# Web3 Alts

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## Abstract

Crypto might be the most popular of the Web3 liquid alternatives [Alts] but as disintermediation picks up momentum, the new internet could lead to wealth redistribution by first taking away market share from the legacy world and then generating new opportunities in form of data assets. These assets could be bought and sold like stocks on the blockchain marketplace, creating an Alternative Assets revolution.

## History

Anticipating this evolution is a difficult task. The president of IBM, Thomas Watson once said that there was a market for maybe five computers. You need to be a futurologist to have a meaningful say in how technology will evolve in the future. Talking about Bitcoin going to zero, without a sense of history, is myopic thinking, rooted in a crash. Nascent technology may take decades before a technology matures.

The word *internetted* was used as early as 1849, meaning interconnected or interwoven. The word Internet was used in 1974 as the shorthand form of Internetwork. Now, the internet most commonly refers to the global system of interconnected computer networks. In the 1960s, the Advanced Research Projects Agency (ARPA) of the United States Department of Defense, funded research into the time-sharing of computers. But it was after 30 years in the Christmas of 1990 that Tim Berner's Lee launched the hypertext transfer protocol. Though Microsoft and Apple predate the internet, their growth happened because of the internet.

Microsoft, April 4, 1975
Apple, April 1, 1976
AOL, May 24, 1985
Amazon, July 5, 1995
Yahoo, March 2, 1995
Google, September 4, 1998
Myspace, August 1, 2003
Facebook February 4, 2004

*Incorporation dates*

The future is always a work in progress, but it gets visible after it reaches critical mass. A Web3 company will list on the stock exchange in the future. And whether that company will succeed or fail, will depend a lot on its ability to innovate. The likelihood of failure is high because the second-mover always displaces the first-mover. Google replaced Yahoo, or Facebook replaced Myspace, or internet explorer replaced Netscape, to be replaced later by Chrome. A nascent market takes time to stabilize.

**Nascent Assets, Markets, and Greater Fools**

From 1850 to 1970s equity markets drawdown looked similar to Bitcoin. Hence whether Crypto is a real asset is not the real question. The real question is whether you will ever have an insight into the relentless change that will transform your life in the future? And whether you understand that Bitcoin and other Cryptos are building an intelligent future?

Flipping real estate vs. flipping NFTs has a lot in common. All markets, legacy or blockchain is and will be riddled with frauds, scams, and hacks. Web3 is a world much larger than crypto. It is the needed incentive for the builders, the fuel spent today for the infrastructure of tomorrow.

So, if you have lost wealth on Crypto, you need to learn about risk management, about risk capital, understand greed, be a better investor, and see the silver lining that you have contributed to building the Web3. Every losing trade on the legacy or blockchain system provides liquidity and keeps the engine greased and functional and creates the needed inefficiency for the asset prices to move in perpetuity. Marketplaces, in the long term, are mechanisms to redistribute wealth.

**What’s an asset?**

[1] A useful or valuable thing, person, or quality.
[2] Property owned by a person or company is regarded as having value and available to meet debts, commitments, or legacies.
[3] An asset is something that provides a current, future or potential economic benefit for an individual or other entity.
[4] Assets can be classified based on their convertibility to cash, physical existence, usage, and purpose.
[5] Assets can be grouped into tangible assets and intangible assets.
[6] An asset could be seen as a resource of value that you own or lease that helps you run your business.

Crypto may not be many things but it is “something” that can be used as cash. It has a value that can increase or decrease, a use, it’s tangible, and can run a business.

## Death, Taxes, and Intermediation

Death and taxes may be considered a certainty, but we don't generally consider intermediation as a part of the same equation. Intermediation involves the "matching" of lenders with savings to borrowers who need money from an agent or third party. Intermediation has an economic role when it comes to trust, compliance, services, validation, efficiency, and on occasions even cost advantage but plain vanilla third party, the one without any of the aforementioned reasons will eventually die, if it does not add or enhance value.

Web3, the blockchain-based transactional supply chain, can provide everything from validation, trust, lower costs, to an efficient supply chain. AlphaBlock's vision paper [1] detailed the vision of a World Wide Web with Securitized Assets. In a what-if world, where blockchain succeeds in achieving its imagined destiny, we will evolve to a new world, where some of today's Dow 30 intermediating components might have to adapt to the new times or simply see their business taken over by blockchain-based start-ups.

Amazon charges up to 25% from professional sellers.
American Express charges up to 3.5% processing fees.
Goldman Sachs up to 1.9% for professional strategies.
Home Depot has markup from 10 to 150%.
Some JP Morgan products have an initial charge of up to 5% of NAV with a redemption charge of 1.5% per annum.
Visa charges up to 2.4% processing fees.
Walmart charges 5% on the cost of goods and 1.25% for the infrastructure development fee.
Walgreens shoppers in some cases might be overpaying by up to 55%.

