

Is Bitcoin the new gold?

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People are claiming Bitcoin is the new gold. It isn't. It is nothing like gold. But more than that we don't need to be on the gold standard ever again. It destroyed the world economy.

https://www.youtube.com/watch?v=xRX7l_2HZEw?si=iZfCC3EfHHoRQgtD

This is the audio version:

https://www.podbean.com/player-v2/?i=5agej-17c6704-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Is Bitcoin the new gold? The fans of Bitcoin are saying it is. They are saying the moment for cryptocurrencies has arrived, and of course, they associate that with the elevation of Donald Trump to the post of US president for the second time. Are they right? I hope not. Why? Because gold was disastrous for the world economy.

Remember that once upon a time - and I use the term appropriately because this is almost like a fairy tale - once upon a time, the value of the world's currency was supposedly fixed to the value of gold, and you could supposedly swap your pound note, your dollar bill, or whatever else it might have been for gold in a fixed exchange rate.

As a consequence, it was hoped that the number of pounds, dollars, francs, marks, and whatever else were in existence at the time would be limited by the total supply of world gold, which would, therefore, prevent inflation from happening. This, it was said, was because there was this constraint on the creation of new money, and it was claimed that it was the creation of new money that was actually the cause of inflation.

The theory was wrong. It was wrong because it didn't take into account the fact that economies were growing and growing economies - growing either by way of population growth or by way of increase of income - do require more money. And they require more money because there's more income going around, and if there's more income going around, there will be more money needed to do the trades that we all wish to partake in.

Restrict the amount of money that is available and try and grow at the same time, and the only thing you get is deflation, which means that every pound has to be worth less to be spread more thinly across the economy to make sure that in practice there's enough currency to go around.

The trouble with deflation is when we face a deflationary situation, people stop spending because they believe that things will be cheaper in the future. As a consequence, you get an inevitable outcome, which is recession, leading to depression, and that's what we had in the 1930s. The attempt to fix the value of the US dollar to the value of gold led to the worst recession in US history and of course, that spilled over into the other major economies of the world, including ours, even though we had by then come off the gold standard at the beginning of that decade. But without sufficient leverage of our own because of our fixed exchange rate with the US dollar at that time we didn't have the flexibility to create the money that was required to make our economy work.

And this is the whole problem for the Bitcoin enthusiast. The Bitcoin enthusiasts are saying that because there are supposedly only ever going to be 21 million Bitcoins in total in the world there cannot be a Bitcoin inflation. That's because they say if the number of Bitcoins is fixed, the price can't change.

I do wonder about these Bitcoin enthusiasts and their relationship with reality. When they talk about Bitcoin and price stability, I wonder if they've ever noticed how rapidly the price of Bitcoin changes. In the space of a few months, its value can double sometimes or, of course, half. If that isn't an indication of instability and of something that is useless as a hedge against inflation, I am not sure what is. But they claim otherwise because they live in, as I said before, this fairytale world in which Bitcoin is the answer to all questions.

Bitcoin cannot be the equivalent of gold. The reason why, of course, is that Bitcoin isn't the only cryptocurrency in the world. If Bitcoin runs out, then there will be other currencies to be used instead. There is no limit, in fact, to the amount of crypto that we

can have, and therefore, far from being a stable source of currency, it is a source of currency instability.

It's even worse than that, though, because at least gold had some uses beyond being the backup to currency. There is nothing to Bitcoin. It is just an entry in a ledger, a ledger which we can supposedly see but which we can't actually understand because it's encrypted. It is literally meaningless, worthless, empty, hollow. You keep finding the words, they all apply.

Bitcoin is a myth. It doesn't exist. It is just, apparently, the answer to an arithmetic algorithm solved by a supercomputer. But it isn't actually creating value, and nor does it impart value. And if you want to understand that it has no value, just put it in relation to the real world, where it can't be used as a currency because almost nobody really accepts it as a means of payment, and when they do, they instantly translate the value of the Bitcoin that you might offer into today's value in dollars or pounds or whatever, and then accept the equivalent sum.

So, Bitcoin isn't money, it doesn't represent value, it isn't limited in supply, it is economically unstable, it is exceedingly price volatile.

And it is claimed that the US must begin to build up Bitcoin reserves. These would be the equivalent of Federal reserves.

Why do the Bitcoin enthusiasts want the US to have Bitcoin reserves? Because that creates new demand for that limited supply of Bitcoin. And what happens when you have new demand for something that is supposedly in limited supply? The price goes up. So all those who currently own Bitcoin will think themselves better off.

And when, as they claim, other countries will then have to follow the US and create Bitcoin reserves, the price will go up again.

And this is what they're trying to create. A giant Ponzi scheme with government funding being used to increase their private wealth.

I've seen dangerous ideas in economics in my time. Ponzi schemes are usually the most exploitative, the most abusive and the worst, and Bitcoin frankly looks exactly like that.

And the marketing for this idea of the US having a Bitcoin reserve so that Bitcoin might become the reserve currency of that country and the world is probably the most dangerous thing I've ever come across. It is literally about destroying the value of the money which is necessary for the world to operate.

If you want to destroy the world economy, believe in Bitcoin.

If you want to believe that we actually need government-controlled and guaranteed money, which will be of value, come what may, stick with fiat currency.

Those are the choices. They're binary. And only one of them works. And it's not Bitcoin.