An Introduction to Bitcoin in the Digital Age

by Sovereign Digital

Abstract:

This document outlines the growing economic challenges facing the UK and the global economy, including stagnant growth, rising inflation and unsustainable national debt now nearing £3 trillion in the UK and $37 trillion in the US. These issues, coupled with potential recession and geopolitical instability suggest the risk of a crisis surpassing the 2008 financial crash.

Amid this uncertainty, Bitcoin has emerged as a transformative digital asset. Launched in 2009, it has grown from near-zero to a peak of $109,000 by January 2025. With a fixed supply of 21 million coins, its deflationary nature, decentralisation, and security make it an increasingly attractive hedge against inflation, earning it the nickname “digital gold.” However, unlike gold, Bitcoin is highly portable, verifiable and easily divisible.

Institutional recognition is accelerating, marked by the US strategic Bitcoin Reserve and the rapid rise of Bitcoin ETFs. As fiat currencies continue to lose purchasing power, Bitcoin’s role as a hedge against inflation and potential reserve asset grows.

Introduction:

Since the Great Financial Crash of 2008, the UK economy has remained largely stagnant. Slow growth, rising taxes and persistent inflation have steadily eroded the purchasing power of individuals and organisations alike. This prolonged economic pressure has contributed to a decline in living standards as the money continues to have its purchasing power eroded. With the recent tax hikes by the UK government in October 2024, it is a trend that is set not only to continue, but to worsen. It is being reported that the UK is very likely to suffer a recession in 2025, and some local councils across the country have already filed a Section 114 notice which is a formal declaration issued by the local authority in England or Wales stating that the council does not have the resources to meet its current expenditure commitments [1] [2]. This is essentially bankruptcy, and for sectors like social care which are largely funded by local councils, could prove fatal.

If the risk of a recession and local councils going bankrupt wasn’t enough, there is also the debt issue. The United Kingdom is approaching £3 trillion in national debt [3], and the United States is fast approaching the $37 trillion mark [4]. This unsustainable debt level has seen the US, under the presidency of Donald Trump, begin to take serious actions in order to address their $36.8 trillion dollar national debt and maintain the dollar’s role as the world’s reserve currency. This has had huge implications for the macroeconomic environment with tariffs and an ongoing trade war being the most obvious amongst them.

Overall, the trajectory is clear: the world is facing another economic crisis, one that may surpass the severity of the 2008 Great Financial Crash (GFC). Amid a convergence of geopolitical tensions and macroeconomic pressures, it is becoming increasingly evident that the world is in the process of profound change.

Alongside this seismic shift, and perhaps even catalysing it is the question of AI. Terms like the Fourth Industrial Revolution, the Digital Age and the Information Revolution are becoming

increasingly more common as the world continues its advancements in AI, computing and robotics. Increasingly, we are seeing our lives blend the analogue with the digital. They are merging in ways we did not expect or anticipate. As such we are finding ourselves in a state of reaction rather than proaction. As a result, the realm of cyberspace is becoming increasingly more and more important and has become one of the fastest growing industries in recent years [5]. The sheer volume of data shared across the digital sphere is astounding, and the digital revolution has seen companies capitalise on this new information economy to rise and become some of the largest and most powerful entities in the world.

Amidst this digital world, we are also witnessing money transform. Cryptocurrencies, sometimes referred to as digital assets or more commonly referred to as 'crypto' have emerged. They are frequently reported on but are still largely misunderstood by the general public. Of these cryptocurrencies, Bitcoin is by far the largest and most prominent. Launching on the 3rd January 2009 at the height of the GFC (Great Financial Crash), this revolutionary technology has gone from a valuation of practically nothing at its launch to an all-time high price of $109,000 in January 2025.

Six months prior to Bitcoin breaking the $100,000 mark, Donald Trump had announced at a Bitcoin conference in mid 2024 that if elected, he would form a Strategic Bitcoin Reserve and this was likely a factor in Bitcoin reaching this key price milestone. After his election win, he signed an Executive Order on March 6th to establish a Bitcoin reserve for the United States. It was a historic moment, the consequences of which are still to play out.

In this report, we aim to shed some light on some of the fundamentals of Bitcoin as a digital asset, explore why it matters in today's climate of rising inflation, unsustainable national debt, and how strategic adoption can support financial sustainability, viability and operational resilience in the uncertain times ahead.

What is Bitcoin?

Before exploring some of the reasons for adopting Bitcoin, it's important to first provide a clearer explanation of what Bitcoin actually is, something often lacking in mainstream media coverage.

Bitcoin was created by an anonymous entity named *Satoshi Nakamoto*. On October 31, 2008, Satoshi released a whitepaper titled *"Bitcoin: A Peer-to-Peer Electronic Cash System"* to a cryptography mailing list [6]. A few months later on the 3rd January 2009 the Bitcoin network went live when Satoshi mined the very first block of the blockchain, now known as the *Genesis Block*. This block, which remains publicly viewable and verifiable, marks the origin point of the entire Bitcoin blockchain.

At its foundation, Bitcoin is open-source software—code that anyone can read, use, and build upon. Those who choose to run the software become participants in the network, typically as either *node operators* or *miners*. While miners expend computational power and energy to secure the network and earn block rewards, nodes validate the blockchain, ensuring that all participants adhere to the rules.

This relationship between nodes and miners creates one of the most secure and trustless economic systems ever developed and that is powered by energy, computation, and code.

In the whitepaper, Satoshi Nakamoto described Bitcoin as “a purely peer-to-peer version of electronic cash” that enables online payments to be sent directly from one party to another without relying on financial institutions. Using Bitcoin requires no permission. Anyone with a computer running the Bitcoin client and some bitcoin can participate in the network and transact freely.