*Google search: How much does ABC charge their suppliers?*

Central banks carry out a nation's monetary policy and control its money supply, often mandated with maintaining low inflation and steady GDP growth. They influence interest rates and participate in open market operations to control the cost of borrowing and lending throughout an economy. However, uncontrolled spending and running large budget deficits is a role gone all wrong, leading to the destruction of monetary and asset value. Hence, at some level, a central banker is a designated intermediary to maintain stability, and its failure to do that is failed intermediation as it charges a fee called taxes to do a good job of budgetary balance.

## Web3

Web 1.0 generated data. Social media [Web2.0] brought sharing. The Web3 [the shorter name for semantic web] might have an explicit moto of freeing humanity from tech domination and exploitive capitalism, but implicitly, it's the chain of innovation that started with time-sharing back in 1930. The Web3 will bring the data transaction, which will lead to data assets, followed by the intelligent web [Web4].

So, it's not about whether the technology or the internet will ever fulfill its potential, but how fast will it take us there. And while it takes us there, it will challenge, suffer, mutate, cause turmoil, and seem to waste a lot of time because like every other chaos, there is determinism to it, which is not obvious to the man on the street. The first phase of Web3 is to incentivize and build infrastructure. The second phase is the population of use cases. The third phase is scaling.

The idea of a semantic web at the core is a seamless language that needs data immutability before it allows for data transactions. Crypto can be seen as a data interaction that happens on data immutability. The transaction is a way of validating, paying, and maintaining the data immutability infrastructure.

All the Crypto crashes, where wealth has been made and destroyed, are the new waves of technology trying to find its bearings and fly a prototype plane from a short runway. How many times this fly and crash happens is anyone's guess, but with every rise and failed attempt, the industry pulls in a horde of new adopters, who may not be interested in the technology, but the incentive pulls them in. Somewhere the technology is feeding on mass adoption of the incentive [Crypto] to become more stable and robust. Whether Crypto goes to a million dollars is a by-product and in the end not the primary objective. Death of intermediation, leading to lower costs and newer businesses is the bigger purpose here.

I believe we are completing the first phase of Web3 where the infrastructure and incentive have seen a push and pull between legacy and Web3 assets. Some adoption improved regulation and lobbying has brought positive changes in the acceptance of the technology and Web3 services. It will be the second phase that will allow Web3 to define its character as it demarcates and metamorphoses into a different but more cohesive version of itself.

## Web3 Alts

When you disintermediate, you are redistributing wealth-generating opportunities from the legacy world to the new entrant. Allowing an individual to control and monetize his[her] data, through blockchain-based tools opens up endless possibilities for asset creation. Data was always the asset, but we gave it a narrow definition [stock, fixed income, commodity, currency, real estate, etc.]. If we broaden the definition, any data, that has a dynamic nature, has a sponsor, can be maintained and listed, can have a perception of value, are liquid, can be securitized and listed on the blockchain marketplace.

The first phase of Web3 had to rely on incentives like Crypto, tokens, and NFTs to build and experiment with infrastructure. The second phase with its use cases will naturally add data assets to its list of alternative assets. A few years back, there was a search for use cases. The blockchain of today has a use case for payments, capital markets, trade finance, regulation, money laundry protection, insurance, peer-to-peer transactions, supply chain, health care, real estate, media, energy, record management, identity management, voting, taxes, non-profit, compliance, accounting, record management, cybersecurity, data storage, IoT, etc.,

For Web3 Alternatives to pick up further momentum, the Web3 community and the code will have to figure out gas [costs], scalability with layer 2 blockchains and even lowering carbon imprint. Newer efficiencies like what has been planned by ETH could transform the Web3 into a true marketplace, making the transition to Web4 [Intelligent Web] seamless.

> Data Generation
> Data Sharing
> Data Transaction
> Data Asset
> Web3 Alts
> Intelligence

*Data to Assets to Intelligence*

Once the marketplace matures, digital currencies and other incentive mechanisms will evolve into more robust functions. Eventually, goods and services will fight for market share, establishing Web3 as the incumbent marketplace bustling with Alts. This eventuality may be hard to imagine today, but it's not just about blockchain but the failure of legacy systems that will assist in building this future. Legacy systems are frail, loaded with debt, lack austerity, lack of fiscal discipline, are populist by design, and exemplify tragedy of commons.

The consensus driven efforts by the Web3 community are idealistic. 'Rich get Richer' is a part of nature, as is 'Poor get Richer'. The forces co-exist. A better-designed internet needs to leverage the strength of capitalism, eliminating it will only delay the process. The recent institutional interest in blockchain is a victory for the Web3 community and the current shocks in the Crypto market is an essential balance to bring the exuberant incentives back in line with the real purpose. The small early adopters suffer. You can't blame them for their naivety. They see their wallets, not their contributions to building the next generation internet.

**Bibliography**

[1] Pal. M, AlphaBlock, SSRN, December 2017