August 11, 2020 | Episode 186

Brian Armstrong – The Future of Crypto

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CHAPTERS

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EPISODE SNIPPETS

CREATING AN OPEN FINANCIAL SYSTEM WITH CRYPTO

- The current financial system remains a barrier to innovation. **Every country having their own currency is the equivalent of each having their own private internet.**
- Crypto gives us the ability to reduce cross-border/remittance fees drastically, simplify the ability to collect and process and payments, and increase financial inclusion

JUMP TO SECTION

ECONOMIC FREEDOM AND GOVERNMENT REGULATION

- After reading the Bitcoin white paper, Brian thought that **crypto + smartphones** could increase economic freedom for millions of people across the globe
- Government regulation will play a major role in crypto moving forward but huge businesses will still be built in this space

JUMP TO SECTION

LESSONS ON BUILDING COINBASE

- Brian didn't codify Coinbase's values until about 100 or 150 employees. Wishes he had done that at 5 employees
- Borrowed a concept from Google by introducing a Bar Raiser to prevent hiring managers make unilateral hiring decisions. The Bar Raiser's job is to be the stickler and say: **"Hey, are you a 'hell yes' on this person, or are you just trying to fill these open head counts that you have because your team has so many priorities you need to go do."**

JUMP TO SECTION

REACHING THE NEXT ORDER OF MAGNITUDE OF CRYPTO USERS

- Three things that crypto has to execute on to reach that next inflection point of adoption:
  - **Scalability** – need more throughput of transactions for a lot of use cases.
  - **Usability** – currently feels like the land of the techno-savvy.
  - **Security/Privacy** – mainstream options (BTC/ETH) are all still only pseudo-anonymous.
- The internet is a perfect analogy. It went from dial up to broadband (scalability). It went from IP addresses to domain names (usability), and it went from HTTP to HTTPS (security/privacy). Cryptocurrency needs to do the same kind of equivalent

JUMP TO SECTION

BRIAN'S FOCUS AND SUPERPOWERS

- **Hiring** – especially recruiting people at the senior and board level. CEO's job changes from do-er to leader as companies grow and recruiting the best people is a common theme among great CEOs
- **Product** – with a clear focus on usability. Brian believes that usability is the key to opening up crypto to the next layer of users, a much bigger group than the current group of users.
- One of Brian's favorite quotes on execution: "Action produces information." **At a certain point, stop pontificating and just try something, anything**

JUMP TO SECTION

THE LAST FEW YEARS OF CRYPTO

Patrick (00:02:25): Brian, thanks so much for doing this with me today. I thought a neat place to begin since I used to spend a lot of time talking to people in the world of cryptocurrency, would be as an update. Many people were intimately familiar with what was going on in crypto in 2017 and 2018, probably less intimately familiar with what has happened most substantially since. So it would be really neat to begin with your take on the most important developments over the last couple of years.

Brian (00:02:28): Well, there's lots to catch up on, and actually I wrote a blog post at the beginning of 2020 that talks about what happened in 2019, and then what I think will happen in 2020. A number of things happened. DeFi started to actually work and get a lot of traction I should say, we saw central bank digital currencies, which is kind of a fancy name for certain types of stable coin, that started to get a lot of interest. So we saw China started to digitize the Yuan and the U.S. started to get interested in digitizing the Dollar after Libra stirred up a hornet's nest over there in DC. So there was a number of things like that, that started happening. And then I would say there's probably five or six really good teams that are working on what I call “next generation blockchain.”

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What happened in crypto over the last decade

They're trying to improve the scalability, the developer tools, things like that in these next generation blockchains. Things like Algorand, Polkadot, Cosmos - I don't want to shout at anything in particular better than another one, I'm just watching the whole space broadly. But there has been a bunch of those as well, which is really exciting. And I'm hoping that that kind of is sort of like when the internet moved from dial up to broadband or something, we can get another couple of orders of magnitude of transactions, but through the blockchains, I think that will actually unlock a lot of new use cases.

Patrick (00:04:00): I love thinking about things through the lens of the long term vision of your business. I think those that know Coinbase will understand its most basic use case, but I thought it would be a neat early conversation around the mission and vision of Coinbase and the various important aspects of that. Could you highlight the long term vision that you hope to help breathe into existence?

Brian (00:04:20): So I think most people they think about cryptocurrency as something that people trade speculatively right now, or they've heard of Bitcoin, but they don't know about any of the others. To me, that's actually missing the long term potential. For Coinbase, our mission is to create an open financial system for the world. We have this vision about using that open financial system to bring economic freedom to people all over the world.

> “For Coinbase, our mission is to create an open financial system for the world.”

So it's kind of this pretty big ambitious goal, which is we want to create an entirely new economy. We're calling it the crypto economy, which is native to the internet. It's much more fair, it's much more global, it's much more efficient in terms of low fees. You could imagine it as kind of what if the internet, which is this global and decentralized thing, had a native currency that was also global and decentralized?

Well, then you could have this new freer economy happening. Basically what this means in practice is people start off and buy, "All right, I want to buy a little bit of Bitcoin or something to get started and learn more about this." And then, "Okay, I'm going to learn about some of these other cryptocurrencies," but that's basically utilizing just the trade action like by himself. And that's only one small part of an economy is trading. The other things that people do is they earn money, they spend money, whether that's with merchants or paying their friends, they send money, remittance, cross border. They also invest money.