Transacting with Bitcoin offers several advantages over traditional financial systems. One key benefit is cost-efficiency. For example, on April 10, 2020, the cryptocurrency exchange Bitfinex transferred 161,500 BTC worth approximately $1.1 billion at the time and for a fee of just 0.00010019 BTC, or about $0.68 [7]. In comparison, transferring the same value through conventional channels like banks or the SWIFT payment system could have cost anywhere from hundreds of thousands to several million dollars and taken several days to settle. Bitcoin transactions, by contrast, typically confirm in around 10 minutes.

But it’s not just speed or cost-efficiency that sets Bitcoin apart from traditional financial systems. As a digital commodity, Bitcoin is defined by a unique feature: a strictly limited supply. There will only ever be 21 million bitcoins in existence. These coins are gradually released into circulation as rewards to miners, but once the supply cap is reached, no new bitcoins will be issued. This built-in scarcity creates a powerful supply-and-demand dynamic and forms the basis for what many consider the hardest form of money ever discovered.

- Supply, Mining & the Hashrate

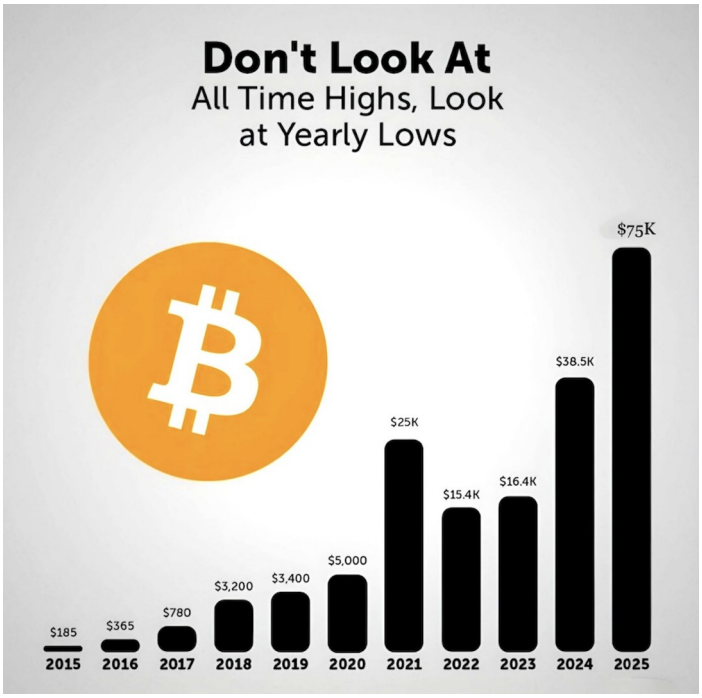
A new block is mined approximately every 10 minutes by specialized computers known as **ASICs** (Application-Specific Integrated Circuits). These machines are purpose-built to generate as much computational power as possible in order to solve complex cryptographic puzzles. Successfully solving a puzzle allows the miner to validate the next block in the blockchain, add it to the ledger and in turn earn the associated block reward.

There are likely millions of machines around the world currently mining Bitcoin, and it is this global distribution that underpins Bitcoin’s decentralised nature. Decentralisation is critical to the network’s security and reliability. For example, during the CrowdStrike outage in mid-2024, banks and critical services around the world experienced disruptions due to a faulty software update [8]. Central banks and financial institutions were temporarily unable to operate. Bitcoin, however, continued to function without interruption. This highlighted the strength and robustness of a decentralised system.

Every four years, Bitcoin miners must adjust to increased scarcity brought about by a pre-programmed event known as the Halving, which occurs around every four years or to be precise, every 210,000 blocks. The most recent halving took place on April 19, 2024, at block height 840,000. Before this event, miners earned 6.25 BTC per block. After the halving they would earn only 3.125 BTC. The next halving is expected around April 2028 and will cut the reward again, this time to 1.5625 BTC per block.

These halving events are coded into Bitcoin’s protocol and are a core feature of its deflationary design. Each halving slows the rate of new supply and therefore cuts Bitcoin’s inflation rate in half. It is estimated that the last halving will occur sometime around the year 2140, at which point all 21 million bitcoins will have been mined or issued.

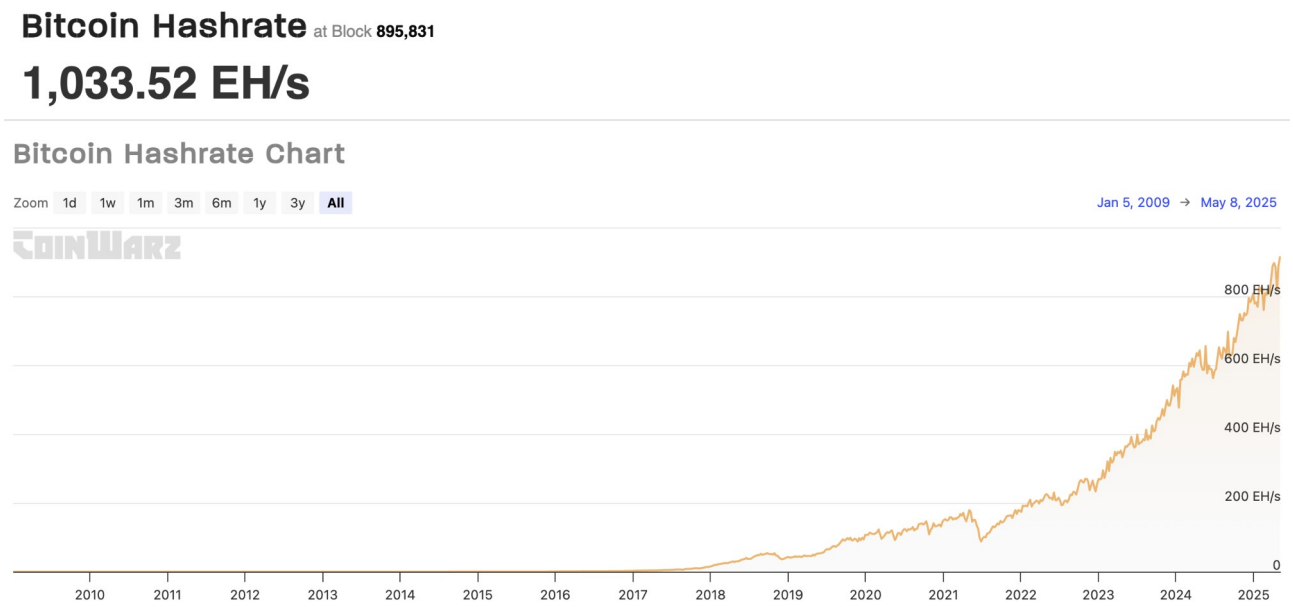
Historically, these halvings have often been followed by periods of significant price appreciation around 12 months after the event. This pattern has given rise to the idea of Bitcoin's four-year cycle and has seen Bitcoin reach progressively higher highs and higher lows each year when measured in fiat currencies. Here is a simple graphic that shows the lowest price the cost of 1 BTC fell to for each year since 2015:



