Bitcoin, Blockchain, Disappearing Currencies, and the Real Prize

"it's never different this time"

Debates over the future of bitcoin and other digital currencies are as polarizing as market bubbles and politics. Proponents of bitcoin promote its (once) leading technology, limited total creations, and prospects and hopes of increased value based on scarcity. Detractors point to its lack of regulation and oversight, opaque trading, and a lack of fundamentals.

Here's what the bears and the bulls should be saying and doing -

What A Bear Should Say

While the risks of price volatility, losing your keys, or having bitcoins stolen in an exchange or custodial hack are real, the real caution should come from thousands of years of market history – ***(almost) every currency ever created has disappeared***. Regimes are toppled, countries disappear, and states are subsumed or dissolved. During the U.S. colonial period, every state/territory and most major banks of the day had their own currency – all gone - and world experience goes back millenniums - same story. I haven't done the sums, but it's probably safe to claim that 99.9% of all of the currencies ever created are now gone. When law, regulation, and politics are overlaid on rapidly changing technologies, timetables of obsolescence are likely compressed from decades to years.

Many "dead" currencies embedded a convertibility or exchange feature, and assuming the issuer didn't disappear, a holder could (possibly) rely on a chain of paper money, coin, or precious metals; current bitcoin has an unusually undocumented endgame. Bitcoin proponents

argue that bitcoin is advantaged over traditional currencies because central banks and currency boards cannot engage in inflationary expansion (i.e. bitcoin is limited to 21 million coins unlike a conventional fiat currency). In reality, numerical limits are unlikely to mean anything when history repeats – plus bitcoin is a pure fiat currency reliant on limited transactional demand and heavy speculative demand.

Considering all of the energies being directed at distributed ledger instruments, it would be shocking if one particular type of early encryption format dominated forever.

What A Bull Should Say

Not only are digital currencies here to stay, but the related techniques, processes, and methods will undoubtedly expand into many types of traditionally bearer, book-entry, and immobilized instruments. Block chain and digital pioneers should move from the defensive line of "[insert digital currency name here] is here to stay", to a mindset of inevitable obsolescence(s), particularly on single digital currencies.

The future of bitcoin and other digital assets is not in bitcoin reaching price milestones of $50,000 or $1 million (the speculative objective), but rather in creating real transactional solutions, better financial instruments, and otherwise unavailable access.

The future of digital instruments is in:

- creating digital currencies with a succession, conversion, or exchange feature,
- making new instruments which enjoy the benefits of liquid universal tradability and bespoke performance, and
- creating entirely new markets where removing traditional securities processing limitations creates infinite degrees of freedom (processing cost benefits, usually touted as the major benefit, should be a tiny part of the end results).

Fast dynamic ledgers and elements of smart contracts are the future of bitcoin's original white paper. In ETFs, just adding broad or selective corporate action elements changes everything and adding proper smart contract features makes anything possible. The increasing adoption of the bitcoin+ environment has now made the commercialization of securities related blockchain opportunities possible, practical, and inevitable.

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