Brian continued (00:05:30): In cryptocurrency they do something called staking. There's even other things like crypto economic actions like voting and governance. So you're starting to see more and more of those features come up in Coinbase. For instance, we launched a coin based debit card in the UK last year and it got a lot of traction, and we launched something called Coinbase Earn where you can actually earn bits of cryptocurrency for going and doing various tasks and learning about things. And we have a merchant payment solution called Coinbase Commerce, which is allowing merchants to accept cryptocurrency payments. We also launched staking and a whole bunch of things. And this is a metric we kind of track internally, is what percentage of our customers are not just trading, but they're doing some kind of non-trading activity with cryptocurrency.

That number has just been steadily increasing, which is one of the few graphs at Coinbase that actually steadily increased. Most things are very volatile, they look kind of the price of Bitcoin or something like that. For years people were asking me this when Coinbase is getting started, "All right, well, what are people actually doing with crypto other than trading it?" And we can actually see the real data now and it's not one thing that's the main thing, it's a bunch of little things. They're earning it, they're spending it with merchants, they're doing remittance, they're using DApps, they're using prediction markets, they're using things like Reddit who just came out with these community coins. They're launching startups.

> "And this is a metric we kind of track internally, is what percentage of our customers are not just trading, **but they're doing some kind of non-trading activity with cryptocurrency.**"

But it really is like a truly new economy that's happening, and my hope is that that's going to grow to be a significant portion of the global economy at some point. We're really excited about trend.

AN OPEN FINANCIAL SYSTEM

Patrick (00:06:59): What got me so excited about this world early on was this notion that the internet to that point had been about information delivery and protocols, and this was about value delivery and protocols. And you use two concepts that I'd like to dig in on a bit more. One is this concept of an open financial system, and then the second is economic freedom. On the open side, that implies that right now it's closed. I'd love to hear the contrast. What is it about what you hope to usher in that is superior? And what does that allow for relative to the, we'll call it incumbent or closed financial system?

Brian (00:07:28): It's really important to contrast the traditional financial system and this new open financial system. What's the difference? And then we can talk about economic freedom too, if you want. In the traditional financial system, look, I don't want to say every part of it is bad. Obviously some parts of it worked pretty well, especially in countries like the United States.

We have a functioning credit system, and generally, even though there's some inflation, some of that is good to stimulate the economy, but we get dollars lost in this value. I think the main challenges that I see with traditional financial system, are there's some things like, one, it's payments kind of only work more seamlessly when you're in one country like the United States. A lot of times people who are trying to send

money abroad or whatever, they encounter these issues. You can actually get on a plane and fly to Australia faster than it takes you to send money there, for instance.

> "I think probably the biggest one for me is that this is kind of under-appreciated. I think the existing financial system is actually **a huge barrier to innovation.**"

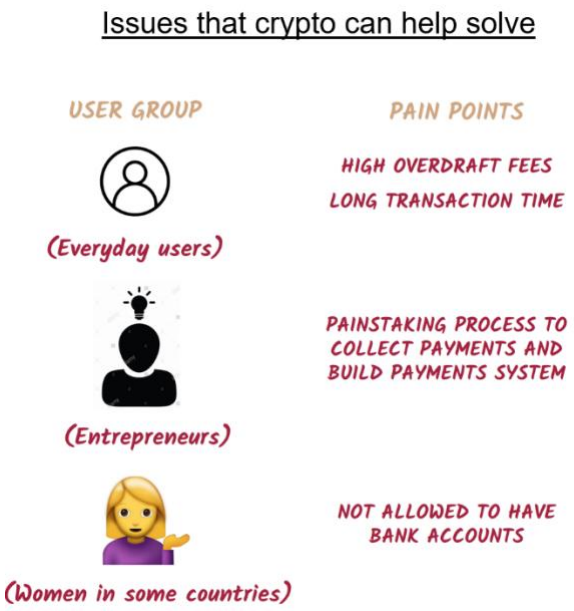
Or if you were to send money there, you might lose sometimes 3% or 5%. A lot of people who are doing these kind of Western Union type transactions, they end up paying like over 10% in fees just to get money to someone abroad. So part of it is this kind of global nature. The other issue with it is there's consumer financial privacy issues. We're seeing all these issues with Equifax being hacked and a lot of people's data is leaked out there.

There's things that are just annoying. How many times do you see some random charge on your credit card, or your credit card gets declined when you try to use it online, or you get some kind of unexpected overdraft fee? So there's a lot of these little things that people just get frustrated about with the financial system.

But I think probably the biggest one for me is that this is kind of under appreciated. I think the existing financial system is actually a huge barrier to innovation. What I mean by that is that there's a lot of people out there who don't realize this because they've never tried to start a company or something like that, but a lot of entrepreneurs have had this experience I had in my past where I started this tutoring company in college. And getting customers I thought was going to be the hard part, or maybe making a product somebody likes. But actually one of the hardest parts was just being able to collect payments from my customers and get payments out to all the contractors, tutors. And I remember the banks were asking me all these kinds of questions, "Are you an aggregator of funds? And do you have this policy." And I almost felt like I was being treated like a criminal, actually. It was really difficult to get these kind of systems set up.

> "You realize it's almost like **if every country had its own private internet or something like that.** And if I wanted to read a webpage in Brazil or send an email to Spain, I'd have to pay some kind of border tax or something to get my email into Spain."