The combination of an open-source payment system that also functions as a transparent monetary ledger with a fixed supply of 21 million coins and a programmed reduction in issuance every four years creates a powerful economic dynamic. At Sovereign Digital, we view this structure to be a fundamental driver of Bitcoin's rapid price appreciation in fiat terms. In just 16 years, it has grown from a niche asset traded by a small group of enthusiasts into a globally recognized asset class reaching an all-time high of $109,000.

The last aspect we'd like to address regarding what Bitcoin is and how it functions is the network's hashrate. As mentioned earlier, miners compete to maximize their computational power in order to earn the block reward subsidy. They do this by generating hashes.

A hash is a cryptographic function that converts input data into a fixed-length string of numbers and letters. Bitcoin currently uses the SHA-256 hashing algorithm, and each miner is essentially making trillions of guesses per second to find a valid hash that meets the current difficulty target. Whichever miner succeeds earns the block reward, plus any transaction fees included in that block.



Bitcoin Hashrate Chart
Sourced from Coinwarz.com

The chart above shows the hashrate of the Bitcoin network from inception to the present day and is a key indicator of both the security and health of the system. A higher hashrate means more miners are actively competing to solve the cryptographic puzzle required to validate the next block. This increasing competition strengthens the network's security and decentralisation, both of which are core to Bitcoin's functionality. The security of the network is strengthened due to something called proof-of-work.

Proof-of-work makes attacks against the Bitcoin network costly. To add a block to the Bitcoin blockchain, miners must solve complex mathematical problems using computational power. This requires real-world energy. Furthermore, it has the added effect of requiring a higher energy expenditure (and therefore cost) for miners in order for them to earn the block reward, which also drives the price of bitcoin higher due to the increased energy cost of production.

For a bad actor to successfully attack the network, such as by rewriting the blockchain or executing a "51% attack", they would need to control more than half of the total mining power (hashrate). That would mean:

- **Acquiring or renting enormous amounts of hardware**
- **Consuming vast amounts of electricity continuously**
- **Spending billions of dollars without any guarantee of success**

The sheer cost and logistical difficulty make such attacks against the network economically and practically infeasible.

For perspective, I asked ChatGPT how much energy would be required to commit to a 51% attack on the Bitcoin network with a hashrate of 900 EH/s. The response:

If the Bitcoin network's hash rate is 900 EH/s, its estimated energy consumption would range between 22.5 and 45.0 gigawatts (GW), depending on the efficiency of the mining hardware used.

For context, that's roughly equivalent to the output of 20 to 40 large nuclear power plants operating continuously.

In simple terms:
A higher hashrate means more mining machines are participating, making the network more secure and decentralized.

Summary:

Bitcoin is a decentralised digital currency and open-source network that allows anyone to send and receive value without relying on banks or intermediaries. Governed by code and secured by a global network of miners, Bitcoin has a fixed supply of 21 million coins and experiences a “halving” every four years, reducing new supply and reinforcing its scarcity. With an ever increasing hashrate, it is the most secure and powerful computing network in the world. Resilient to censorship, corruption, and failure, in just 16 years Bitcoin has grown from a cypherpunk experiment to a globally recognized digital asset, recently reaching an all-time high of $109,000.

Bitcoin as a Store of Value & Inflation Hedge

Despite Bitcoin being created as a peer-to-peer payment system, it has increasingly found itself being used or described as a store of value which is an asset, commodity or currency that can be held into the future without deteriorating in value. These assets are often used as a way to beat, or at least keep up with, inflation. In Bitcoin’s case, this use case has led some to liken or describe it as ‘digital gold’.

