What is bitcoin?

Bitcoin brings money into the Internet Era

Bitcoin is a monetary asset that's designed for the Internet Era. People get excited about bitcoin because it makes the following changes to the traditional financial ecosystem possible:

Slow and Expensive → Fast and Cheap

To make a transfer or payment using bitcoin, users don't need two-day clearing periods or exorbitant rush fees; they simply send bitcoin like a text message. Unlike in legacy finance, the process is simple, efficient, incredibly fast, and available 24/7/365.

Central Bank Control → Network Control

By design, no single government or entity controls bitcoin. It can't be subject to arbitrary economic policy, hyperinflation, or authoritarian governments. Bitcoin is governed by code—software whose rules are accepted and enforced by a worldwide network of independent computers.

Arbitrary Supply → Fixed Supply

Unlike traditional currencies, bitcoin's supply is fixed: There will never be more than 21 million bitcoins. This built-in scarcity is designed to prevent the inflationary forces that can derail traditional currencies. For this reason, it has often been perceived as a store of value comparable to another scarce asset: gold.

The upshot: Imagine the potential that can be unlocked when money becomes faster, cheaper, more accessible, more autonomous, and more predictable—through a tool that's available to anyone with an internet connection, anywhere in the world.

Matt's Takeaways

01

Bitcoin is the first and largest crypto asset in the world, with a 16-year track record.

02

Its underlying blockchain technology represents a breakthrough in how money can be sent, received, and stored. It's often described as a digital version of gold.

03

Bitcoin's value is not dependent on any government. No single entity controls the network that powers bitcoin.

Bitcoin has compelling investment characteristics

Bitcoin has seen extraordinary growth in value and user base over the past decade. What are some of the reasons behind that surge?

A new type of alternative asset.

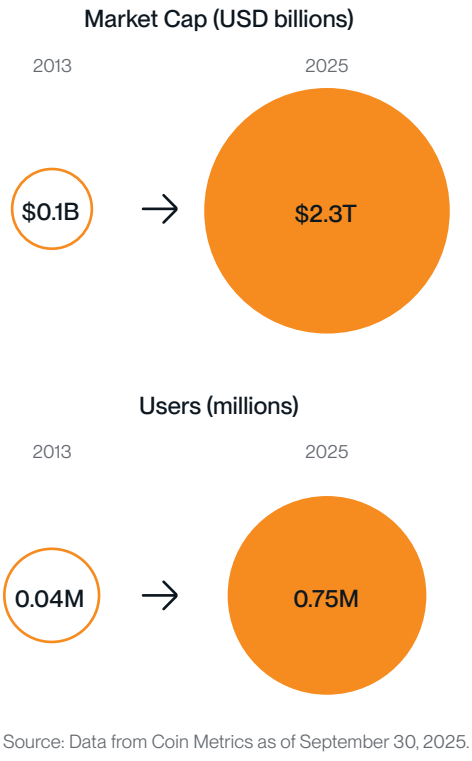
Bitcoin has shown high return potential and volatility, as well as historically low correlations with other major asset classes.

The potential to disrupt a variety of large markets.

Bitcoin is still small compared to the markets it aims to disrupt. If it succeeds in becoming an established store of value and legal tender, it will tap into markets measured in the trillions of dollars.

