



## The Weighing Machine Paradox: Why Disciplined Investors Remain Skeptical of Bitcoin

*Neither dinosaurs nor doomers—just people who did the math.*

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The Bitcoin debate has calcified into caricature. On one side: laser-eyed evangelists who've replaced analytical rigor with hashtags. On the other: dismissive traditionalists who wave away \$1.8 trillion in market cap as tulip mania with better marketing. Both camps are wrong about the other, and the discourse suffers for it.

As CIO of an independent advisory firm, I've spent two decades building investment modeling and forensic accounting systems to evaluate companies across global markets. I've read the Bitcoin white papers, tracked the on-chain metrics, and watched institutional adoption unfold in real time. I'm not skeptical of Bitcoin because I don't understand it. I'm skeptical *because* I understand how asset valuation works—and Bitcoin doesn't fit.

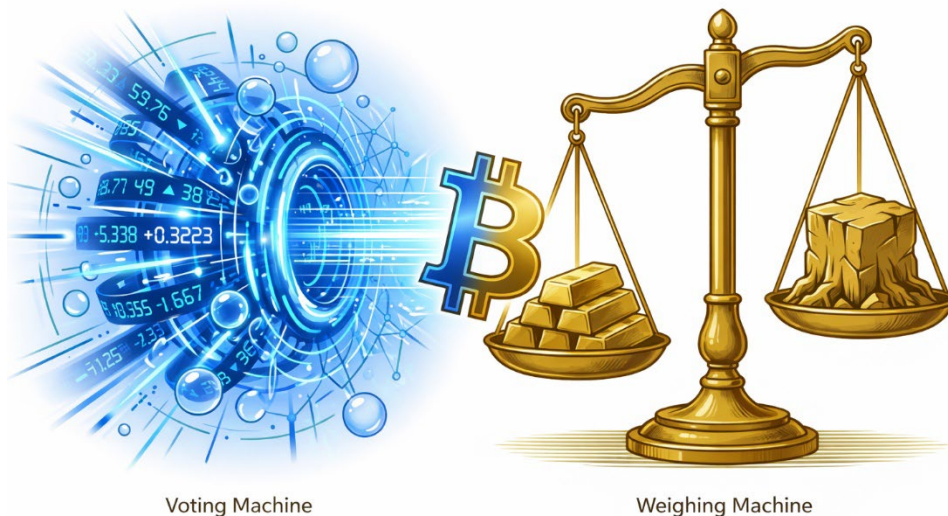
This isn't a takedown piece. It's an honest attempt to explain why many of us remain unconvinced by Bitcoin's long-term investment thesis, while acknowledging the strongest arguments in its favor. The goal is to elevate the conversation beyond tribal signaling.

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### The Voting Machine vs. The Weighing Machine

Benjamin Graham, the intellectual father of value investing, offered a distinction that every serious investor eventually encounters: “In the short run, the market is a voting machine. In the long run, it is a weighing machine.”

The voting machine reflects sentiment—what people *feel* an asset is worth at any given moment. The weighing machine reflects fundamentals—what an asset actually *produces* over time.





Most traditional assets live in both worlds. Amazon stock might gyrate on rumors and momentum in the short term, but over decades, its price gravitates toward the present value of its future cash flows. Real estate fluctuates with sentiment, but eventually tracks rental income and replacement cost. Bonds are explicitly priced on promised payments.

Bitcoin exists only in the first world. It produces nothing. It generates no earnings, pays no dividends, creates no rental income. There is no intrinsic anchor to which its price must eventually converge. Bitcoin at \$50,000 is no more “correct” than Bitcoin at \$500,000 or \$5,000—because there's no cash flow to discount, no earnings to value.

This isn't a moral judgment. It's a mathematical observation. When Warren Buffett says he wouldn't buy all the Bitcoin in the world for \$25, he's applying the same framework that built one of the most successful investment track records in history. “If you buy something like Bitcoin,” Buffett explains, “you don't have anything that is producing anything. You're just hoping the next guy pays more.”