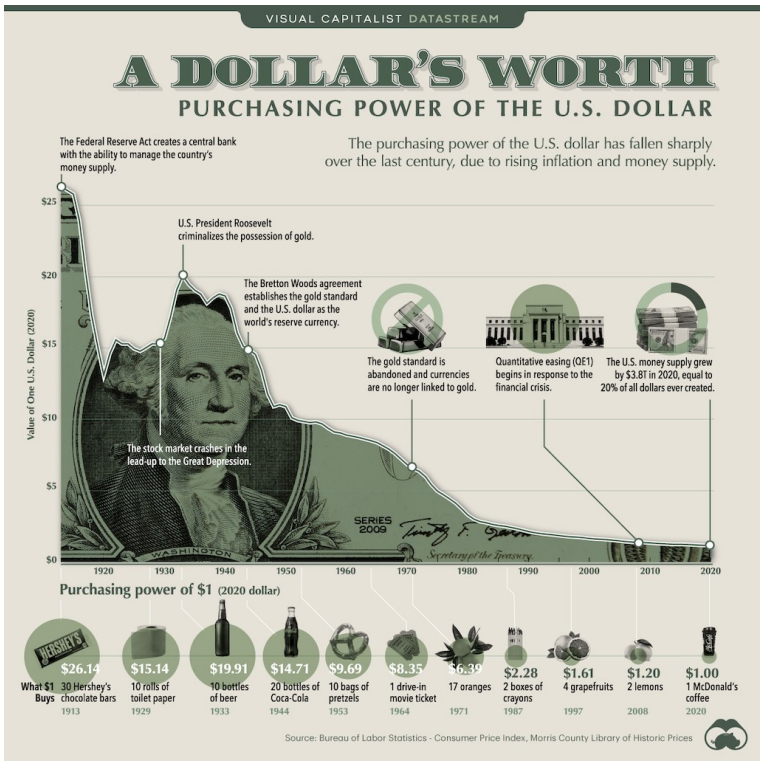
This positioning makes sense, given that Bitcoin is a deflationary asset. Unlike fiat currencies, which typically inflate in supply over time, Bitcoin’s supply is programmed to decrease in issuance every four years through a process known as the halving. As of 2025, Bitcoin’s annual inflation rate is approximately 0.84%, and it is set to fall to around 0.41% at the next halving around April 2028. By contrast, gold, another widely recognized store of value, has an inflation rate of around 1.8% to 2% annually.

Gold’s annual inflation rate of around 2% is comparable to the inflation targets set by central banks, such as the Bank of England (BoE) and the Federal Reserve. These institutions aim to maintain a 2% inflation rate for fiat currencies. However, as we will see, this target is rarely met.

In *The Bitcoin Standard*, Saifedean Ammous notes that between 1990 and 2015, the average annual growth rate of the broad money supply was 7.17% [9]. He further explains that even a 5% annual increase in a currency's money supply can lead to a doubling of that supply within just 15 years.

Inflation is a damaging economic phenomenon fundamentally caused by an increase in the money supply which erodes the purchasing power of those holding the affected currency.

Though dated, the graphic below from *Digital Capitalist* illustrates the real cost of inflation over time. It begins in 1913, the year the Federal Reserve of the United States was established. Lawrence Lepard, a professional investment manager and writer, notes that the Fed was tasked with managing the U.S. money supply. However, in his recent work, *The Big Print*, he observes that with the outbreak of World War I, the newly created Federal Reserve dramatically expanded its balance sheet from just under $200 million to $6.3 billion by 1920 in order to finance the WW1. During this period, inflation ranged from 8% to 17% annually and by 1920, a period of only 7 years, a dollar purchased only half of what it could in 1913 [10].



This sharp initial drop in purchasing power is clearly visible in the chart and directly reflects the Federal Reserve's rapid balance sheet expansion, effectively a proxy for the money supply.

Unfortunately, this has become a precedent we've been unable to shift. Central banks have become accustomed to printing money during economic turmoil, as it is often seen as the path of least resistance. The ability to print money is simply too tempting. In times of crisis, central banks flood markets with liquidity in an effort to avert disaster. While this may provide short-term relief, in reality, it's merely 'kicking the can down the road' and leaving future generations to deal with the consequences.

Money is not, as some would have us believe, just paper notes or a few digits on a smartphone or our banking app. It is an abstract and deeply human phenomenon and one that plays a fundamental role in how our civilisation allocates its time, resources, energy, and focus.

This view is shared by Sovereign Digital, as well as a range of thinkers across the spectrum. Austrian economist Ludwig von Mises, for example, believed that money and pricing are essential tools for economic calculation. Without them, society cannot efficiently allocate labor, capital, or resources. This idea can be expressed at a more human level. As Jack Mallers, CEO of Strike and co-founder of 21 Capital, puts it:

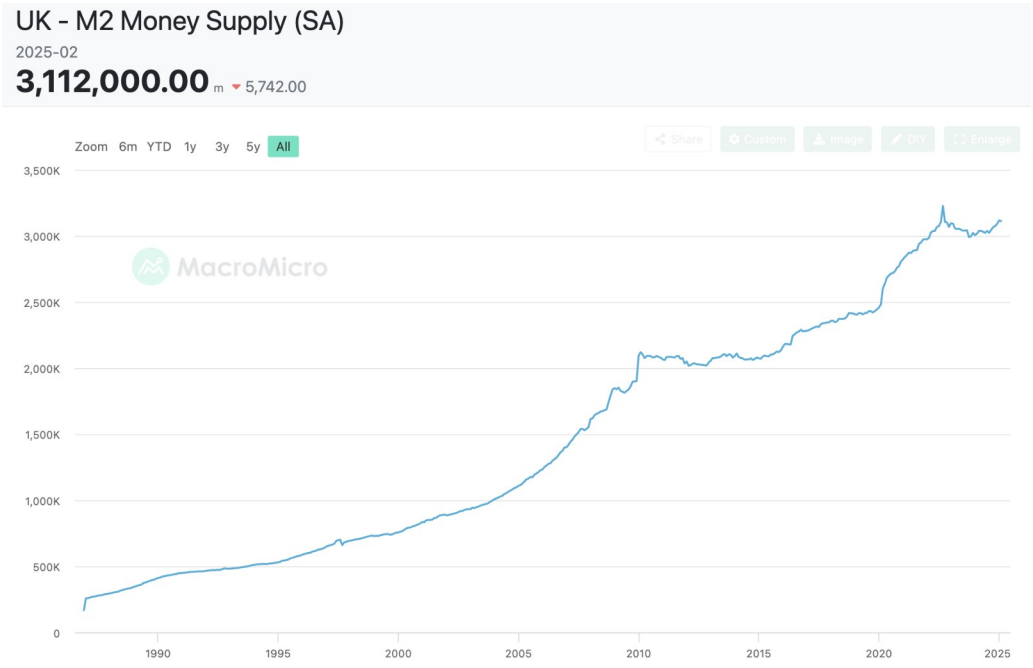
“No man should have to work for what another man can print.”

