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When The Economy Collapses, Can Bitcoin be Used As an Anti-Inflation Pill?

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Bitcoin is a successful inflation hedging tool, but investors need to be careful now.

With the increasing dominance of digital assets in financial and economic markets, skepticism about Bitcoin and investing in [cryptocurrency](#) has decreased. Tracking the rising influence of cryptocurrency in institutional and personal investment strategies is quite shocking, but it is also spectacular. Among all other digital assets, Bitcoin has become one of the most popular digital assets, which can be used as a store of value or as a tool to hedge inflation.

When inflation rises, the value of the national legal tender will deteriorate, making it extremely difficult for investors to maintain their value in a crisis. This is the role of Bitcoin. In times of financial crisis, investors generally buy assets whose value increases more than inflation. In return, this ensures that the overall value of their investment remains at a fairly high level. Therefore, the rapid growth and adoption of Bitcoin makes investors and cryptocurrency analysts realize that cryptocurrency is a perfect investment and can be used as a hedge against inflation.

Collapse of the Cryptocurrency Market

Recently, after the collapse of the cryptocurrency market at the end of 2021, Bitcoin lost more than half of its market dominance, and its value fell from an all-time high of \$68000 to \$39000. This is one of the many reasons why experts seem to believe that cryptocurrency eventually lost its reputation as an inflation hedge. Since the emergence of covid-19 pandemic, the importance of Bitcoin has been recognized not only by individual investors, but also by countries. This is why El Salvador became the first country to accept Bitcoin as legal tender.

Then, many other countries and major business organizations also stepped in and took Bitcoin as a legal payment method. However, at present, the conditions seem to be decreasing with the decline of the market value of BTC tokens. In addition, some financial experts believe that one of the many reasons Bitcoin is not a suitable inflation hedging tool is investor sentiment. For any asset to become an inflation hedge, investors must really recognize it as an asset and hold it when its value rises. But at present, this is not the case.



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So How Does Bitcoin Remain a Hedge Against Inflation?

If we look at the recent swings in Bitcoin prices, it seems that BTC tokens do not really make it a successful inflation hedging tool. However, since its launch, BTC token has successfully maintained its reputation as a safe haven during the economic crisis for various reasons. Like gold, Bitcoin is not dominated by any particular currency or economy. On the contrary, it is like a global asset class, showing its worldwide impact. According to experts, Bitcoin can also be a better choice than stocks because it avoids many of the political and economic risks associated with the stock market.

In addition, one of the best reasons you should buy Bitcoin before witnessing the turbulent period is that the supply of Bitcoin is fixed at 21 million, of which nearly 19 million have been mined. This makes Bitcoin extremely valuable in times of crisis.

Conclusion

Even if the current situation is not very good for BTC economy, investors and analysts are quite optimistic about its future prospects. In fact, even after its huge fluctuations, some investors and BTC enthusiasts believe that Bitcoin will once again become the Almighty king of the cryptocurrency market and bring a lot of profits to its investors.