NYU's Aswath Damodaran—widely regarded as the “Dean of Valuation”—frames it even more precisely: Bitcoin cannot be *valued*; it can only be *priced*. Valuation requires estimating future cash flows and discounting them to present value. Pricing is simply observing what someone will pay today. The distinction matters enormously for fiduciaries tasked with protecting client capital.

You can disagree with these conclusions. But you can't pretend the logic is unsophisticated.

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## The “Digital Gold” Thesis Has a Data Problem

The most intellectually compelling bull case for Bitcoin is the store-of-value narrative—digital gold for the digital age. Fixed supply. Immune to monetary debasement. A hedge against institutional failure.

It's a beautiful theory. It just keeps failing the empirical tests.

During the 2022 bear market—when inflation spiked, central banks hiked aggressively, and risk assets sold off—gold declined just 7% while Bitcoin cratered 58%, amplifying equity losses by more than two-to-one. This wasn't supposed to happen. The “digital gold” thesis promised Bitcoin would behave like a scarce store of value during monetary stress. Instead, it behaved like a levered equity bet.

This wasn't an isolated incident. During the COVID crash of February-March 2020, Bitcoin fell 33%—almost perfectly tracking the S&P 500's 34% decline—while gold lost just 4%. During the April 2025 tariff-induced selloff, the pattern repeated: equities dropped 19%, Bitcoin dropped 20%, and gold actually rose 2%. When investors needed protection, the “digital gold” sold off while the real thing provided genuine diversification.

Academic research examining Bitcoin's safe-haven properties across multiple crises has concluded bluntly that Bitcoin showed zero days of negative correlations with major stock indices during market stress—the opposite of what a hedge should do.



INVESTMENT RESEARCH • ASSET ALLOCATION ANALYSIS

# The Safe Haven Illusion

A comparative analysis of crisis-period performance reveals Bitcoin's persistent correlation with risk assets while gold maintains its defensive characteristics.