- Inflation from 1913 to 2022

Lyn Alden, in her work, Broken Money, wrote that since the Federal Reserve’s creation in 1913, broad money supply has increased by a staggering 1,118 times which translates to an average annual inflation rate of 6.6% when compounded over 109 years [11]. Moreover, during the COVID-19 pandemic in late 2021, the inflation rate exceeded 6% in a single year [12]. Inflation is a reality that individuals, companies and charitable organisations must account for, not only to thrive and achieve their goals, but to survive.

There are many factors that contribute to inflation but there is growing consensus among many analysts that the single biggest determining factor is the M2 money supply in an economy. As defined by Investopedia, M2 is:

‘A measure of the money supply that includes cash, checking deposits, and non-cash assets that can easily be converted into cash.’



The chart above shows the UK’s M2 money supply and the long-term trend is clear. it’s rising. Inflation is always going to be a factor and it can be expected with almost certainty that the purchasing power is going to be debased. This is hardly surprising, given that central banks often set their inflation targets to 2%. However, if you look at two key dates, around 2008 and 2020, you’ll notice significant spikes in the M2 money supply. These spikes coincide with two major events:

The GFC of 2008 and Covid-19.

During both events, the central banks of the US and the UK printed large amounts of money. This was argued to be necessary in order to keep the current financial system alive during the systemic turmoil of the 2008 Global Financial Crisis (GFC) as well as to fund the lockdowns during the

Covid-19 pandemic. The intention of this report is not to argue for or against the actions taken by the central banks, only to point out that they did indeed take such action and therefore to highlight the impact it had on the value of the underlying currencies and by consequence, the erosion of the purchasing power of both individuals and organisations alike.

But central banks hold more than just control over the money supply, they also set the price of money through interest rates which determines the cost of borrowing and thus influences how money enters into circulation. As Lyn Alden points out, this dual authority—to both create money and dictate its price—carries significant consequences. She illustrates how abrupt shifts in either policy can lead to major disruptions in economic stability and market behavior:

> Similarly, during the 2020 COVID-19 crash, the Federal Reserve cut interest rates to zero and injected enormous amounts of liquidity into the financial system. When asked by a U.S. congressman about the potential for price inflation after such a large surge in broad money supply growth, the Federal Reserve's chairman Jerome Powell said that he doesn't see a high likelihood for serious price inflation, and that we may have to unlearn the importance of monetary aggregates. The Federal Reserve's official interest rate projections for several years out were very low, and the chairman intamously said, "We're not even thinking about thinking about raising rates." In late 2021, when price inflation was over 6%, the Federal Reserve was still holding interest rates at zero and expanding the monetary base to buy government bonds. When price inflation started to get out of hand in early 2022, the Federal Reserve admitted it was becoming a serious problem, and then completely changed their path of monetary policy to try to address it. They started rapidly reducing the monetary base by effectively selling bonds that they had previously bought (through the process of maturation), and increased interest rates at the fastest pace in decades, which went against what they had previously forecast that they would do. This rapid change in both money supply and interest rates sucked liquidity from small banks toward large banks and money market funds and led to massive unrealized losses by banks who had bought long-duration government-backed bonds in 2020 and 2021 at low interest rates. Ultimately, this rapid drawdown in liquidity contributed to the second-biggest bank failure in American history in early 2023, along with a string of other bank failures - which forced the Federal Reserve to provide an emergency liquidity facility and take other actions to prevent further bank contagion from spreading through the financial sector.

This covid era of money printing marked what may have been the largest expansion of the money supply in the Federal Reserve’s history. As Lawrence Lepard observes in The Big Print:

> Powell’s monetary accommodation was breathtaking in its speed and size. The Federal Reserve Balance sheet is the best measure of monetary reserves in the system. From a pre-crisis level of $4.2 trillion, in the space of one month, the balance sheet went to $6.6 trillion, and by June it was $7.2 trillion. What does this mean? It means that with the click of a mouse button on a computer, the Fed had created (or printed) $3.0 trillion. Stunning. This was reflected in M2, which immediately went from $15 trillion to $18 trillion on its way to $22 trillion in 2022. Dollar holders probably did not realize it, but they had just lost 20% of the value of their savings. And the money printer was just warming up. By March 2022, the Fed’s balance sheet would peak at an astronomical $9 trillion — more than double its pre-crisis level. “Mouse-click” money of $4.8 trillion. The M2 money supply swelled in a similar fashion to $22 trillion in April 2022, a 41% increase from the start of the crisis! Pure inflation.

> Think about that: forty percent of all dollars in existence were created in response to Covid. This wasn't just inflation—it was monetary history's biggest magic trick, performed while the public was distracted by a pandemic. The rabbit may have come out of the hat, but Americans would soon pay for the show through rising prices everywhere.
>
> The difference between 2008 and Covid tells you everything. During the GFC, it took the Fed seven years to create $3.6 trillion in new money. During Covid, they pumped out $4.8 trillion in just 26 months. Same playbook, but 33% more mouse-click money at 3.2x the speed.

The scale of this money printing should shock you. But a trillion dollars is hard to comprehend. So let's look at exactly how big a trillion is.

If you had a time machine and set the dial back to one 1 trillion seconds ago and hit go, you would find yourself 31,680 years in the past. That's how big a trillion is.

And the Fed printed 5 trillion in the space of 2 years.

- Gold as a Store of Value & Flight to Safety

Gold has long served as a safe haven for investors during periods of uncertainty, with its rising value often signaling stress, fear, and uncertainty within the financial system. Its 5,000-year track record gives it credibility as a reliable store of purchasing power in times of doubt. However, gold is not without its flaws. It is heavy, costly to transport, and difficult to verify. For example, to ensure the authenticity of a gold bar, one might need to smelt and recast it to confirm that no base metals have been added to manipulate its weight. Smaller trades present their own challenges, often requiring gold to be shaved into flakes and weighed precisely, an impractical and inefficient process. While gold coins were introduced to solve some of these issues, it gave rise to coin clipping by issuers, an inflationary practice that ultimately reintroduces the very problem we're looking to solve.