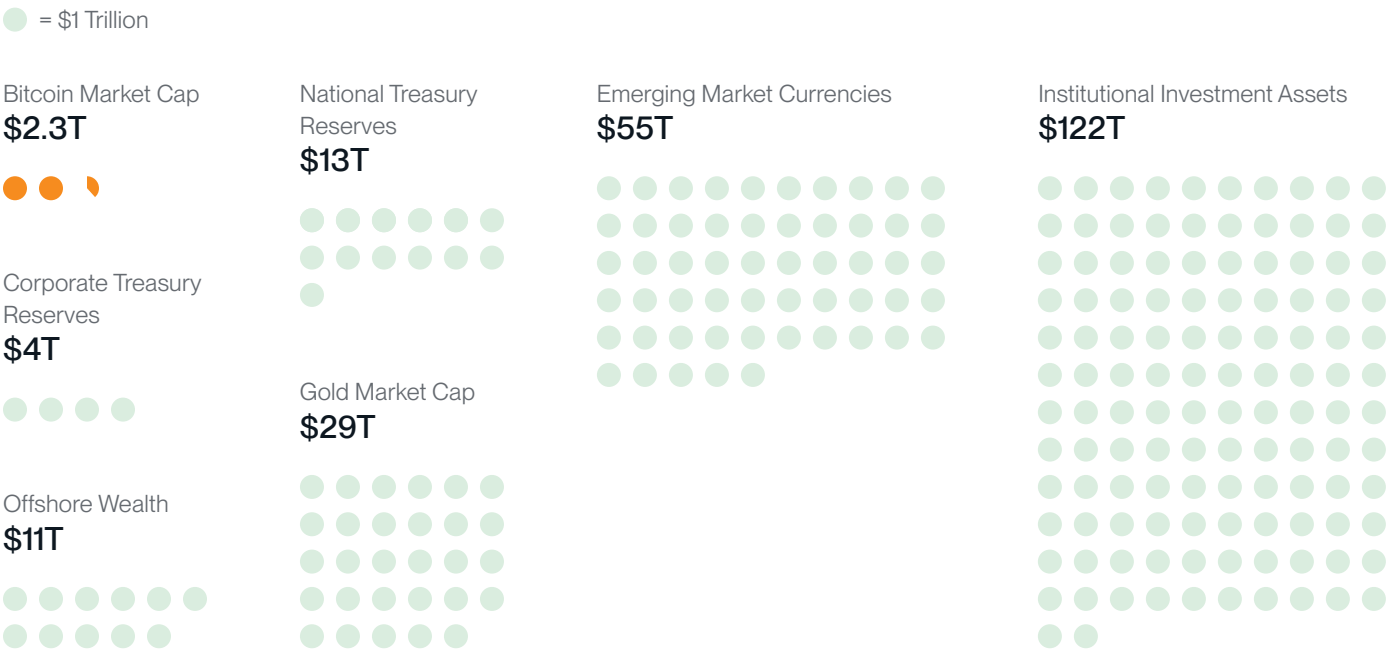
Growing mainstream and institutional momentum.

Technologies that benefit from the "network effect," like bitcoin, become disproportionately more valuable as their user base grows. With some of the most trusted household names making big investments in bitcoin and crypto in recent years—BlackRock, Fidelity, Charles Schwab, JPMorgan Chase, Bank of America, BNY Mellon, and Goldman Sachs—the power of the bitcoin network continues to grow.



Source: Data from Coin Metrics as of September 30, 2025.

Relative Size of Bitcoin vs. Current Addressable Markets



Source: Bitwise Asset Management with data from Bloomberg, IMF, World Bank, BCG, APMEX, Carfang Group, and EU Tax Observatory. Data as of September 30, 2025.

Notes From the Research Desk

I often wonder why so many people are skeptical of bitcoin. I think because of the name “cryptocurrency” people expect it to be used the same way as other currencies: to buy coffee, pay bills, etc. And because they don’t use bitcoin to buy coffee, people assume it’s useless.

They’re looking at the wrong thing. Bitcoin isn’t a currency. It’s a store of value, like gold, and a financial technology, like SWIFT. Most people miss the incredible things you can do with bitcoin, like move money around the world in seconds, or store wealth without a bank.

If bitcoin were called a “digital asset” (as it should be), you’d have many more investors and fewer skeptics.

Ryan Rasmussen
Head of Research

About Bitwise

Bitwise Asset Management is a global crypto asset manager with more than $15 billion in client assets and a suite of over 30 crypto investment products spanning ETFs, separately managed accounts, private funds, hedge fund strategies, and staking. The firm has an eight-year track record and today serves more than 4,000 private wealth teams, RIAs, family offices and institutional investors as well as 15 banks and broker-dealers. The Bitwise team of over 100 technology and investment professionals is backed by leading institutional investors and has offices in San Francisco, New York, and London. For more information, visit www.bitwiseinvestments.com.

Scan to access the full Bitwise Bitcoin Library in the Bitwise Expert Portal.

Risks and Important Information

No Advice on Investment; Risk of Loss: Prior to making any investment decision, each investor must undertake its own independent examination and investigation, including the merits and risks involved in an investment, and must base its investment decision—including a determination whether the investment would be a suitable investment for the investor—on such examination and investigation.

Crypto assets are digital representations of value that function as a medium of exchange, a unit of account, or a store of value, but they do not have legal tender status. Crypto assets are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not currently backed nor supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies, stocks, or bonds.

Trading in crypto assets comes with significant risks, including volatile market price swings or flash crashes, market manipulation, and cybersecurity risks and risk of losing principal or all of your investment. In addition, crypto asset markets and exchanges are not regulated with the same controls or customer protections available in equity, option, futures, or foreign exchange investing.

Crypto asset trading requires knowledge of crypto asset markets. In attempting to profit through crypto asset trading, you must compete with traders worldwide. You should have appropriate knowledge and experience before engaging in substantial crypto asset trading. Crypto asset trading can lead to large and immediate financial losses. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price.

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