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Venture Stories - The Present and Future of Crypto with Naval Ravikant and Balaji Srinivasan - Podcast Notes

About The Author MMiller

14-17 minutes

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Key Takeaways

- **Blockchains give us a system for taking networks that normally would have been run by individuals, kings, or corporations, and instead making sure they're leaderless**
- **Crypto is really good at micro micro transactions**
  - **It's also good for the VERY large transactions**
  - But it may not be that good for the human size transactions (like going to Starbucks and buying coffee)
- Here are some really interesting potential applications of crypto and the blockchain technology
  - **Self-driving cars bidding each other for rights of way on the fly**
    - Think of a car "saying" to another – "I want that red light to turn green right now, so I bid X coin to make that happen"
  - **A network to allocate bandwidth**
    - **"We don't need Verizon to do our cell phones, you could do it collectively" – Naval**
- Smart contracts have the potential to revolutionize the way companies are created and sold
- **"We can educate the whole world much more cheaply than we're trying to do today."** – Naval
- And a cool fact…
  - **Investing in Ethereum when it was valued at 30 cents, would have turned out to be a better investment than investing in Google or Facebook at the seed round – 700x within 2-3 years fully liquid, and it was open to everybody!!**

Intro

- Naval Ravikant the CEO and co-founder of AngelList
  - Check out the Podcast Notes from his many Periscope sessions
- Balaji Srinivasan is the CTO of Coinbase

What is a blockchain? (Naval) – 0:55

- **"Human beings are a network species. We operate in groups. We always work in groups. We're like ants or bees in the sense that we have to cooperate to do anything interesting."**
  - What makes us unique is that we cooperate across genetic boundaries – we're the only species that does this
- **We build networks, which have to be governed (or we have to figure out a way to organize them)**
  - Historically we've done this by creating a country with a king, or president, or corporation in charge, or have a democracy where it's one person one vote
  - **But whoever is at the center of the network, ends up becoming very powerful**
  - **"These networks are very important. Electricity is a network. The phone system is a network. Money is a network. Your favorite religion is a network. So it's very important who runs these networks."**
- In the last 100 years, we've created a new way to organize these networks – through markets
  - **"Markets are a way to organize a network with no single ruler"**
- **Blockchains are a way to bring these market based networks into all digital systems**
  - Bitcoin is the most famous one

        - **With Bitcoin we say – "Money is too important to be controlled by any one central entity. So what we're going to do instead, is organize it, through a blockchain based network, and we're going to use mathematics and rules to make sure that even though nobody is in charge, nobody can cheat and no one can spend the same money twice."**
    - Ethereum is another one
        - This is a network for running trustless financial contracts
- What are the possibilities with the blockchain technology?
    - A network to control electricity
    - **A solar network, where everyone puts a solar panel on their house, and they pay into the network with solar power, and they get paid back out with a solar coin**
    - **A network to allocate bandwidth – "We don't need Verizon to do our cell phones, you could do it collectively"**
    - You could even create a social network – You don't have a single "king" like Mark Zuckerburg or Jack Dorsey
    - But the most important point – The network works when people contribute scarce resources
- **"The internet was originally supposed to be a democratizing force. It was supposed to to be, 'Oh, everything's going to be equal and even. We're all going to have websites. And nobody's going to be in charge.' Now meet your new overlords – Google, Facebook, Twitter, and Amazon. These are the people really in charge."**
- **"Blockchains give us a system for taking networks that normally would have been run by individuals, kings, or corporations, and instead making sure they're leaderless"**
- The thing is, blockchain tech. has started with the single hardest thing – money
    - Bitcoin is trying to replace gold, or even money at some point
    - **"If you can do that, then you can replace any network ruler. If you can run the network for money, without a single entity in charge, when everyone's trying to steal from it, then in theory you can make any network decentralized."**

