Is Bitcoin money?

Money is a job description: spend it, count in it, keep it. A coin that fails the jobs is an asset people trade, not a money people spend. A fixed supply makes prices in the coin fall, so people hold it. Question 9 of the ten to ask about any app.

1 The three jobs of money

Macro 6 · History 2

- `MEDIUM OF EXCHANGE` you **spend** it → most shops take it
- `UNIT OF ACCOUNT` you **count** in it → prices, menus, wages written in it
- `STORE OF VALUE` you **keep** it → buys about the same next month
- **Kai** (on **Coralia**, toy island) offered pay in **shell coins** by **Hop** (ride app): only 3 shops take it → exchange **weak** · prices in dollars → account **no** · `$100 → $30` = `$70 ÷ $100 = 70%` lost → store **unreliable**
- Fails the jobs → **asset** (owned for what it may be worth later), traded more than spent
- Practice: all three → euro note in Spain · dollars in a phone wallet · peso in Palmera (form ≠ job) · not all three → game coins · airline miles · coin **pegged** to $1 that 2 shops take (value steady, exchange + account missing)

2 A fixed supply

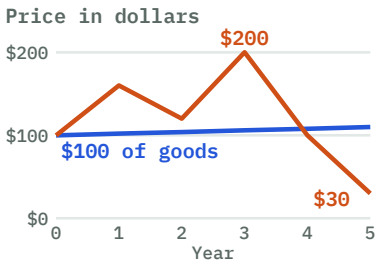
Macro 9 · MV = PY

- `M × V = P × Y` · M money · V how often each coin is spent · P price level · Y output (all goods made) · in growth rates `%M + %V ≈ %P + %Y`
- Shell coin: `21 million` forever (like Bitcoin's cap) · Y `+3%` a year, V fixed → P in coins `≈ −3%` a year
- Coin buys more next year → people **hold** it → spent less often → asset more than money · opposite: Germany 1923 (History 4), mark printed without limit, spent at once
- Practice: bike `200` tokens, Y `+5%` → tokens fixed `≈ 190` · tokens `+5%` → `200` · tokens `+10%` → `≈ 210` · phone `400`, prices `−5%` → wait a year, save `≈ 20`

3 The zigzag

drawn example, not a forecast

- Coin (orange) `100 · 160 · 120 · 200 · 100 · 30` ⇄ `$100` of goods (blue) `+2%` a year
- `$200 → $100` = `$100 ÷ $200 = 50%` fall · a % fall = drop ÷ **start**
- **Rule of 70** (Macro 10): `70 ÷ 2 = 35` years for prices to double
- Steady path → easy to plan, price, save · **volatile** (moves a lot) → hard
- Practice, reef token `50 · 100 · 80 · 160 · 40 · 60`: peak year 3 · `$160 → $40` = `75%` · goods `+5%` → `70 ÷ 5 = 14` years



4 The real story

verified, dated

- **Satoshi Nakamoto** (pen name, author unknown) → white paper **31 Oct 2008** · first coins **3 Jan 2009** · cap `21 million`
- ≈ `7` transactions a second ⇄ **Visa** (card network): up to `65,000`, usually far fewer · **Cambridge** estimate, 2021: ≈ `121 TWh` (terawatt-hours = billion kWh) a year → more than Argentina
- ≈ `$69,000` (Nov **2021**) → ≈ `$15,500` (Nov **2022**) → ≈ ¾ lost (`69,000 ÷ 4 ≈ 17,000` left) · fixed supply ≠ fixed value · shows volatility, **not** the next move
- **El Salvador**: legal tender (businesses must accept) Sep **2021** → 29 Jan **2025**, after a `$1.4 billion` **IMF** (lender to governments) loan → acceptance voluntary
- `STABLECOIN` built to stay worth $1, dollars in reserve (a **peg**, Trade 6) → volatility fixed, trust + shops still needed · `CBDC` central-bank digital currency, the central bank's own digital money → Bahamas 2020

5 So what?

question 9 of 10

- **Ten questions to ask about any app** · 1 · Who pays, if not you? · 2 · How many others are on it? · 3 · What does one more copy cost? · 4 · What does it know about you, and what is that worth? · 5 · Why did the price just move? · 6 · Could a rival take its place? · 7 · Who gets paid when you press play? · 8 · Who carries the risk of a slow day? · **9 · Does it do what money does?**
- Noa → dollars do all three jobs · Kai → takes the coin only if he can change it into dollars at once → the dollar is the money · → Lesson 10 (AI: an oven that bakes by itself)
- Debate, no verdict: `FOR` no government or bank controls it, rules anyone can read, nobody can print more · `AGAINST` nobody stands behind it, price swings too much to count in or save for a house

Watch out: fixed supply ≠ steady value (demand moves the price) · a % fall is divided by the start, not the end · a past fall says nothing about the next move · digital ≠ not money (dollars on a phone do all three jobs)

This is a lesson, not financial advice. It shows what the evidence says about choices like these; what is right for you depends on your life.