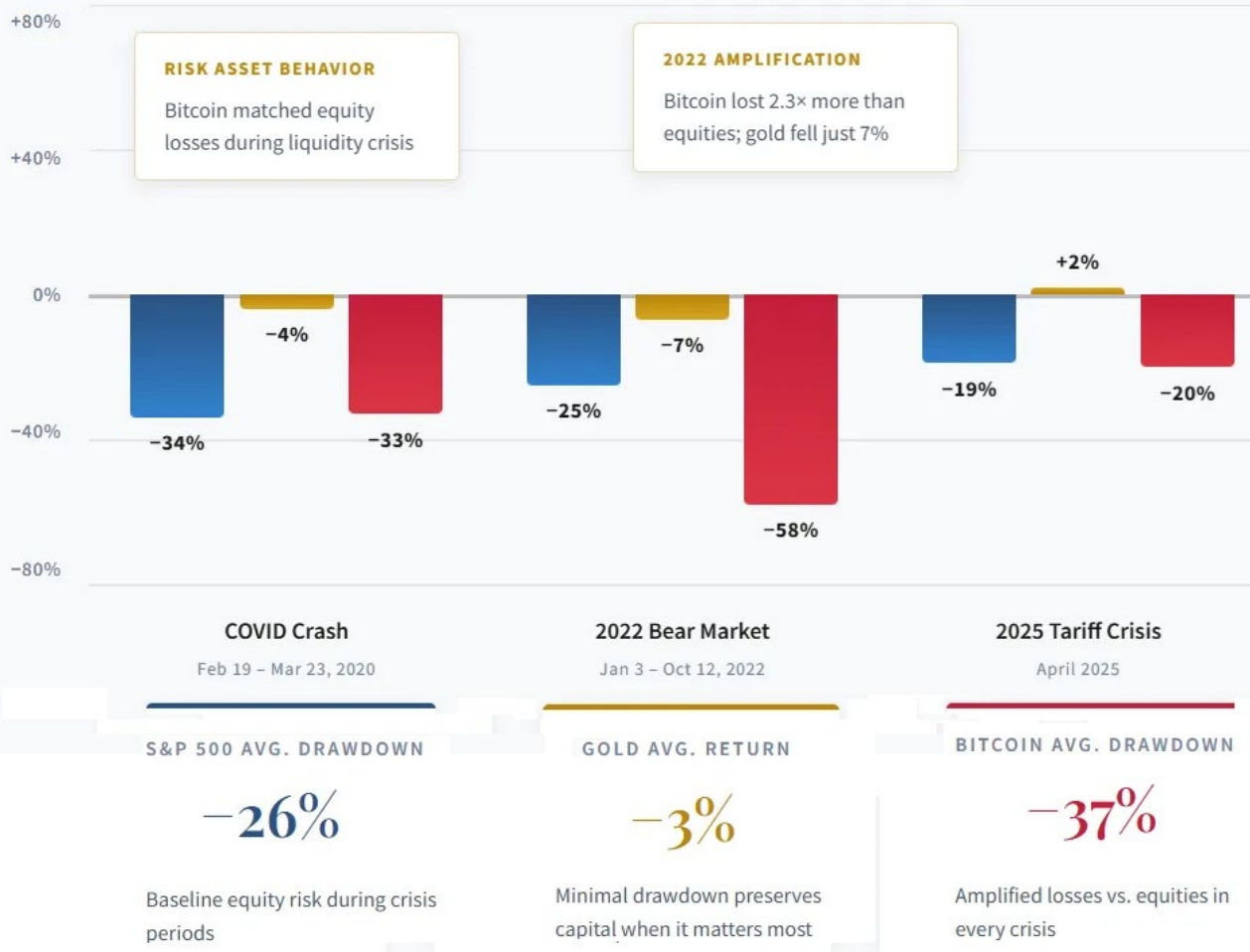
## KEY FINDING

*"In every crisis, Bitcoin fell alongside—or harder than—equities, while gold preserved capital with minimal drawdowns averaging just 3%."*

## Asset Performance During Market Stress Events

Peak-to-trough drawdowns measured from crisis onset to market bottom

■ S&P 500 ■ Gold ■ Bitcoin



Source: Bloomberg (SPX Index, XBT Curncy, XAU Curncy)

Note: Returns measured from pre-crisis equity peak to trough. Crisis periods defined by S&P 500 drawdown dates.



The World Gold Council's analysis is even more direct: “When you expect protection against significant market moves, Bitcoin tracked risk assets.”

None of this proves Bitcoin *can't* become a store of value. But it does prove it isn't one yet—and “it might work someday” is a thin foundation for a core portfolio allocation.

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## The Best Arguments For Bitcoin

Intellectual honesty requires engaging with the strongest opposing case. Here's what thoughtful Bitcoin advocates argue—and why these points deserve serious consideration:

