. Sure, we can go to a specialty store and receive a valuation for our currency, but unless that store sells the other things we need we are just trading one collectible for another or exchanging currencies. A quick note on the notion that Bitcoin or other digital currency avoids the problems of other fiat. This necessary exchanging of currencies which are otherwise pegged to or literally paid out in Federal Reserve Notes, is proof that it does not.



One of More Than 10,000 Similar Digital Collectibles I Own

I am not telling you Bitcoin is a good or bad investment. I would not suggest that you should or should not invest in Bitcoin or anything else. Just call me E.F. Nothin'. I will also not be revealing my digital collectibles marketplace because collector markets are susceptible to speculation by amateur investors and digital collectibles are still new. I just wanted to clear up the confusion once and for all. Bitcoin is a Digital Collectible, and your DC might be worth more, but mine is much cooler! From one collector to another, happy collecting!