What got Naval and Balaji into cryptocurrency? – 6:46

- Balaji
    - Balaji started Counsyl, which he sold for over $400 million – they were doing genome sequencing
    - "I encountered a lot of regulation, and I started to realize, **'Wow, a lot of the rules that were written 70, 80 years ago, are not as relevant in the modern world, and they're really holding back progress**.'"
        - This wasn't just the case in biotech, but other industries – old rules were holding back innovation, specifically in the finance industry
- Naval
    - "I didn't have any grand plan, I just read a post on Hacker News" – one by Paul Boehm about the Byzentian Generals' Problem *(Note from Podcast Notes – sorry, we couldn't find the post :/)*
        - This is the underlying computer science problem which had to be solved, in order to figure out how to have a network without a ruler in the center
        - His post explained how Bitcoin solved this problem – "Once I read that, I couldn't think about anything else"
            - **"I realized this is a way out of centralized tech monopolies, a way out of gatekeepers for money. It's a way out of inflation…I just couldn't think about anything else."**
            - "It's very very rare that you find something this technologically interesting, plus something that's socially really interesting, plus it can make you rich. That combo is very addictive."

The Stances on Bitcoin and the Blockchain – 8:50

- There's a few groups
    - Anti bitcoin, anti blockchain
    - Pro blockchain, anti bitcoin (banks)
    - Pro bitcoin, anti blockchain (Bitcoin maximalists)
    - Pro bitcoin, pro blockchain (where both Naval and Balaji stand)

The History of Money and the Internet, and Using Both to Predict the Future of Bitcoin and Crypto -12:48

- "Both [the history of money and the internet] are guides, and should be used only as guides, not as hard forecasts" – Balaji
- "I agree with that. No one knows what will happen here, and how exactly everything will play out." – Naval
- **What do we use money for?**
  - **A store of value**
  - **A medium of exchange**
  - **A unit of account** – "That thing costs $4 and that thing costs $14"
- **"The truth is today 99.9% of people in the world are not using cypto. It's still a jump ball."** – Naval

What will we use crypto for? – 15:11

- Naval describes a cool thing we could do:
  - **Crypto is really good at micro micro transactions**
    - We could have a server that you could request a webpage from, but you'd have to pay 1 trillionth of a cent – That can only be done with crypto
  - **Crypto is also good for the VERY large transactions – it would be great to send $1 billion to someone**
  - **But it may not be that good for the human size transactions (like going to Starbucks and buying coffee)**
    - Think about it, there's lots of options for paying at Starbucks – credit card, cash, Square, Apple Pay – lot's of competition
    - However, there's not many competitors for the micro and very large financial transactions
- **"If bitcoin just replaces gold, gold is worth $7 trillion" – Even replacing gold is a huge success**
  - Gold is not easily divisible, it's not easily verifiable, you can't store it in your pocket, and you can't send it across the internet
  - But unlike gold – Bitcoin is traceable, and easier to remotely hack via the internet
  - Gold also has the Lindy effect (this essentially means that the longer something has lasted, the longer it's more likely to last into the future – see these Podcast Notes for more), it's been around for a long time – Bitcoin is only a decade old

What other applications for crypto, are Naval and Balaji excited about? – 18:09

- Naval
  - Routers metering bandwidth
  - Micro micro transactions that money can't address
  - It's the ultimate store of large amounts of money
  - **Self-driving cars bidding each other for rights of way on the fly**
    - **Think of a car "saying" to another – "I want that red light to turn green right now, so I bid X coin to make that happen"**

What does a more distributed society look like? – 25:03

- It's going to be an evolved process
  - "Crypto is larger than just us, it's like the internet and the economy. You have to describe it, observe it, evolve it, and try to keep up with it, rather than try to top down say, 'This is how it should work, and this is the vision we're working towards'" – Naval
- **Crypto will result in "instant jobs"** – Balaji
  - What might this look like? – "You click a button, you do a task, and you make money" – all via the internet
    - This is similar to how app Earn works
    - Like a "feed of tasks" almost, paid in crypto
- **Cyrpto will result in billions of investors** – Balaji
  - Think about it – many people invest in various cryptocurrencies
  - You can invest $1, you can invest $1,000 – there's no thresholds
  - This may result in new methods of fundraising
    - With the click of a button you can give/invest money in someone or something
  - **"You could have people crowdfund an entire country, or a war, or revolution. The possibilities are endless. "** – Naval
    - Think Kickstarter- when people invest a dollar in something, the investors don't really care if it fails, it's almost like a donation