Over time, gold's inherent clumsiness ultimately led it to become a store of value rather than a currency due to its low monetary velocity, meaning it circulated through the economy slowly. Over time, gold found itself centralised in vaults controlled by central banks. As technology advanced, especially in the latter half of the 19th century with the advent of telecommunications, banks gained the ability to transact and update financial ledgers with far greater speed and efficiency.

This technological shift contributed to the rise of the "paper gold" effect. Paper gold refers to financial instruments such as certificates, ETFs, or derivatives that represent claims on gold without requiring physical ownership. These instruments allow investors to gain exposure to gold price movements without the burdens of storage, security, or transport. As telecommunications and global finance became more interconnected, the velocity of economic activity increased dramatically. But this speed came with a catch.

Early in their development, banks discovered they could lend more money than they physically held in reserves. Since depositors rarely withdrew their funds all at once, banks could profit by issuing more loans and collecting interest effectively creating more money beyond what physically existed. Over time, this practice expanded well beyond sustainable levels. During financial panics or economic downturns, waves of withdrawals would reveal that banks no longer held enough reserves

to meet their obligations. Investors would rush to liquidate assets, including gold, triggering bank-runs and sharp sell-offs. These moments often exposed the excessive leverage embedded in the system, leading to widespread financial instability.

To demonstrate this fact, the Bank of England recently had issues with gold redemption. In early 2025, the Bank of England (BoE) experienced significant pressure on its gold custody operations due to a surge in demand for physical gold withdrawals. This was largely driven by financial institutions and investors seeking to transfer gold to the United States, amid concerns over potential trade tariffs and a premium in U.S. gold futures markets [13].

It is important to highlight these facts around gold because as we mentioned in the introduction of this report, we now find ourselves shifting from an analogue world into an ever increasingly digital one. Holding a gold certificate does not guarantee ownership of physical gold and in times of crisis, it is the bearer asset that is relied upon—something you own and can access without the need for a third-party. As we progress through what might be termed the Digital Revolution, it only makes sense that a form of ‘digital gold’, as Bitcoin has often been compared to, should enter into the equation.

And Bitcoin is a bearer asset that can be held and stored by anyone for a low cost.

- Bitcoin as Digital Gold

At Sovereign Digital, we are inclined to agree, for the most part, with the simplification of Bitcoin as a form of digital gold. Bitcoin’s properties have led some to describe it as a store of value in the long term despite its short term volatility. It is an asset, as has been described by Larry Fink, the CEO of Blackrock, as a place to store your wealth if you are ‘frightened of governments debasing the currency’. Even Jerome Powell, the current chairman of the Federal Reserve, has stated that Bitcoin is a competitor to gold:

“It’s just like gold, only it’s virtual, it’s digital. People are not using it as a form of payment or as a store of value. It’s highly volatile. It’s not a competitor for the dollar, it’s really a competitor for gold.” [14].

But Bitcoin differs from gold in that it can be sent anywhere in the world at the speed of light for a low fee and can be verified at anytime. It also a bearer asset, like gold, but which is far easier and convenient to store. It can be held on a computer, a hardware wallet, a steelplate, slip of paper or even memorised. For instance, an individual can travel anywhere they want in the world, and as long as they have access to their 12 world seedphrase, can access their funds. Bitcoin offers financial freedom, flexibility and movement to anybody that participates within it.

In times past, people fleeing persecution could only carry gold, jewellery or any other physical possessions they had. Today, thanks to Bitcoin, they can take an entire lifetimes fortune and reestablish themselves elsewhere. A poignant example of this can be seen in Afghanistan and I would direct the reader to an article by Bitcoin Magazine titled Finding Financial Freedom in Afghanistan [15].

Critics of Bitcoin often argue that Bitcoin’s limited use in everyday commerce such as buying a cup of coffee demonstrates its failure as a currency. They claim that because it is not widely used as a medium of exchange, Bitcoin has fallen short of becoming a functional form of money.

But neither is gold, and whilst it remains to be seen whether bitcoin will become a currency for everyday exchange, it cannot be denied that it has emerged as the next technological step in money and finance and that by natural adoption has taken on a role not only as a hedge against inflation, but as a powerful tool to preserve the wealth and capital of individuals and organisation alike.

For these reasons, Bitcoin is now considered by a growing number to be superior to gold as a monetary asset.

Where does Bitcoin Stand Today?

There are two key developments we'd like to highlight as to where Bitcoin currently stands today. The first is the emergence of Bitcoin ETFs.

An Exchange-Traded Fund (ETF) is a financial product that holds a collection of assets such as stocks, bonds, commodities, or other securities and is traded on an exchange like individual stocks. ETFs are designed to track the performance of an index, sector, commodity, or asset class.

In January 2024, BlackRock launched its Bitcoin ETF, IBIT, signaling the financial sector's acceptance of Bitcoin as a legitimate asset class. The launch propelled Bitcoin into the mainstream, and is viewed as one of the defining moments of Bitcoin's acceptance into the financial world.

By December 2024, BlackRock's iShares Bitcoin Trust (IBIT) had become the fastest-growing ETF in history, amassing over $50 billion in assets within 11 months. As of May 2025, it holds nearly $59 billion.

The second development concerns the U.S. adoption of Bitcoin. Executive orders and bills are currently being drafted to build a U.S. strategic Bitcoin stockpile. The U.S. is believed to already hold over 200,000 Bitcoin and is currently working on a bill and various legislation that would see them accumulate up to a million Bitcoin in a budget-neutral fashion [16].

