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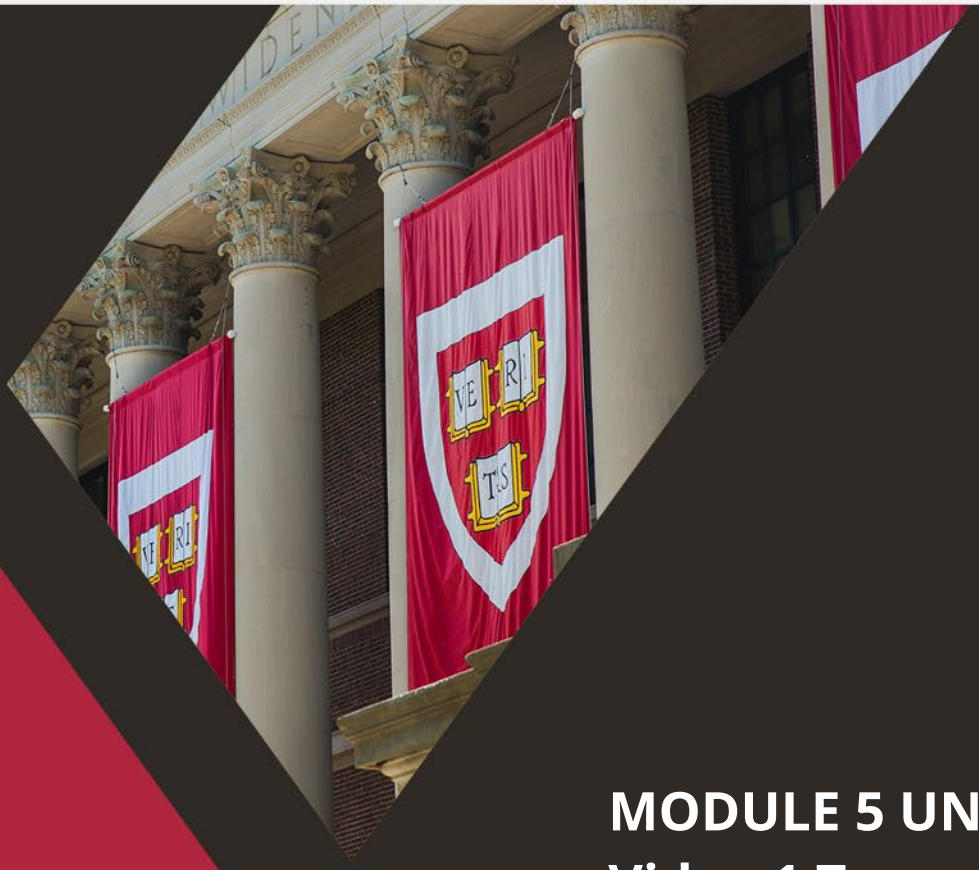

MODULE 5 UNIT 1
Video 1 Transcript

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CHRISTOPHER MALLOY: Our next interview is with Jeff Bussgang, who is a very successful venture capitalist, one of the founders of Flybridge Capital Partners, and is also one of my colleagues here at Harvard Business School, as he serves as a senior lecturer. Jeff invests in many different areas of technology, but one of his recent areas of expertise is in the blockchain and cryptocurrency space.

And so, what Jeff is going to do is help us understand how he thinks about navigating that space from the point of view of a venture capitalist, who has to make investments in real companies that are trying to build protocols and technologies in the blockchain space.

What has fostered the emergence of cryptocurrencies and blockchain technology?

JEFF BUSSGANG: The emergence of cryptocurrencies and blockchain technology has been enabled by a number of underlying forces in the world of computing. For example, network capacity and speed, database capacity, and computational power have all fostered this notion of a distributed ledger being actually practical. Satoshi Nakamoto's paper provided the theoretical underpinnings for blockchain, but it's the computational advancements of the last few decades that have made it an actual solution that could be realistically implemented.

Where, in your opinion, does the future of blockchain lie?

BUSSGANG: Cryptocurrencies and blockchain technology has the potential to be a very disruptive force to banks and financial service providers, although, it's still very early days. Today, the banking industry garners a tremendous amount of fees for foreign exchanges, remittances, lending products, credit products, and a whole range of other financial products that are centered around a trusted, centralized institution behind those products. What the blockchain provides through the distributed ledger architecture, is the ability for those products to be offered without that central, trusted institution, which means that those fees are potentially compressed, due to competitive forces.

The future of blockchain in the coming decade, will be characterized by dramatic improvements to the infrastructure. Scalability, security, privacy, and interoperability are all the areas of development that we expect to see in the blockchain. Once those factors are in place, the ability for some of these pilot applications to become mainstream and impact millions – if not tens of millions of consumers and users – will be in place.

Which cryptocurrencies have the most promising future?

BUSSGANG: Speculating on which cryptocurrency has the most promising future is a very popular game right now, with billions of dollars at stake. Bitcoin is the first and the oldest and, therefore, the most secure, but it has many flaws, including a lack of scalability. Ethereum is a very popular next generation cryptocurrency that has a computational platform built in that allows for secure contracts to be executed and programs to be run against it. But there are many rivals to Ethereum that are out there to be the next generation blockchain platform.

What other assets do you think can be "tokenized" in the future?

BUSSGANG: It's very possible that we will see the tokenization of an extraordinarily broad range of assets in the future. There are already initiatives today to tokenize real estate development, buildings, gold, fine art – even Fiat currency. One can imagine the tokenization of almost any asset to provide greater liquidity and security globally.