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Bitcoin Requires a Deflationary Mindset

An important feature that makes it unintuitive for both individuals (as well as institutions) to integrate bitcoin into their financial landscapes is its deflationary nature, or at least highly disinflationary design. Bitcoin is the largest fixed-supply asset on Earth, programmed by its immutable protocol to cap out at 21 million whole units (of which 95% has already been issued). As of September 2025, it had a market capitalization of over $2 trillion, making it the fifth-largest asset in the world behind a handful of stocks and gold. While gold is thought to be the least inflationary asset, with an annual increase in supply of approximately 1.5%, bitcoin's supply is currently inflating at half that rate. In the current mining reward epoch, the network adds 3.125 bitcoin every 10 minutes, or 450 bitcoin per day, and around 165,000 bitcoin per year. Adding to the nearly 20 million bitcoin that have been issued already, that is an annual supply increase of a little under 0.8%, or half of gold's issuance. This issuance will continue to halve every four years until 2140, after which there will be no new bitcoin issued. The point here is that bitcoin is already less inflationary than gold, and will eventually

add no new stock to the world's supply. This alone doesn't make it deflationary, but when you insert it into a monetary landscape of vastly inflationary monies like fiat currencies, stocks, bonds, real estate, etc., the supply-capped bitcoin will continue to absorb the monetary energy of its peers. Bitcoin continues to grow as a money, and people will need less and less of it as time goes on.

Unlike annuity programs that provide for Cost of Living Adjustments (COLAs) by increasing the annual payments, participants on the Bitcoin network will generally follow its reward schedule and require lower amounts over time. We've seen this drastically in the first sixteen years of bitcoin's existence and it will likely converge to the supply schedule of half every four years as the speculative value of bitcoin eventually goes to zero.

Why would this be an issue for institutions? Let us count the ways. Starting with the time value of money, deflation (or even the lack of inflation) is a foreign concept. Every accountant working in a finance department is familiar with the time value of money in such a way that emphasizes Present Value as a common way to view streams of cash flows, whether those cash flows are one year out or 30 years out. A $1,000 cash flow in ten years, like that of the Par Value of a 10-Year Treasury Bond, is valued today (under an annual interest rate of 10%) at about $375. On the surface, this seems intuitive and is as innocuous as the water a fish swims in. However, included in the water we swim in is the fact that US dollars

(in the case of the bond) are being devalued in purchasing power by an onslaught of inflationary forces that are impossible to deny. A naive CFO will tell you that the CPI is 2-3% a year, but even at those levels, the Present Value of the purchasing power of that $1,000 in ten years is approximately $800. A more astute economist who understands that inflation is actually much higher than CPI will view that payoff as having significantly lower purchasing power and it begins to illustrate the folly of using Present Value as a benchmark for financial valuation, as it masks the debasement of the expected future payoffs and colors the incentives of the debt issuers that actually add a significant amount of counterparty risk.

The discussion doesn't become clear until one compares a future payoff payable in bitcoin with a future payoff payable in US dollars (or a comparable fiat currency). A payoff of 0.01 bitcoin (currently valued at $1,000 USD) in ten years will have a future value that at least retains the purchasing power, and the Present Value of that cash flow would be an appropriate valuation metric for a CFO. This is problematic in the financial landscape since all valuations are Present Values. That 0.01 bitcoin will programmatically have a value in ten years that reflects three halvings, so it will double against US dollars three times, giving it an expected Future Value of $8,000 to retain its current $1,000 purchasing power. I cannot overstate that these estimates assume no further currency debasements, which is a highly unreasonable assumption. The point is that it is unacceptable to view such a payoff today