Brian continued (00:09:41): That was just a U.S. company. I mean, now with Coinbase and companies like Airbnb and Uber, it's incredibly difficult to get payments working on a global scale in all these countries, both collecting money in and getting money paid out. You get all these kinds of weird things that people do because the global financial system is not well connected. People on AmazonTurk on Amazon, they'll often get paid in Amazon store credit, because they have no way to get payments out to these people in Bangladesh or wherever they are. Then you'll get these kind of weird shadow economies of people trading Amazon credits in these regions to try to buy food and stuff like that. It kind of just gives you this lens into the global financial system and you realize it's almost like if every country had its own private internet or something like that. And if I wanted to read a webpage in Brazil or send an email to Spain, I'd have to pay some kind of border tax or something to get my email into Spain.



When you think about it from that point of view, it kind of doesn't make sense that every country in the world needs to have its own currency and its own financial system, because it creates so much friction when the economy is becoming more and more global. That's kind of the traditional financial system, and the open financial system, this is all still very new. Some of it I think will come in the future. Everything is kind of fast, cheap and global. So sending payments is kind of more like sending an email. It arrives in a few seconds. It's pretty cheap. It works everywhere in the world. It kind of levels the playing field as well.

If you're someone in Venezuela and you can't really get access to a stable currency or bank account, well, if you're in a country where a lot of countries, women are not allowed to have bank accounts. There's kind of a financial inclusion aspect to this. Anybody who has a smartphone can get access to cryptocurrency, it has like a more level playing field like that. My hope is that the open financial system will unlock a ton of innovation. It will be a lot of equality of opportunity. It'll also just make things a lot more efficient, lower fees for transaction fees and exchange rates and prevent people from getting unexpected prices. That's kind of my contrast to that. And we can talk about economic freedom too, if you want.

Patrick (00:11:39): Yeah. Before we go there, I would love to even just break that down one more level to two dimensions. So the first would be the money itself, and then the second would be the movement of the money. You talked a bit about both. When I think about the movement of money, I'm curious how you think crypto improves on say what Stripe will look like in 10 years, continuing to innovate behind an API. They're trying to tackle that problem maybe for your tutoring business example or something to accept funds more easily, but you're accepting USD. I guess my question is, how could crypto improve both the movement of money or value around the world, but then also in what ways might the money itself be superior to something like the U.S. dollar?

Brian (00:12:20): There's a lot of really great companies like Stripe and Square and others who are building on top of the existing infrastructure underneath. They can actually take something like the credit card system or ACH or wires or equivalents in Europe and other countries, and they're kind of trying to do all that hard work to stitch together a lot of these kind of archaic systems and put a nice wrapper on top of it. I think that's really great, but there's only so much they can do, because they're all built on the same underlying system. So you'll notice Stripe and Square and Braintree and all these companies, every single one is the prices are almost exactly the same, 2.9% or whatever, and the number of days before you get your payouts as a merchant is almost the same.

They can compete on the margin. Stripe has shown that by making those developer tools easier, you can actually have a huge advantage, but they're all built on the same underlying system. And cryptocurrency is kind of coming along and saying, "Hey, look, what if we had a new underlying system that was dramatically more efficient?" That could be either in terms of how global it is, the real time settlement, the fees. And by the way, I don't mean to paint this as a perfectly rosy picture in cryptocurrency. There's a lot of work that needs to be done. Sometimes the fees in certain blockchains are very high, sometimes the settlement times are too high.

It's kind of like the early days of the internet where there's dial up modems and stuff. It's still a little bit rough around the edges. The potential is there and you're seeing it's getting better and better every couple of years. I think once that happens, you'll get these kind of magical experiences from the consumer point of view that are closer. The best analogy I've seen is probably something like WeChat payments in China.

Now, China, again, this only kind of works within one country, but if you've been to China, you've seen how people use WeChat payments, it is kind of a glimpse into the future.

Brian continued (00:13:54): Okay, well, what if that works, but not just in China, on a global scale and without all the financial privacy issues that China has? That starts to get into a glimpse of what it might look like. You're on some kind of an eCommerce site. You just pull out your phone, you scan a QR code, and it says, "Do you want to pay this much to this merchant and send them your shipping address?" You hit accept, and boom, the checkout's done. You never needed to register, create an account. You never needed to type a credit card into your browser or something like that. There are things like that around the movement of money.

And then the underlying currency itself, which is kind of the second part of your question, I think there's some real interesting stuff there just around creating sound money. Right now the U.S. dollar is generally considered to be the reserve currency of the world. I don't think that's going to change immediately, although China is definitely pushing to try and get the Yuan to be a strong contender, if not take that top spot in the next five or 10 years. And I think there's a decent chance that they actually might do that, because they're being very aggressive around the world in terms of all kinds of investments and technologies and things. But in the crypto economy, the dollar is not the reserve currency, Bitcoin is the reserve currency that people go to. In that sense, it's actually a little more trustworthy, because if you read about modern monetary theory and quantitative easing and inflation and government debt and all these kinds of things, in the last 10 years or so there's been a couple kind of worrying things with the U.S. dollar in terms of our debt ratios.

> "In the crypto economy, the dollar is not the reserve currency, **Bitcoin** is the reserve currency that people go to."

And especially with this COVID stuff and all the recent economic activity, there has been a lot of stimulus bills passed and quantitative easing and stuff like that. The short term effect of that has been still deflationary, because I think there's just such limited supply of... Manufacturing took a hit and people's income has kind of gone down, but they're going to keep stimulating and printing that much money, the long term effect could be that there's actually more and more inflation. I think people are, even if they don't fully understand how those mechanisms work underneath, there's a lot of people out there who are starting to kind of get this uneasy feeling, "What is going on with the treasury and the federal reserve, and does this really make sense? It seems too good to be true. You're just going to print all this money and it's somehow it's all going to be okay?"

