

Bitcoin Basis 8 - Underlying value of Bitcoin

Bitcoin's value stems from several properties such as permissionlessness and decentralization. To better understand the core value, we can look at how it works.

Digital value, such as a document, is never really moved, or really transmitted, in the world of digital storage.

Instead of moving, data is copied to another location and the original is deleted. This can lead to problems such as double spending and fraud. This is about trust.

Modern filing systems attempt to solve this problem by using a central point of trust to verify and approve changes to that copy.

Bitcoin's blockchain technology solves this problem differently, without a central authority and with mathematically reliable verification.

The participants in the Bitcoin network are the digital witnesses who do not have to trust each other. They verify and approve changes to the public ledger. This is done via Proof of Work.

This ensures that transactions are processed reliably. This makes bitcoin reliable and steadfast.

In addition, individuals control their property through their private keys, relying on encryption and math, not a physical underlying asset or a central authority. This is revolutionary.

All this can pose a challenge for more traditional investors, who are often used to physical underlying assets.

Ultimately, it is the market that sets a fiat price for the underlying properties and value of bitcoin. While bitcoin users don't even have to make that conversion.