### 1. Institutional Adoption Is No Longer Theoretical

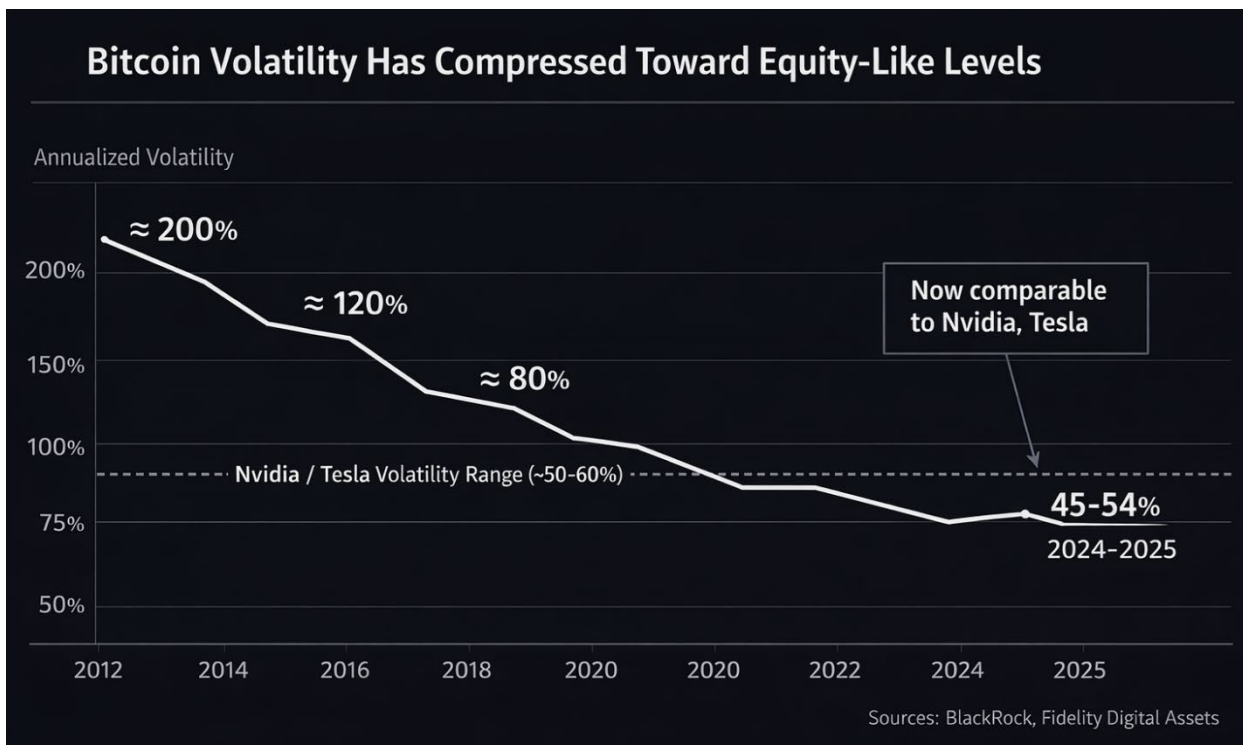
This one is simply true. BlackRock's iShares Bitcoin Trust (IBIT) has accumulated over \$62 billion in inflows since January 2024, making it one of the most successful ETF launches in history. Total US Bitcoin ETF assets under management approached \$117 billion by late 2025. This isn't retail speculation—it's pension funds, endowments, and registered investment advisors entering the market through regulated vehicles.

More striking: IBIT attracted \$25 billion in 2025 despite posting a negative return for the year. As Bloomberg's Eric Balchunas noted, “If you can do \$25 billion in a bad year, imagine the flow potential in a good year.” The “HODLing” behavior among institutional allocators suggests genuine conviction, not momentum chasing.

That said, this institutional infrastructure faces near-term stress tests. MSCI has proposed excluding companies with over 50% of assets in digital currencies from its Global Investable Market Indexes—a decision expected January 15, 2026. If implemented, 39 companies representing \$113 billion in market cap could face forced selling from passive funds. MicroStrategy alone accounts for 74.5% of that exposure. Institutional adoption is real, but its permanence shouldn't be assumed.

### 2. Volatility Is Demonstrably Declining

Early Bitcoin was wildly unstable—200%+ annualized volatility in 2012. By 2024-2025, that figure had compressed to roughly 40-50%, now comparable to individual megacap tech stocks like Nvidia or Tesla. BlackRock's analysis shows Bitcoin's rolling one-year volatility declining steadily over the past seven years.



This matters for asset allocation. An asset that's less volatile than individual positions many advisors already hold becomes harder to dismiss purely on risk grounds.

### 3. Nation-State Adoption Has Begun

On March 6, 2025, the United States established a Strategic Bitcoin Reserve via executive order, centralizing government-held Bitcoin obtained through forfeitures. New Hampshire became the first US state to authorize Bitcoin reserve holdings. El Salvador, despite IMF pressure, continues accumulating—holding over 7,500 BTC as of late 2025.

This isn't necessarily *good* policy. But it represents a legitimacy threshold that didn't exist five years ago. When sovereign nations treat Bitcoin as a reserve asset, dismissing it as purely speculative becomes intellectually lazy.

