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Can Bitcoin provide protection against Covid-19 inflation?

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An announcement that the Federal Reserve is inputting \$1.5 trillion into the US economy would normally be a major global news story, but these are very abnormal times.

As a Covid-19 recession looms large on the horizon, the financial impact of the pandemic is being treated as a mere footnote to the daily litany of bad news. While monetary matters pale in significance when compared to a projected death toll in the millions, we need to begin contemplating what the world will look like when we finally emerge from the grip of this global pandemic.

With central banks showering the economy with cash, oil prices plummeting and stock markets shedding a third of their value in three weeks, we should not think that monetary value is any more immune to Covid-19 than we are. For most people the financial implications of Covid-19 are abstract; why worry what the Fed and the FTSE are doing when your most immediate priority is stocking up on household necessities? But the fiscal and monetary policies enacted have enormous and immediate implications for everybody. By pumping trillions of dollars into the market, the US government is instantly inflating the money supply, potentially meaning a reduction in the value of the dollars in consumers' pockets. We may not notice it, but we will feel it.

Not only is it very likely that the inflation will significantly reduce the value of our money; we also have fewer safe places to store value. The all-encompassing nature of this crisis means that we can no longer turn to traditional investments like real estate or the stock market and expect them to hold their value.

Covid-19 may lead to revolutions in everything from global supply chains to remote working and learning, so it makes sense that we should rethink our relationship with fiat currency and traditional investments. While we are rightly worried about our health, it would be irresponsible to ignore the impending threat to our wealth. With the world retreating into self-isolation, now is the time to plan an effective response that shields us from the inflation that will persist long after we contend with this pandemic.

Fiat money is not the store of value that people hope for it to be, and Gold has broken the \$1,800 psychological barrier, so we must look for alternatives. Could Bitcoin offer a better solution?



The best way to think of money is not as a token of exchange, but rather a record of the value that you have created, i.e. a store of value. There is no shortage of ways to create value. We do it every time we go to work; we are not remunerated for showing up, but for what we produce. The stock market, when functioning correctly, measures the total value generated by the companies listed on it, and a bank's value is determined by its performance in helping its customers to manage their money.

As an actual store of value, today's government-issued "fiat" currencies are worse than useless. Every day that money sits in your bank account, inflation diminishes its real value. Storing your wealth in fiat currency is like filling up a bucket with a hole at the bottom. However hard you work the bucket will empty if you do not fix the hole.

Bitcoin was created to bring back the true purpose of money and give power to the people by trusting in mathematics and computer code rather than governments and fiscal policies. The financial crisis of 2008 led to a huge crisis in public confidence in a governments' ability to deliver reliable money.

History can also teach us about what happens when fiat money goes wrong. From the financial chaos of Weimar Germany to more recent hyperinflation in countries like Zimbabwe and Venezuela, the lessons are clear; when money suddenly sheds most of its value the result is poverty, crime, corruption, shortages, riots, and even revolutions.

Like listed companies, Bitcoin's value is determined by how much value it is adding to society, which in turn is a function of how useful people believe it to be as a store of value at this stage of Bitcoin's life. One bitcoin is always worth one bitcoin – today, tomorrow and in twenty years' time. Since there will always be a finite number of coins, Bitcoin is not just inflation-proof but inflation-impossible. And let's not forget bitcoin is just starting its journey. It shows us a glimpse of the brighter future of money, but is its full potential yet to shine?

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