I think they're kind of looking for an alternative system that they can trust, with cryptocurrency there's nobody who has their fingers on the dial who can kind of manipulate it for their own benefit. There's only ever going to be 21 million Bitcoin. Nobody can really go in and change that. And that's so far stood the test of time, 10 years or so. The U.S. dollar is increasingly... they're not feeling like they have that same level of trust. I think both of those ways to look at it are true.

ECONOMIC FREEDOM AND REGULATION

Patrick (00:16:21): I would love to talk about why economic freedom is an important variable in all of this. I think obviously one positive appeal of, you already mentioned fostering innovation and things like that. One appeal of a different financial system or replacement or a secondary one would be higher economic freedom. So talk about your thinking and research there and how those freedoms relate to the rise of a crypto economy?

Brian (00:16:44): Economic freedom is a concept that I'm really personally passionate about. Years and years ago, I ended up reading something about it, probably on Wikipedia or the Wall Street Journal published something on it. Heritage Foundation. There's a few different organizations out there that try to kind of rank the countries of the world by economic freedom. And economic freedom is this measure, it's a composite metric that economists and various people look at that. It's kind of saying how easy is it to start a business in this country? How much corruption and bribery is there? Does free trade exist? Can people work on things they want or join the companies they want?

CHECK OUT THE HERITAGE 2020 INDEX OF ECONOMIC FREEDOM HERE. THE TOP 6:

Rank	Country	Overall	Change
1	Singapore	89.4	0.0 —
2	Hong Kong	89.1	-1.1 ⌄
3	New Zealand	84.1	-0.3 ⌄

rank	Country	Overall	Change
4	Australia	82.6	+1.7 ⌃
5	Switzerland	82.0	+0.1 ⌃
6	Ireland	80.9	+0.4 ⌃

It's this composite metric, and the really kind of surprising thing about it is that people might think, "Oh, well, that might correlate with high GDP growth and stuff like that." And it does correlate with that, but it also correlates with all these other things in society that people wouldn't probably immediately get. Countries with the highest economic freedom tend to have the best treatment of the environment. They have the best income share of the poorest 10% of people in society. They have less war. They have higher self-reported happiness of citizens. They have better literacy rates, lower infant mortality rates, all these positive downstream effects.

And by the way, some of the countries you might imagine that are the highest economic freedom, countries like New Zealand or Ireland, or where you think, "I might want to live in that country someday." And the places with the lowest economic freedom are Korea or Zimbabwe, things like that, where you might be

fascinated about the kind of struggles they have. I love seeing these, by the way, there are these visual indications people show. If you look at Cuba, 50 years ago in Cuba today, which is a low economic freedom country, it actually looks relatively the same. Like the skyline. And Singapore transformed in the timeframe from a swamp land into a metropolis.

Brian continued (00:18:23): So North Korea, South Korea is kind of maybe the most visually distinct one, which is kind of an A/B test that history put in our lap, where it's like same geography, same natural resources, everything, it's just the laws and the economic freedom were different. And they had these dramatically different outcomes. You see it from space at night, all that kind of stuff.

Peter Thiel says that every company is founded on a secret. I guess the secret of Coinbase has one, is that I had this hunch when I read the Bitcoin white paper a long time ago, where I said, "I think economic freedom is really cool, and maybe its downstream effects in society, not just correlation, but causation is there. I bet with the rise of smartphones and this new cryptocurrency, Bitcoin, and all the things that will come from that, I bet we could add economic freedom into countries all over the world."

Read the White Paper - Bitcoin: A Peer-to-Peer Electronic Cash System

By basically creating some of the basic financial infrastructure that somebody don't have where there are property right enforcement. If I have some money, can I actually keep it, or will it be taken away from me somehow and inflated away? Free trade and global trade and just enabling commerce and transactions to happen, maybe even credit markets. People are now getting loans with Defi, which a lot of these emerging markets, you can't get loans to do anything and so that slows their economy. That's kind of why I love economic freedom, and I actually think cryptocurrencies plus the smartphone is kind of the secret that we can use to inject economic freedom into countries all over the world and hopefully change the economic freedom of the world.

Patrick (00:19:43): It begs the question, how that might happen alongside regulators or regulations in different countries, both developed countries like the U.S. but also say a Zimbabwe, that the role of the incumbent governments and institutions and regulations and regulators is really important. How do you see that relationship unfolding, especially if crypto gets much bigger than it is today? It's going to have to be addressed.

Brian (00:20:08): Eight years ago, Coinbase roughly started, and we decided from the early days we were going to go out and practically work with regulators and try to be an educational resource to them. And a lot of the crypto companies at that time were kind of trying to fly under the radar and hope that regulators didn't notice them.

And I kind of realized, "Hey, not all regulation I agree with of course, but that's the practical matter. That's the world we live in. And if we're going to build the company for the longterm, we need to work with regulators, not try to avoid them." That's exactly what we did in the U.S. and then in the EU, and now in 35 or 40 countries, we've successfully been able to interact with regulators and teach them about, "Okay, here's the AML program that we have in place," and get their feedback on it and have them tell us where we can improve it.

In the U.S. we started off being regulated as a money transmitter. New York then put out something called a Bit license. There's a federal FinCEN we work with in the U.S. We ended up working with CFTC and FTC on a whole bunch of matters as well, and then same kind of equivalent in Europe and all the places that we operate. I would generally say it's like this, in kind of developed countries that have existing regulatory frameworks and generally want to have growth in their economy and they believe in technology and things like that, we are finding that we are already a regulated financial service business today in all of these countries around the world. And generally, I would say maybe when Coinbase was first starting, we got a lot of skepticism and things like that, but now they're like, "Hey, Bitcoin is great. Ethereum is great." The conversations we're having with them are about the latest thing or some stable coin or some security token

where they still need to get educated and learn more about it, and so do we. That's all the developed countries of the world.