### 4. The Network Has Survived 16 Years

The Lindy Effect suggests that technologies which survive longer tend to survive longer still. Bitcoin has operated continuously since 2009, weathering exchange hacks, regulatory crackdowns, 80%+ drawdowns, and countless obituaries. Each year it doesn't fail makes future failure incrementally less likely.

The distinction between protocol and ecosystem matters here. In 2025, crypto hacks totaled \$2.7 billion according to TRM Labs—but none exploited the Bitcoin protocol itself. The losses reflected centralized exchange custody failures (including the \$1.46 billion Bybit breach, history's largest) and cross-chain bridge vulnerabilities. Bitcoin's network security remains operationally sound; Bitcoin held on centralized platforms faces the same counterparty risks as any custodied asset.



One caveat: Bitcoin's long-term security depends on miner incentives. As block rewards decline through 2032-2040, transaction fees must rise dramatically to maintain network security—an untested transition that introduces structural uncertainty.

## 5. Portfolio Math Is Asymmetric

This is the argument I find hardest to dismiss. A small allocation—say, 1-2%—limits downside while preserving meaningful upside if institutional adoption continues. Even a total loss of a 2% position costs a \$1 million portfolio just \$20,000—painful, but not catastrophic. BlackRock has explicitly made this case, suggesting a 1-2% allocation produces a similar risk contribution to Magnificent Seven tech stocks.

## 6. The Fiscal Dominance Thesis

Skeptics ask where the cash flow is. Believers ask where the solvency is. With US debt interest payments now exceeding the defense budget, believers argue we've entered “fiscal dominance”—a state where the Fed must eventually accommodate Treasury issuance to prevent a debt spiral. In this environment, Bitcoin isn't a stock that needs earnings; it's a short position on the Treasury's balance sheet. It's the only asset with a mathematically inelastic supply in a world of expanding liquidity. You don't have to believe this thesis to acknowledge its internal coherence.

## 7. The Reflexivity Problem (The Argument That Keeps Skeptics Awake)

Here's the bull case that's genuinely difficult to refute: What if enough people believing Bitcoin is valuable *makes* it valuable—and that's sufficient? Gold has no cash flows either, yet maintains a \$15 trillion market cap through collective belief and Schelling point dynamics. If “intrinsic value” requires productive output, gold fails the same test Bitcoin does. Yet no one calls gold a Ponzi scheme. The uncomfortable question: What if network effects plus social consensus *are* a form of fundamental value, and our cash-flow frameworks are simply the wrong lens? I don't have a satisfying answer to this. Neither do most skeptics, if they're honest.

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## The Best Arguments Against Bitcoin

And yet, substantial problems remain—problems even the most sophisticated Bitcoin advocates should acknowledge:

### 1. No Cash Flow Means No Valuation Anchor

This remains the core issue. Traditional assets can be valued by discounting future cash flows. Bitcoin cannot. Its price is determined entirely by what the next buyer will pay, which is determined by what *their* next buyer will pay. It's speculation on speculation.

Buffett's framework isn't outdated—it's timeless precisely because productive assets compound while non-productive assets merely trade. A farm produces crops. A business produces earnings. Bitcoin produces... more Bitcoin demand? That's circular.

### 2. The Safe-Haven Thesis Has Repeatedly Failed





As documented above, Bitcoin has provided no meaningful hedge during actual market stress. Two Sigma's analysis of the 2022 selloff found Bitcoin was the *worst* performing “safe haven” asset, declining nearly 59% while gold, the dollar, and defensive equities provided genuine protection.

This isn't about Bitcoin being “young.” It's about what Bitcoin actually *is*: a risk-on asset that amplifies portfolio volatility rather than dampening it. If you want Bitcoin exposure, own it as a speculative allocation—not as a stabilizer.

### 3. Correlation Spikes Precisely When Diversification Matters Most

Diversification benefits are measured during stress, not calm. An asset that's uncorrelated during benign markets but becomes highly correlated during crashes provides *illusory* diversification—it fails exactly when you need it.