But it is not just the Federal Government of the US that is racing to adopt Bitcoin. On the 6th May 2025, the state of New Hampshire became the first US state to pass Bitcoin Reserve legislation. This move will see the state begin to allocate funds to Bitcoin—as much as 5%—as part of its portfolio in the hopes of securing economic benefits for its people [17].

These factors not only demonstrate Bitcoin's acceptance within the traditional financial system, but also present a dilemma. With a total supply of only 21 million Bitcoin (arguably with around 5 million coins already lost) and the U.S. aiming to own at least a million, other nations and institutions may be forced to adopt Bitcoin as an asset. In this scenario, there may not be enough Bitcoin to go around.

Fortunately, Bitcoin is divisible.

- Bitcoins Divisibility

There are 100 million satoshis (often abbreviated as 'sats') in one Bitcoin. Put simply, if there are 100 pennies in the pound, there are 100 million satoshis in a bitcoin.

As of now, £1 would purchase approximately 1,300 sats. However, there is a remote possibility that the U.S. could adopt Bitcoin as its reserve currency. To address its $36 trillion debt, the U.S. may decide in the future to peg the dollar to Bitcoin. If that were to happen, it would not only shift the world to a Bitcoin standard, but could also eventually see 1 dollar equal 1 satoshi.

While this scenario may seem unlikely, it is worth remembering that every fiat currency in the history of mankind has ultimately gone to zero. In an increasingly digital world, the reality is that digital assets and cryptocurrencies are going to become the norm rather than the exception. Crypto adoption is already growing at a pace faster than the adoption of the internet.

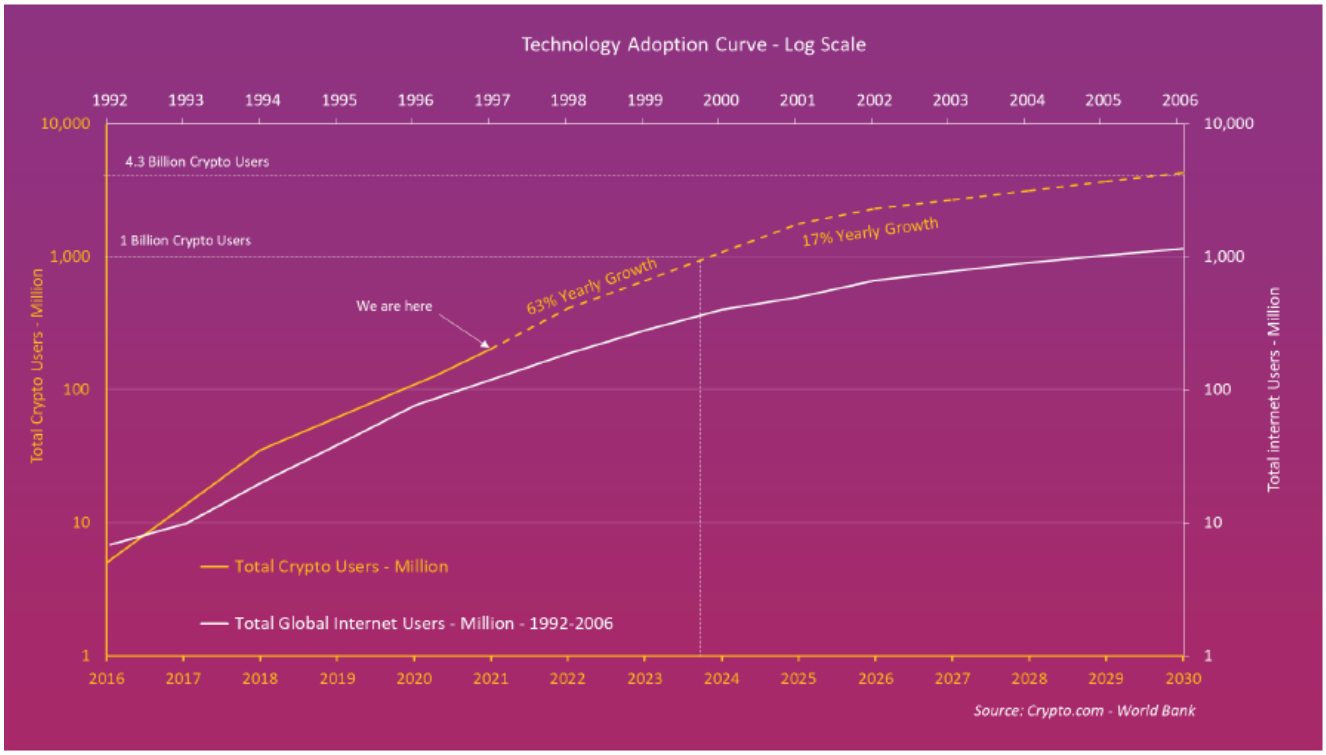


Chart taken from Raoul Pal's X post @RaoulGMI
9:25 PM · May 13, 2021

- Reserve Currencies since 1450 to present

Given its inherent properties, Bitcoin presents an increasingly attractive option as a world reserve currency, especially in the context of a weakening US dollar and its declining role as the world's reserve currency.

Below are the last six world reserve currencies and their respective time periods. Interestingly, each lasted around 80-100 years before a global and economic power shift occurred:

1. Portugal (1450-1530): Portugal's currency became prominent due to extensive maritime exploration and trade routes.

2. Spain (1530-1640): Vast silver reserves from the Americas helped establish the Spanish silver dollar as a global reserve currency.

3. Netherlands (1640-1720): War with the British Empire in Asia and a financial crisis with the Dutch East India Company led to bankruptcy and the fall of the Dutch gilder or 'gulden'.

4. France (1720-1815): France held the reserve currency status with the French franc, but failed due to economic mismanagement and political instability. This period coincided with the French Revolution.

5. Great Britain (1815-1920): The Industrial Revolution, a colonial empire and the establishment of a gold standard made the pound the world reserve currency for over 100 years. It is where the saying 'as good as gold' originated, with pound notes said to be exchangeable for gold anywhere in the empire.