Now there's going to be just like the internet, generally the internet is open and it works in most places in the free world, but China has the great firewall of China, and North Korea decided they want to build their own internet. During the Arab spring, some countries tried to turn off the internet. So I think there is definitely going to be a portion of the world that also does that same approach with cryptocurrency. And it wouldn't surprise me if China tries to discourage the use of some global decentralized cryptocurrencies and push their own thing instead, or if North Korea or some countries try to block cryptocurrency entirely.

So I think it's just the kind of what side of history do you want to be on? And I would say every year more and more folks have gotten comfortable with cryptocurrency. Whereas now today in the U.S. I mean even Ben Bernanke and people like that have come out and said, "Hey, we think this has promise, and this is an interesting technology." And the internet was so good to the United States in terms of creating all these very valuable companies like Google and Amazon and everything, that I think it will be a regulated, huge business that is legal and hopefully in most places in the free world.

LESSONS ON BUILDING COINBASE

Patrick (00:22:48): With Coinbase as an early leader in this space, I thought it would be neat to talk about its progression from the early days, both to talk a bit about how you think about product and just building a business, almost unrelated to cryptocurrency, but also just to use it as markers for how this has evolved, like how people use this stuff and interact with this stuff? I would love to begin right at the start, which is how did you get the first batch of users to join the original Coinbase product?

Brian (00:23:14): So the origin story is pretty interesting. I was a software engineer at Airbnb, I was kind of working on some code for them to try to help them move payments around the world. And I ended up reading the Bitcoin white paper just when I was at home one time with my parents over the holidays. This was, I think, around December of 2010. And I remember reading that white paper and thinking, "Wow, this is a really big deal." Something about it just caught my attention. And anyway, I started thinking more about it over the next year or so, and started working on a little bit of a prototype, and eventually applied to Y Combinator, which is a startup incubator, and went through that program. I have to say they kind of took a bet on me, which I'm always grateful for, because at that time I was telling some of my friends and stuff about, "Hey, I think this Bitcoin thing's pretty cool and I kind of want to try to make a prototype or a product."

Most people I talked to were like, "I don't really get it. It sounds like kind of a scam. What is this thing you're kind of getting into?" I probably would have been very hesitant to quit my job and really go try to do this full time if it wasn't for that initial check for $150k or so that Y Combinator wrote me. I'm very grateful to them for that. It kind of went through that program. Right after that I met Fred Ehrsam, who ended up being my co-founder. I can't say enough good things about him. I mean, without Fred, I don't think there would have been Coinbase. It was this great match of our skillsets and talents. And he and I just kind of ended up working 12 hour days, six, seven days a week for a couple of years to try to hero the thing into existence and start to build a team.

Brian continued (00:22:37): And a lot of the early people came from those days. And the very first version of the product was simple. It was just, I knew that there was this protocol out there, Bitcoin, and it was kind of like a protocol on the internet, like TCP/IP, or SMTP, which powered email. And I figured everybody at that time was running Bitcoin nodes kind of on their own computer. I figured this might evolve kind of like email. Nobody wants to run their own email server, they just use Gmail or some kind of hosted service. So what if we did that for Bitcoin? What if we make like a hosted Bitcoin wallet? So if you lost your phone or lost your computer, it's not like you lost all your money. It's all those security updates and backups are in the cloud and we'll just build this great service.

> "I figured this might evolve kind of like email. Nobody wants to run their own email server; they just use Gmail or some kind of hosted service. **So what if we did that for Bitcoin?**"

So, that was the initial idea. And what was funny was I just launched this prototype, we put it up on sites like Reddit and Hacker News, and we just got a first couple hundred people to come in and look at it. And I remember at that time you couldn't buy Bitcoin or any cryptocurrency on Coinbase. It was just really a hosted Bitcoin wallet. And I remember a lot of people would come sign up, but they wouldn't really stick around and use the product. And so I emailed five of them. Today we call this user studies, we do it all the time in product development, but I was doing it very informally back then. I just emailed five people who had signed up, "Hey, can you get on the phone with me? I'm building this thing. I'd love to talk to you." And I kind of asked them, I was like, "Hey, I saw you signed up, but you didn't come back. Can you give me some feedback on the product?"

And they were like, "It seems pretty cool, but I don't really have any Bitcoin. Maybe if I get some, I'll come back and use it." And I remember I asked one of on the phone, I was like, "Well, if we made just a simple buy button in the app, would you have used that?" And he was like, "Probably." Fred and I went about getting all the pieces in place to get that to work. Getting a bank partner to work with us, which was a huge ordeal, and getting an easy way for people to connect that payment method and getting some kind of simple exchange integration working. And we made it just a very simple buying experience. The minute we launched that feature, it kind of started to take off organically and we had product market fit at that point, and that was the very beginnings of Coinbase.

Patrick (00:26:33): What did it feel like at the peak of the December madness in 2017?

Brian (00:26:47): So for people who don't know, I mean, crypto currency has gone through a number of bubbles and corrections. Each time it ends up at a higher plateau, so I think it's kind of directionally in an upward channel, but each of those bubble moments has been crazy at Coinbase. So the last big one was in 2017. And around December things got crazy there for a while, not only because we were just seeing record traffic come into the site and we became the number one app in the App Store. I remember we had never seen numbers like this where we had 50,000 people sign up in one day or something on the app. And I remember all of us, this was probably, I don't know, 75 of us were in some kind of cramped office at that size, or maybe 150. I don't remember exactly how many people. And we're all just kind of staring around, hoping the website will stay up.

