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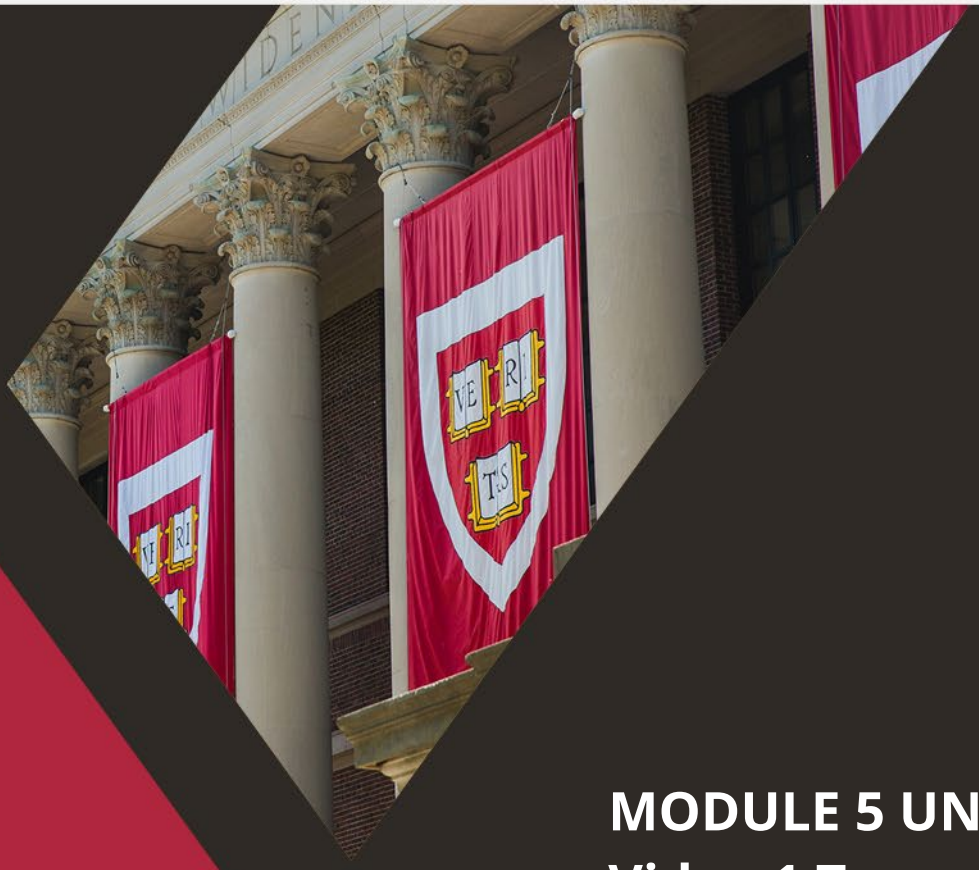

MODULE 5 UNIT 4
Video 1 Transcript

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LAUREN COHEN: The two biggest and probably most controversial innovations within FinTech in the last 10 years have been the blockchain and cryptocurrency. So we just dug into both the blockchain and cryptocurrency, what they were, what their potential promise was, and what potential limitations were. So, let's now take a step back, and really think through how they came to be, and what they hold for the future.

So look, since the beginning of time, we've had a way to trade things, to barter, right. And so there's absolutely nothing new about currencies. And yet, we have this FinTech revolution. Perhaps maybe even the poster child of FinTech in the last five years, have been cryptocurrencies. Right—

CHRISTOPER MALLOY: I agree.

COHEN: —This idea that we now take this thing called currency, which again, we've had established at the state-, country-, province-level for hundreds of years, and we now somehow put it electronically, and it's something totally different.

MALLOY: And we've ledgers, these kinds of ledgers have existed—

COHEN: Even older—

MALLOY: —for thousands of years—

COHEN: Yeah—

MALLOY: Just keeping track of who owes who money—

COHEN: Yeah.

MALLOY: —Is not a new concept.

COHEN: Exactly, we've been banging that away on cave walls for even longer, right, trying to keep account.