6. United States (1920-present): The US dollar began its rise to prominence around 1913 and since the end of WW2 with the Bretton Woods Agreement has served as the world's reserve currency for over 60 years. But its dominance is waning. Mounting deficits and growing geopolitical uncertainty have weakened global confidence in the dollar. For example, sanctions imposed on Russia following its invasion of Ukraine have prompted some nations to seek alternatives to dollar-based transactions. Additionally, the end of a 50-year agreement with Saudi Arabia has led to oil being traded in other currencies such as the Russian ruble and Chinese yuan.

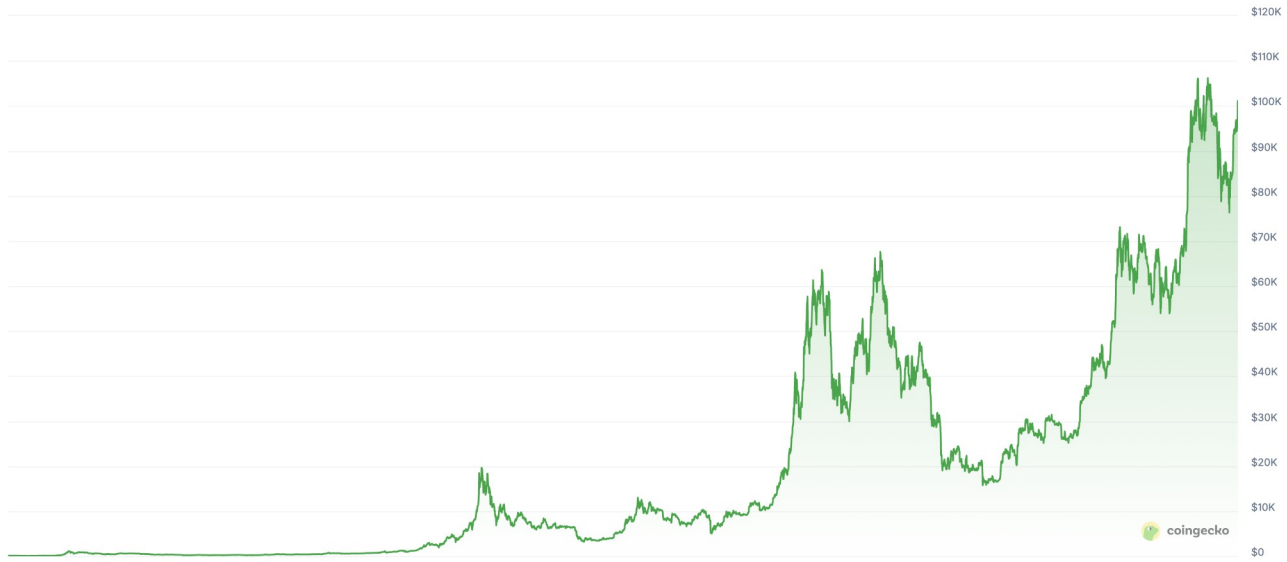
Given the history of reserve currencies, the US dollar appears to be overdue a transition. Every fiat currency in history has ultimately gone to zero, and in today's digital age, it stands to reason that digital money will be the catalyst for a period of economic transition that may well see it take the lead in becoming the next world reserve currency.

Final Thoughts

The chart below is the price of Bitcoin since its inception in 2009 to the time of this writing in May 2025. It must be repeated that Bitcoin is a volatile asset, but despite its volatility, continues to grow in price and adoption.

To quote Michael Saylor, CEO of Strategy:

“Volatility is vitality.”



I would encourage the reader to refer back the Yearly Low’s chart as a more insightful way to gauge the rise in Bitcoin’s price through the years. Furthermore, it is not advisable for any individual or institution to invest into Bitcoin if they do not have a thorough understanding of the technology. This is because during sharp downturns and corrections, you are more likely to sell the underlying asset and therefore worsen your financial situation and incur a loss.

But for those who do understand this digital asset, are willing to learn and to think long-term, Bitcoin offers a way to outrun inflation and may even offer a ‘lifeboat’ for your cause should the current monetary system falter again and see increased inflationary pressures.

Summary

The global economic environment is undergoing significant change, driven by factors like trade wars, tariffs, economic stagnation, rising taxes and financial distress. As a result, there is an increasing need for individuals and organisations to adapt to these shifting dynamics. Bitcoin, with its decentralised and deflationary nature, has emerged as a potential solution to provide financial security in uncertain times.

Bitcoin’s fixed supply, halving cycles and the ease, cost and speed at which it can be transacted make it an attractive option for those seeking to preserve their purchasing power. Its growing

mainstream adoption, as seen with BlackRock's Bitcoin ETF and the US Strategic Reserve, further highlight its emerging role as as a viable asset.

Amid a digital revolution, Bitcoin's potential as a store of value and even as a future reserve currency becomes more apparent. Bitcoin's properties make it a resilient and neutral economic instrument that no single party can control.

We understand that adopting Bitcoin can be a daunting step. Years of misinformation and a lack of informed conversation have resulted in many avoiding adoption due to perceived risks. However, at Sovereign Digital, we believe the riskiest position is a zero allocation to this transformative asset.

Sovereign Digital offers informed guidance, training and the knowledge needed for a strategic approach to adopting Bitcoin. We encourage thoughtful consideration and informed discussion before taking the step into this new monetary system. There are multiple paths to adoption, and we can help you navigate each one, whether it be understanding the nuances of self-custody, exploring multi-signature solutions, or evaluating third-party storage options. Our team can support you in setting up secure wallets, running your own node, and training your workforce to adapt to the evolving financial landscape. Our goal is to provide a tailored approach that meets your unique needs and ensures a confident entry into the world of Bitcoin.

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