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Do All Roads Eventually Lead To Bitcoin?



Over the past decade, bitcoin has become a household name and one of the most talked-about topics in the world of finance and technology. It has been the subject of countless news articles, debates, and discussions and has even been compared to gold and other traditional stores of value. Some enthusiasts even go so far as to claim that all roads eventually lead to bitcoin. But is this claim true?

Bitcoin, in its essence, is a decentralised digital currency that enables peer-to-peer transactions without the need for intermediaries such as banks or financial institutions. It is based on a revolutionary technology known as blockchain, which provides a secure and transparent way to record and verify transactions.

While bitcoin was initially met with scepticism and even outright dismissal by some, it has, however, slowly gained traction as an asset class along with other major cryptocurrencies like ethereum. Bitcoin's wide acceptance by several merchants, with over 23 000 venues all over the globe according to Coinmap.org, has nestled the coin as the most traded cryptocurrency in purchasing goods, services, and online remittances. Notable companies that accept transactions in bitcoin include PayPal, BitPay, Microsoft, Shopify, Amazon, AT&T, Overstock, Newegg etc.

Avid admirers have even used bitcoin as a hedge against inflation and geopolitical turmoil. However, this might not be the case, as incessant rate hikes by global central banks in 2022 to control mounting inflationary pressures have resulted in bitcoin plummeting to around \$15 787 per coin on November 21 2022, from a high of \$45 556 in April 2022.

One of the main arguments in favour of bitcoin is that it is immune to government interference and manipulation. Unlike traditional currencies, which are subject to inflation and other economic factors, bitcoin has a finite supply of 21 million coins and a fixed issuance schedule that ensures no more than 21 million coins will ever be in circulation. This means that its value cannot be easily diluted or manipulated by government policies or other economic factors.

Another factor that contributes to the popularity of bitcoin is its decentralised nature. Unlike traditional currencies, which are largely controlled by central banks and governments, bitcoin is not controlled by any single entity. Instead, it operates on a peer-to-peer network of nodes that work together to validate and verify transactions. This makes the coin more secure and less vulnerable to hacking or other cyber-related attacks.

But despite its many advantages, there are still some who are sceptical of bitcoin's long-term viability. One of the main criticisms is that it is still relatively new and untested, and there is no guarantee that it will continue to grow and evolve as a currency. Additionally, its high volatility has been a cause for concern, as its value can fluctuate wildly in short periods of time. For example, bitcoin hit an all-time high of \$67 567 in November 2021 but nosedived to \$15 787 per coin in November 2022. This undoubtedly shows the unsteadiness of bitcoin, just like other cryptocurrencies.

Furthermore, there are concerns about the environmental impact of bitcoin mining, which requires large amounts of energy to power the computers that process transactions. This has led some to question the sustainability of bitcoin as a currency, particularly as the world becomes more focused on reducing its carbon footprint.

Another notable concern of blockchain technology is the impact of inflation, which has mercilessly wreaked havoc on the crypto market in 2022 when bitcoin averaged above \$23 000 per coin. This is contrary to the notion that bitcoin provides a hedge

against inflation. Resultantly, this suggests that bitcoin, along with other cryptos, is not inflation-proof. If inflation remains stubbornly elevated, this might cause more harm to this asset class.

Despite these concerns, it is clear that bitcoin has already made a significant impact on the world of finance and technology. It has spawned a whole new industry of cryptocurrencies and blockchain-based projects and forced traditional financial institutions to take notice and adapt to the changing landscape. Since the start of 2023, bitcoin has returned around 72.19%, and according to market consensus, the price may reach about \$36 000 at the end of the year.

But does this mean that all roads eventually lead to bitcoin? While it is certainly possible that bitcoin could continue to grow and evolve as a currency, it is also possible that it could be supplanted by newer, more advanced technologies in the future. Already, there are countless other cryptocurrencies and blockchain-based projects vying for attention and investment, and it is difficult to predict which ones will ultimately succeed. Additionally, since bitcoin's acceptance as a form of payment is still limited in comparison to fiat currencies, the answer to this question depends on which camp you are in.

Furthermore, the regulatory environment surrounding bitcoin and other cryptocurrencies is still uncertain, with many countries still grappling with how to classify and regulate these new forms of digital assets. This could impact the growth and adoption of bitcoin in the long run, particularly if governments begin to crack down on its use.

In conclusion, while bitcoin has certainly made a significant impact on the world of finance and technology, it is still too early to say whether all roads will eventually lead to it. It is certainly a promising technology with many potential use cases, but it is also still relatively new and untested, and there are many challenges and uncertainties that lie ahead. Only time will tell whether bitcoin will continue to thrive and evolve or be technologically cannibalised by new technologies in the future.

References:

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Tapiwa has established himself at Global & Local as a diligent analyst since joining the company in September 2016. Tapiwa holds the FMVA (Financial Modeling Valuation Analyst) and BIDA (Business Intelligence & Data Analyst) certifications, a level 2 CFA qualification, and a BCom Honors degree.

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