And so, look, what's the real innovation here? How helpful can this be? And how much value can it add?

Well look, I think that I want to take a little bit of a different tact on both of these. Because I want to make the argument that I think, after looking at all these cases and you integrate everything that we talked about, I think we both agree, and I think that the students would agree too, that the—without fail, the easy bet is that blockchain is here to stay.

MALLOY: And the technologies that are built on blockchain have a very promising future.

COHEN: This idea that we want an uncorruptible ledger, right, a way that we can document things that you can't tamper with, that's massively helpful, I think, across every industry—

MALLOY: Which is very different from saying a given cryptocurrency is going to succeed or not, and that you want to bet on one given cryptocurrency or not. And so, I remember, I think it was your class, when we polled the students and asked them how many of them would want to invest in cryptocurrencies and every single person raised their hand. And then we asked how many of them would want to be paid in cryptocurrency, their salaries, and no one raised their hands—

COHEN: No one raised their hand, yes.

MALLOY: —Which raises a very interesting dichotomy.

COHEN: Right, right. But this blockchain technology itself has nothing to do—it's orthogonal to cryptocurrency—

MALLOY: I agree.

COHEN: —Right? So the blockchain technology, you can imagine that being used in healthcare, right? I want my medical records in an uncorruptible way. I want my insurance contracts written in a uncorruptible way. Heck, I want, when I buy bubblegum at the store, I want that written down in an uncorruptible way. So, you can imagine the use for that is ubiquitous, and once we figure out a way to do that efficiently, these blockchains, that's here to stay—

MALLOY: Okay.

COHEN: —Now moving on to the currency, that's a little dicier, right. And the reason that's dicier is that, who owns the value of currencies today? Those are governments. Right. And so, in order for currencies to really catch on, you're going to have to usurp part of that power, and part of that fiat, away from government. And that's a really hard thing to do.

It's a hard thing to do for two reasons. First, in order for everyone to agree, "Yeah, we don't want to use the currency from these governments anymore," that means whoever we're going to now put our currency behind, or put this value behind that we'll use as currency, they have to be as trustable as a government. Right—

MALLOY: And the whole point of decentralized blockchain technology is that it's trust-less—

COHEN: Right.

MALLOY: —You're not supposed to have to trust anyone.

COHEN: Right. But then, it's that I trust the blockchain, right? And so, the idea is, am I going to trust the blockchain more than I trust a government that's been around hundreds of years?

And, look, it's an open question, right? I'm not sure we will. At the end of the day, I'm not sure we'll be able to get that trust. And then, even if we can, right, let's say even if we get to the point where we trust these blockchains as much as we were to trust these governments, maybe the government won't let it happen, right. You could see the governments easily tamping down on these things—

MALLOY: We already see governments stepping up and trying to create their own versions of "stable coins," which are effectively a currency on the blockchain that's stable, and so the governments have already entered several—Sweden and other governments are trying to create that now. Suggesting that, to the extent we go that way, they want to have control of that process too

COHEN: Yeah, and so I think cryptocurrency, it's a much dicier call, right. Much more uncertainty. And so blockchain – absolutely here to stay. Cryptocurrency – it's not so clear.

But, that being said, I never bet against innovators. Right? We've seen time and time again betting against innovators, you'll always end up on the losing side.

MALLOY: Exactly, and a more general point too is that, maybe it's not a given cryptocurrency, but just kind of taking the idea of blockchain, and tokenizing any kind of asset, is also something that could be potentially very attractive. Taking any asset, whether real estate—and then putting it into a token, putting it on blockchain, and making it more liquid than it would be now – that's an exciting idea as well.

COHEN: Yeah, I agree. Really opens up the space of blockchain use to just a ton of different potential options.

So here are the big open questions that we want you to wrestle with: first, when it comes to blockchain, what is the single application that you think is the most promising for blockchain in the future? And when it comes to cryptocurrency, let's say that cryptocurrency does not overtake sovereign currencies – so the dollar, the yuan – in terms of its global use, can you still think of a successful use case for cryptocurrency in the long run?