Now we had 50,000 people sign up. We've only ever had 5,000 people sign up before in a day. And then the next day, 500,000 people signed up in one day. I was like, "How is that possible?" I was Googling 50,000 people fit into the giant stadium in San Francisco or something. That's what 50,000 people looks like, it's a lot of people. And then we just had 10 Giant Stadiums sign up in one day. There was a lot of sleepless nights. There was a lot of sleep deprivation. We were just desperately trying to keep the website up and running. There was a lot of capital allocation challenges, the cashflow challenges, people were trading so much cryptocurrency that we needed to kind of via the ACH system, we were collecting this money out of people's accounts and there was two to three working days of capital that we needed to front.

We were basically using a huge amount of resources just to try to keep the buy and sell flows on. I remember a lot of scammy behavior started to emerge as well. All these people who kind of rushed into cryptocurrency like, "Oh, this is some get rich quick scheme." And we thought people who were launching these tokens that were completely scammy and kind of fraudulent. I remember customers would find our office and waiting for us there outside when we'd come into the office. And so I started sneaking in the back door. I remember one of the people who works in the building that I was living in, they like came and knocked on my door and they were like, "Sir, I know the company you work for and I just want to know, should I buy crypto?" And I was like super awkward, people are like coming to my house.

> "Now we had 50,000 people sign up. We've only ever had 5,000 people sign up before in a day. And then the next day, **500,000 people** signed up in one day."

Brian continued (00:28:45): In some ways it was good in hindsight, because it got another order of magnitude of people in the world knowledgeable about cryptocurrency, and a lot of people ended up getting a little bit of it for the first time. In some ways it was actually very negative, because it brought in the wrong type of mentality of people who were like, "This is some get rich quick thing," And all the scammy behavior, I think sort of created a little bit of a reputational stain for a little while.

But most of that has passed at this point. And it reminds me of kind of like the dot-com boom/bust cycle. This is just how technology, I think, evolves and gets introduced into the world. People get irrationally exuberant about it, and then they have despair about it. "Oh, the whole thing's over. It'll never work." In reality, it's never as good as it seems and it's never as bad as it seems. The real adoption was just kind of slowly improving throughout all of that, regardless of what the price is doing. So that's what I always try to tell the team and other people, "Don't get caught up in the hype. If you want to try something with this, put 1% of your assets into it and just don't touch it for 10 years. Don't put in any money you can't afford to lose. This as a new thing and just think long term." That's what I always try to tell people.

Patrick (00:29:49): You mentioned team there, and I'm so interested with relatively young companies like Coinbase that have nonetheless added a ton of people to their firm over the last decade, how you think about recruiting, identifying talent, successfully convincing them to join Coinbase, and then incentivizing them in the right way for them to be most productive? This seems like probably the highest leverage thing that you as a CEO can do in a hyper growth stage. I'd love to hear the lessons you've learned on people.

Brian (00:30:15): There's so many things we could talk about on people and hiring. And I agree with you, by the way, I think basically everything in the company comes back to people. Because you think, "Well, okay, we need to be profitable." Well, how do you become profitable? Well, you got to have a good product people want. Well, okay, how do you have a good product people want? Well, you got to hire great people to build that, and build a great team and get them to be aligned towards the same thing. And so it kind of all comes back to people.

There's a few things that I think we did well and some that we probably didn't do well, but in terms of taking the positive lessons. So at some point we wrote down the values of the company and we got really clear about... I'd say for the first 150 or 200 people, Fred and I were able to meet with each of them in person and we were the final decision maker on all these hires, and that created this core nucleus, core culture that had some of these common elements.

But after that we realized to scale the company, and today Coinbase is about 1,100 people, we weren't going to be able to meet all of them in person. And so we needed to formalize and write down what are the hiring criteria? What are the values that we're looking for? What are the things we want to all have in common here? We wrote those down. And we talk about clear communication, positive energy, continuous learning, efficient execution, and learn more about those on our website if you want. But we also introduced this thing we call like a bar raiser program.

CHECK OUT COINBASE'S MISSION, PRIORITIES AND VALUES HERE.

We borrowed this idea from Google, which is you don't want to let hiring managers make unilateral hiring decisions. There needs to be another person who can veto the hire, and their job is to raise the bar with every hire. Fred and I repeated that over and over again, and especially in the early days of Coinbase, but

even now today, where we tell everybody, "If you're not a hell yes on this candidate, you're a no." So if you're ever unsure, you round down to no. Your job is to raise the bar with every hire. The bar raiser was kind of there to be the stickler or the jerk in the room a little bit, to have some backbone and kind of say, "Hey, are you a hell yes on this person, or do you just trying to fill these open head counts that you have because your team has so many priorities you need to go do, and you don't have enough head count?"

> "If you're not a **hell yes** on this candidate, you're a no." So if you're ever unsure, you round down to no."

Brian continued (00:29:49): That's the risk a little bit. This is human nature. If you're a hiring manager, you might want to fill that seat because, gosh, you have so many things you're supposed to get done, or you just want to build your empire, whatever the kind of failure modes are. So I'd say the bar raiser, don't let hiring managers make unilateral hiring decisions, really write down the values. There's a lot more stuff that we're doing now in terms of where we source candidates. I think different people, they join companies for different reasons. Some people want it to be a growth and learning thing. For others it's a really important mission that they care about. For others it's compensation, they want to build wealth. I think of it as those are different levers that you can pull for different people, and for each person it's different. They're going to be motivated by different things. So you've got to be good at all of them.