CME Research documented Bitcoin's correlation with equities reaching 0.69 during the 2022 crisis and climbing to 0.87 during 2025 volatility episodes. The asset has become increasingly integrated into traditional portfolio frameworks, which means it's increasingly subject to the same macroeconomic forces—Fed policy, risk appetite, liquidity conditions.

### 4. Severe Drawdowns Persist

Bitcoin's volatility may be declining, but its peak-to-trough drawdowns remain catastrophic by any traditional portfolio standard. From October 2025's all-time high above \$126,000 to late-year lows near \$80,000 represents a 30%+ decline in mere weeks. Previous cycles have seen 77-80% drawdowns.

For clients with 10-year time horizons and defined spending needs, this isn't acceptable portfolio behavior. The math of recovery from 75% losses (needing a 300% gain to break even) makes Bitcoin unsuitable as a core holding for most financial planning scenarios.

### 5. El Salvador's Experiment Has Been... Educational

Bitcoin advocates pointed to El Salvador as proof of concept. Four years later, the verdict is mixed at best. The IMF forced the country to rescind Bitcoin's legal tender status. Adoption rates among citizens remained stubbornly low. *The Economist* called it a failure in March 2025.

This doesn't invalidate Bitcoin. But it should temper enthusiasm about nation-state adoption as a bull catalyst. Political decisions to hold Bitcoin reserves may reflect ideology more than sound monetary policy.

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## What I Tell Clients

When clients ask about Bitcoin—and increasingly they do—I don't dismiss the question. I explain the framework:

Traditional asset allocation works because productive assets generate returns that compound over time. Stocks represent ownership of businesses that earn profits. Bonds represent claims on



promised payments. Real estate generates rental income. These cash flows can be valued, compared, and assembled into portfolios with reasonable expectations about long-term returns.

Bitcoin doesn't fit this framework. It may appreciate—perhaps substantially—but that appreciation depends entirely on future demand from new buyers, which depends on *their* expectations of future demand. It's sentiment all the way down.

For clients who understand this distinction and still want exposure—typically younger clients with long time horizons, high risk tolerance, and genuinely discretionary capital—a small allocation (1-3%) is defensible. The asymmetric payoff profile means limited downside with meaningful upside *if* the bull thesis plays out.

But I don't recommend Bitcoin as a core portfolio holding. I don't present it as an inflation hedge or safe haven—because the data shows it isn't. And I don't pretend that institutional adoption guarantees appreciation—institutions can be wrong, and flows can reverse.

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## The Honest Middle Ground

Here's where I land:

Bitcoin is a legitimate financial phenomenon that isn't going away. The technology works. The network has proven remarkably resilient. Institutional infrastructure has matured dramatically. These are facts, not opinions.

But none of that makes Bitcoin a *good investment* for most people. An asset can be significant without being appropriate. An asset can be innovative without being prudent. An asset can persist without compounding.

The crypto-bro dismissals of skeptics as "no-coiners" who "don't get it" are lazy. Most of us understand the technology fine. We just apply different valuation frameworks—frameworks that have worked for centuries across every asset class that generates cash flows.

The traditionalist dismissals of Bitcoin as “pure speculation” are also incomplete. The institutional adoption is real, the volatility compression is real, and the possibility of Bitcoin becoming a meaningful store of value (even if it isn't one yet) is non-zero.

The intellectually honest position acknowledges both realities. Bitcoin is a voting machine that might never become a weighing machine. Institutional flows might sustain prices indefinitely—or they might reverse spectacularly when the next crisis exposes, once again, that Bitcoin trades like risk-on rather than risk-off.

For fiduciary-minded advisors, the burden of proof should be high. We're not managing our own money—we're managing capital that clients depend on for retirement, education, healthcare, and legacy. In that context, “it might work” isn't good enough. We need “here's why it *should* work, based on identifiable cash flows and reasonable discount rates.”





## The Bitcoin Debate

Bitcoin doesn't clear that bar. It may never clear it. And that's okay—we don't have to invest in everything. We just have to invest wisely in the things we choose.

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