What will society look like when there's way more crypto investors? – 30:00

- Almost like a giant casino in the short to medium term – Naval
- Smart contracts will allow us to do some cool things
  - **"To our kids, for them, creating a company, will involve hitting one button, and a whole series of smart contracts will fire up, and a company will get created. They'll drag and drop who's an employee, who's an investor, and who's owed how much. You'll be able to run this completely distributed, virtual, trackable, trustless company without needing armies of lawyers or judges."** – Naval
  - "The more and more we can encode into a system of smart contracts with companies, the more liquid a company is, the easier it is to sell or transfer ownership" – Balaji
    - Think about how hard it is to sell a company now, it's not like selling a car. You can't just up and leave after selling it, you have too much stored/hidden knowledge about the way things run…it's a long transfer process

What skill sets are needed to thrive in the new blockchain economy -34:16

- The same skills that are always needed – Naval
  - **"Anything a computer can eventually be trained to do, a computer will do"**
  - Computers probably won't be able to "be creative" anytime soon – **"You want to be creative. You want to be learning skills to create new things."**
    - You want to be good at solving problems creatively – this will get you paid
    - Naval recalls a quote – "In the future, either you're telling a computer what to do, or a computer is telling you want to do." – You don't want to be on the wrong side of that transaction

The Vision For Coinbase (Balaji) – 38:20

- The integration of Earn will happen
  - So in addition to being able to buy/sell crypto, you'll be able to earn currencies…with Earn
- Some cool projects he can't talk about
- The overall vision – **"Build an open financial system"**
  - Think about what Linux was in comparison to Windows
  - **"It's hard to imagine a financial system that's more closed than our one is today"**

Companies Naval is Involved In – 39:57

- CoinList – The legal, regulated, well-lit marketplace for ICO's (initial coin offerings)
- MetaStable – "The oldest cryptocurrency fund that bought anything other than Bitcoin"

Identity and the Blockchain – 53:13

- **"At a very high level, you can have your wealth tied to anonymous identities in the blockchain world, which you can't do in the real world"** – Naval
  - In blockchain land, you can actually own and control your identity. **Today, our choices for ID ownership are the government (which leaks SS numbers left and right), credit card companies (every waiter has your credit card), Experian (who just got hacked), or Facebook (who will sell your identity for a 10 cent click ad)**
  - "All the ways your identity gets held out there, are just sieves"
- "I think in 20 or 30 years, it's going to become much less frequent to put your 'real name' on the internet. It's going to be like putting your social security number out there." – Balaji

How does blockchain intersect with other emerging technologies (VR, etc.)? – 56:37

- **The internet is going to have it's own native money** – Naval
  - Do you imagine in 100 years from now, the internet will still be using dollars? – No
- A true native VR ecosystem (Naval says this is 10-20 years away) will require it's own native programmable electronic money – and crypto is the way to do it

Looking long term, who are the crypto winners? -58:00

- Balaji
  - **The world – It will be easier to get job, raise capital, trade without trading fees etc.**

- Naval
  - **"Anyone who's made a living as a gatekeeper is going to get hurt. Anyone who's been kept back by a gatekeeper gets helped."**

Wrapping Up – What is your idea to change the world? -1:02:00

- Balaji
  - Take a Facebook group. If you add crypto to it – it becomes a virtual economy. Add VR to it – it becomes a true virtual economy.
    - Balaji thinks this is where social networks are going in 1-20 years
- Naval
  - "Computers are getting so cheap. Tablets are getting so cheap. **We have the entire library of the modern age available on the internet. I'd love to see an entire air drop of tablets to the developing world. All the textbooks, all the courses, all the learning materials, preloaded and ready to go**. The tablet would be able to figure out, with some simple software, what language you speak, what level of education you're at, and automatically start teaching you from there. It can connect you with a volunteer network, or teachers across the world, who can video in and help you when you're stuck. **We can educate the whole world much more cheaply than we're trying to do today.**"

Random

- **Investing in Ethereum when it was valued at 30 cents, would have turned out to be a better investment than investing in Google or Facebook at the seed round – 700x within 2-3 years fully liquid, and it was open to everybody!!**
- "The next definition of money is up for grabs" – Naval