Hopefully you hit the right lever for all those people, but you also need to tailor it to that person's preferences. Just having a really important mission for the world, which I talked about, the open financial system and economic freedom, I'd say that's one of the things that has gotten us a lot of great talent. Because the best people, they want to work on really ambitious stuff that's going to change the world. And that's me coming out and saying, "Hey, I actually think we can build a whole new economy for the world that's more free, and accelerate the pace of innovation and overthrow dictators in the world or whatever." And people are like, "Okay, that's crazy, but that's awesome and I want to come see if I can help with that."

Patrick (00:33:30): I love the concept of a bar raiser. In addition to wanting to work on hard problems, people want to work with great people and it becomes like a self fulfilling prophecy that's really, really interesting. What are the mistakes mentioned, maybe some things you didn't do as well? What were some of the blunders or errors or just mistakes that you made on the people side that have helped you learn and change how you do things?

Brian (00:33:49): Well, one of them is we probably should have written down those hiring values sooner. If I were to do it again, I probably would have written it down at five employees instead of 150, because I think Fred and I were just killing ourselves, being the bar raiser effectively, or the values interviewer. I kind of got so burned out on interviewing at a certain point, I think I had done 5,000 interviews or something in four years. It got crazy. Maybe not quite that many, but thousands at least. I probably would have done that sooner.

The other thing that I probably would say, I mean there was a lot of hiring lessons, but one of them is that I've ended up kind of valuing hiring for humility I would say, a little bit later in Coinbase history. And the reason was that there were some people that we hired that were just, they were brilliant. They were

geniuses. They were far better at what they did than I could ever be, but they struggled to kind of work well with other people. And some people in Silicon Valley talk about the brilliant jerk or whatever. I don't want to call it that, because I think it's kind of a mean term, but I do want to look for humility and that's kind of the willingness for somebody to say, "Hey, I'm curious. I want to learn from other people. I'm not so committed to being right about this thing." I ended up valuing that more over the years, I would say.

Patrick (00:34:55): I'd love to hear a bit about your learning on the product side as well as the people side. Undoubtedly Coinbase has had product market fit in crypto investing or trading, which is just an incredibly powerful base instinct of people in finance. It seems to be one of those things that no matter what it is we're trading, we're going to want to trade. I'm curious how you think about steering the product roadmap, knowing that people love to do that, but also with this bigger vision in mind, with more primitive functions like lending and spending and paying that you mentioned at the beginning, how you balance that in thinking about what makes for a successful product?

Brian (00:35:29): One thing I'll just say, I'm kind of a product focused CEO. I do love working on products. Sometimes so much so that the team probably didn't wish I was so into product. But I would say so a lot of times product start off simple, Coinbase it's just buy and sell crypto. And then over time when we started to add more and more of the functionality. So there definitely is an art to you don't want to destroy the new user experience. We call it the NUX, N-U-X. Where we have to remember that we're building a product for people who are brand new, they've just heard about Bitcoin for the first time in some news article they read or whatever, and they're like, "Hmm, what is this? I'll come in and try to buy some Bitcoin."

For those people, if you put something in front of them, if you want to stake your fourth asset of this Ethereum smart contract or whatever, you've just completely lost them. Or if you just say the word private key or something, you've completely lost them. They don't understand cryptography, nor do they want to. We have to build a simple new user experience that's just going to handhold them, but we also have these power users who they want to do the advanced stuff, and they want to do T-WAP orders for $10 million and all these interesting things.

First of all, I should say, Coinbase is a multi-product company. So we have products for institutional customers, we have it for retail, we have it for merchants, all kinds of things. So, that's part of the solution. But the other thing I like to think about, it's kind of like a Swiss army knife analogy, where on a Swiss army knife, you can take out just one blade and it's a simple tool, but if you really want to expand out all with the thumbnail catch, you can expand out dozens of different tools and get those when you need them.

And so I kind of like to think about that, those things that are more like secondary or tertiary actions, how do we kind of hide those behind a thumbnail catch so they're there for people who need them, but they don't derail the experience for the new user? That's just one concept, but there's many things like that, that we try to think about.

Patrick (00:36:17): I'd like to go back now to the currencies themselves. Coinbase supports and allows you to trade, not just Bitcoin, but early on it was a few others. Now I think, I don't know what the number is today, but it's expanded over the years. How do you think about that through the lens of the mission and vision? What do the non-Bitcoin cryptocurrencies bring to the table that Bitcoin does not?

Brian (00:37:40): So today Coinbase has about 30 or so assets that people can trade. We'll continue to add more as well. And the way that I thought about this over time was, first, really everything we did was focused on Bitcoin. That's what got us off the ground, and we thought at a certain point that a lot of our customers were coming to us and saying, "Hey, we want to trade some of these other assets." I hoped it would go away for a while, because I was like, "I love the simplicity and the focus of just being Bitcoin," but it became clear to a certain point that we could probably fail as a company if we did not start to provide customers what they wanted, they were just going to go elsewhere.

At a certain point we just kind of made this decision. We're like, "Alright, we're going to add a couple more currencies." Where we got to over time was we said, "You know what? Our customer base is so distributed and different. They each have their own favorite cryptocurrency or something that they're passionate about. And our job is not to play judge and jury and try to tell them what they should use. Our goal should be. Let's just provide everything as long as it's not a scam or something outright like that, or violating some law that we fall under, let them make their own decision about what they want to trade, and we're going to be agnostic."

