

Is Bitcoin the new gold standard or another fiat?

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A statistical analysis of volatility in cryptocurrencies has been carried out using a news impact curve. The analysis provides empirical evidence that could help economists decide whether these modern digital currencies are trust-based but intrinsically worthless like the "fiat" paper money system of familiar currencies we use or the new "gold standard." The research team offers details of their analysis and their conclusions in the *International Journal of Monetary Economics and Finance*.

Anwar Hasan Abdullah Othman, Syed Musa Alhabshi, and Razali Haron of the IIUM Institute of Islamic Banking and Finance at the International Islamic University Malaysia, in Kuala Lumpur, explain that trading in Bitcoin, perhaps the most well known of the cryptocurrencies is more on a par with trading in [precious metals](#), specifically gold, as opposed to trading in hard currency. The analysis shows that the volatility and response to economic shockwaves are similar for Bitcoin and gold but that hard currency, such as the US dollar,

responds differently in terms of how value changes with the ups and downs of trading and the wider economic conditions.

The team adds that their [analysis](#) supports the notion that Bitcoin and gold represent safe-haven assets and could be exploited in hedging against market risk especially during ebullient economic times. "Evidence suggests that cryptocurrency is a potential alternative to the current fiat money system," the team writes, "offering benefits to policymakers and a good investment option for positional investors in terms of hedging, portfolio diversification strategy, and risk management."

The next step with this research will be to extend a similar analytical processing to other cryptocurrencies to determine whether or not these conclusions might be generalized beyond Bitcoin.

More information: Razali Haron et al. Cryptocurrencies, Fiat Money or Gold Standard; An Empirical Evidence from Volatility Structure Analysis Using News Impact Curve, *International Journal of Monetary Economics and Finance* (2019). [DOI: 10.1504/IJMEF.2019.10019878](https://doi.org/10.1504/IJMEF.2019.10019878)

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