

*Opinion***Gold is the better Bitcoin**

Pirmin Hotz

The predominant cryptocurrency is a hype and cannot replace the physical form of the precious metal to safeguard against crises and state bankruptcy.

The price of gold is breaking records almost daily in response to geopolitical uncertainty, spiralling government deficits and a global economic power struggle orchestrated by Uncle Sam. Seeking refuge in gold is not a new phenomenon of our time. The doomsday apologist Paul C. Martin published a book in early 1983 entitled “Wann kommt der Staatsbankrott?” (When will the state go bankrupt?), in which Martin advised readers to invest in gold. What has been the outcome?

Anyone who invested CHF 100,000 in gold at the beginning of 1983 would have amassed the equivalent of CHF 387,332 by the end of 2025, which is equivalent to an annual return of 3.2%. By comparison: if the investor had held the same amount in Swiss equities in the same period, it would have grown to a staggering CHF 2,685,979 by the end of 2025 due to capital appreciation and dividends – and despite the occurrence of several stock market crises during this period. The average annual return is therefore an attractive 8%. Although gold has not exactly been an exhilarating driver of returns in the long term, it is still fair to say that its performance over the last decade has been outstanding. At 12.6% per annum, it has clearly outperformed the return on Swiss equities. The SPI achieved an annualised performance of “just” 7.2% during this period.

Speculating on a sense of foreboding

Bitcoin has carved a niche as an alternative to equities and gold in recent years. Like physical gold, bitcoin is purely speculative and does not embody productive capital, nor does it pay dividends or interest. People who invest in gold or bitcoin are speculating on a mood of public foreboding or on state bankruptcy. But it is still important to bear in mind that we are unlikely to pay our butcher, baker or hairdresser in gold or bitcoin when the economy hits rock bottom, states go bankrupt and currencies become worthless.

In times of war or a global economic crisis, there is also a considerable risk that privately held gold – whether in physical or digital form – may be confiscated by governments or, in the case of bitcoin, banned. It is a simple fact that digital gold has shown a breathtaking performance over the last decade. While physical gold had to make do with an annualised return in the “pitifully” low double-digit range from 2016 to 2025, the return on bitcoin was a staggering 66%. Investors bold enough to plough money into bitcoin during its early phase in 2010 have even achieved 160% – annually.

Does this make bitcoin the better gold? Even if crypto fans may see it this way, there are rational reasons for rejecting the notion. The yellow metal played an important role in financial history until the de facto collapse of Bretton Woods in 1971. The gold standard applied for a long time, with countries pegging their currencies to the price of gold.

In contrast, bitcoin has no past and was created out of thin air. Another factor is that gold has a real place in the jewellery industry, while bitcoin is entirely useless and barely even features as a means of payment. Unlike gold, bitcoin is virtually bereft of economic benefit and possesses an intrinsic value of zero. Moreover, when viewed in the clear light of day, the argument of limited availability would only apply to physical gold. Our planet only holds the gold that is actually there. And its price is likely to increase in the long term due to the steady rise in the cost of extraction.

When conversation turns to the scarcity of gold, supporters of bitcoin are keen to point out that the protocol imposes an irrevocable limit of 21 million coins. While true, it is actually a bogus argument due to the steady emergence of new and similar cryptos on the market. And there is no reason to believe that the founder of the faith – who operates under the pseudonym Satoshi Nakamoto – will not launch bitcoin number two, three, four or even a hundred somewhere down the line. Anyone who points to the limited resource availability is trusting that humans will remain true to bitcoin as the first mover for years and decades to come.

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Throughout history, gold has frequently proved its worth as a shield against crises and inflation. There was, for example, a strong upward trend between 2008 and 2011, when the rampant Greek debt crisis sent shock waves through the global financial markets. The bull market persisted until 2012, when then ECB President Mario Draghi uttered the legendary three words “whatever it takes”. Calmed by the massive flood of money from the international central banks, the financial markets settled down and gold subsequently fell by almost 40%. It then continued to soar from 2015 onwards, fuelled by historically low interest rates.

Confidence in the USA damaged

The price of gold rose steadily and reached historic heights following the outbreak of the war in Ukraine, the subsequent Gaza conflict and the US attack on Iran. Unlike gold, bitcoin has yet to prove its worth as a safeguard against crises. It lost around half of its value in just a few days during the coronavirus pandemic. Gold purchases by central banks in Brazil, China, Kazakhstan, Poland and Turkey have risen sharply since Russia unleashed its war of aggression against Ukraine. These purchases are also viewed as a response to the fact that the G7 states – led by the USA – froze Russia’s foreign currency reserves after the outbreak of war.

Confidence in the dollar is also suffering due to America’s escalating national debt and the erratic policies of its belligerent president. Some investors therefore see gold as an alternative to the global currency. Viewed rationally, it is difficult to imagine how bitcoin could ever play a similar role. Its attributes suggest that it is likely to remain a speculative asset. Unlike physical gold, digital gold builds exclusively on hope and faith. Applied to the Greater Fool phenomenon, it embodies the hope of finding somebody dumb enough to buy an essentially worthless coin at a higher price. Bitcoin therefore has more in common with a Ponzi scheme than a valid asset class. Gold is undoubtedly the better bitcoin, but equities remain the better gold in the long term.

PIRMIN HOTZ is the founder and owner of Dr. Pirmin Hotz Vermögensverwaltungen, based in Baar, Switzerland.