



## What Elon Musk Says About Tesla's Investment in Bitcoin

### Description

On February 8, electric car maker Elon Musk [revealed](#) Tesla's ([NASDAQ:TSLA](#)) US\$1.5 billion investment in Bitcoin. It's a no-brainer that Elon Musk fans went into herd mentality and started buying Bitcoin. CNBC blamed Musk for inflating Bitcoin by posting positive messages about it on his **Twitter** account. CNBC is not wrong because, by February 22, the cryptocurrency surged 70%.

### Don't follow Elon Musk blindly into Bitcoin

I understand the fandom. Even I admire Elon Musk for his tech genius. But blindly following him in investments is not a healthy habit. He is one of the richest men in the world. He can afford to risk losing or doubling US\$1.5 billion. Don't forget, his primary source of income is still electric vehicles (EVs).

Even Musk admitted in his tweet, "To be clear, I am not an investor, I am an engineer. I don't even own any publicly traded stock besides Tesla." He also said, "Tesla's action is not directly reflective of my opinion." What does that mean?

Tesla is a company with many employees. While Musk takes most decisions, his decisions need to be approved by the board of directors, shareholders, and his finance team. You can't say Tesla's investment in Bitcoin is all Musk's idea.

As an informed investor, you should ask, *why did Tesla invest in Bitcoin?* What was its strategy and objective behind investing in Bitcoin?

### What is Tesla's objective behind investing in Bitcoin?

In its SEC filing, Tesla stated that it had US\$19.4 billion in idle cash. A company might as well put the idle cash to work and earn some investment income. So it updated its investment policy to allow them to invest in certain "alternative reserve assets including digital assets, gold bullion, gold exchange-traded funds" and other assets.

You may ask why Tesla is looking for alternative investments instead of stocks and bonds. On the one hand, the government reduced interest rates to near-zero amid the pandemic, making bonds and other fixed-income securities unattractive. On the other hand, the government released a stimulus package that increased inflation. This fiscal stimulus is fiat currency where the government is printing money that has no intrinsic backing like gold reserves.

By keeping money in bonds, you are actually losing value as inflation is rising faster than your money, resulting in negative real interest. When the currency gives negative real interest, investors move to assets that have intrinsic value, like real estate and precious metals, as a hedge against riskier assets.

In his tweet, Elon Musk said, “However, when fiat currency has a negative real interest, only a fool wouldn’t look elsewhere.” But why Bitcoin?

## Why did Tesla invest in Bitcoin?

Elon Musk’s tweet further read, “Bitcoin is almost as bs as fiat money. The keyword is “almost.” What does he mean that bitcoin is “almost” similar to fiat money? Well, Bitcoin doesn’t have any intrinsic value. It doesn’t even have a physical form and relies on technology for its creation, existence, and transactional validation. Its dependence on technology exposes it to malicious attacks.

In an interview on Bloomberg Television, MicroStrategy CEO Michael Saylor explained Bitcoin’s storage value. In an expansionary monetary environment, where currency loses its value, you want to store something scarce. In olden times, kings stored gold as it was scarce.

Bitcoin is limited in number (only 21 million Bitcoins can be mined), making it a scarce asset. Once people realize it as a non-sovereign, safe-haven store of value, it will become digital gold.

## What Elon Musk has to say about Bitcoin?

Bitcoin is a debatable investment and is currently deriving its value from speculation. Some supporters say that crypto could be the future currency of Earth. And then some critics say crypto lacks regulation, putting investors at risk. Speculations aside, even Elon Musk said, “People should not invest their life savings in cryptocurrency, to be clear — that’s unwise.” Bitcoin is simply a “less dumb form of liquidity than cash.”

## Final thoughts

I would suggest you stay cautious. And if you do want exposure to Bitcoin, [consider](#) investing in **Hive Blockchain Technologies**.

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pujatayal

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