Brian continued (00:38:40): It's a little bit like New York Stock Exchange or something. They have listing standards for who's going to be on there, but it's not like they're telling you to buy Boeing over Google or something like that. They're kind of just providing you the structure. And by the way, I think over time, you're going to see, just like on Amazon, Amazon lists all the products you might want to buy, but some of them have two stars and some of them have five stars.

So we want to try to provide things like that over time to help consumers and institutions make more educated choices about what they're trading. We don't want to have somebody feel like they got duped or something. It's the same thing with like the Google Play store or the app store. So some kind of ratings, I think, is the solution as opposed to us playing judge and jury. But anyway, so I think the second part of your question was about kind of why are there so many different cryptocurrencies or maybe what are the use cases out there.

REACHING THE NEXT ORDER OF MAGNITUDE WITH CRYPTO

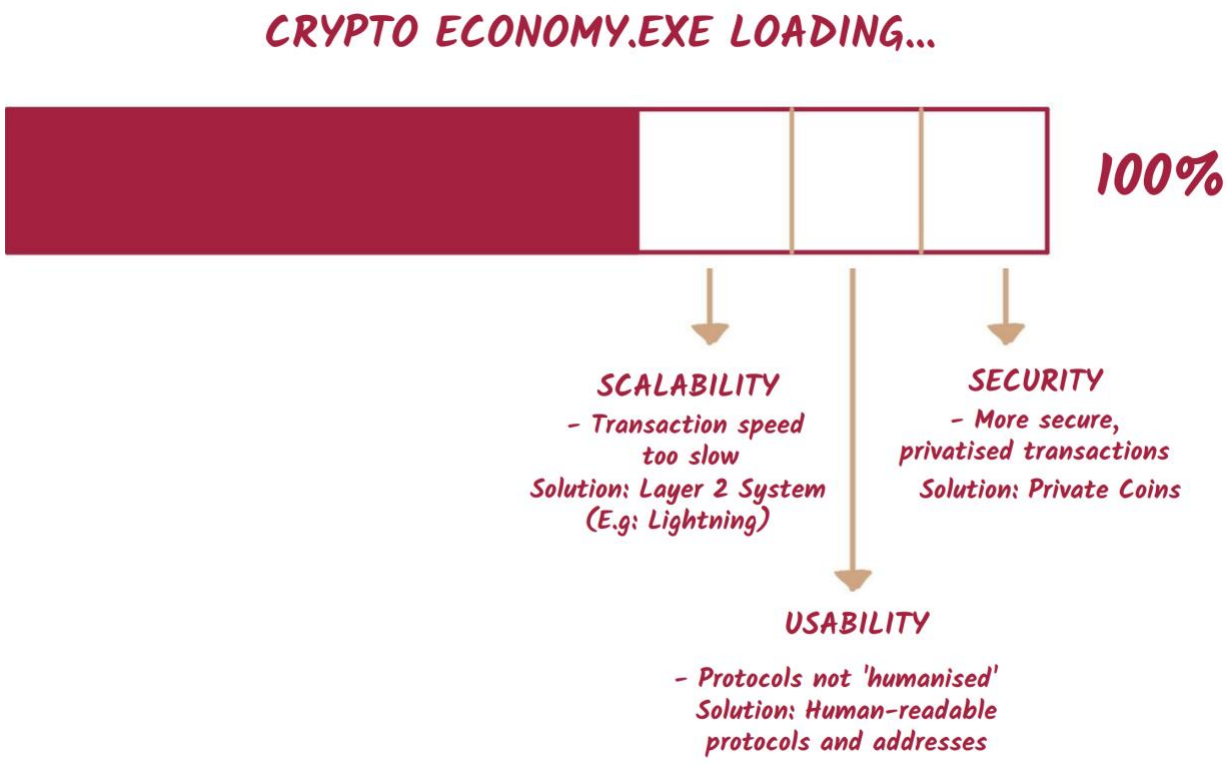
Patrick (00:39:27): Most specifically what I'm interested in is working backwards from this vision of a differentiated more open financial system that precipitates more economic freedom. What about Bitcoin, isn't good enough? Or maybe it's the big, chunky core asset, but there's other things needed, we could talk about second layer solutions as well here, that allow that dream to come true. What's the missing functionality?

Brian (00:39:50): Okay. So here's kind of my feature list, I think, of things that we need to get out there and that'll help cryptocurrency reach the next order of magnitude of people.

So one of them is scalability. Transactions per second today on most blockchains is too low for a mass market application. It's allowed things like DeFi to take off, because borrowing and lending, you don't need to do super high transaction throughput. But if you wanted to put like Reddit, where every upload is on chain or a game or something like that, you'd need much higher throughput. So scalability is one. And we can talk about layer two solutions, which I think are really promising for some of these next generation blockchains that are working on higher throughput.

Second one is probably around usability. So today when you send a cryptocurrency transaction, you're sending it to this random address, which is like a random string of characters, and what you want to be sending it to as a human readable address, not a machine readable address. And by the way, the internet went through this same transition too. It went from having IP addresses to domain names like through the DNS system. So you need something to translate those human names into the computer names.

And the third one I would say is around security or privacy. So today in cryptocurrency, it's pseudo anonymous on most of the chains. You can't tell exactly who somebody is, but it is a public ledger. So you can trace it through. And there's privacy points that are coming out. Now, privacy coins are a little bit controversial, but I think eventually people want more financial privacy. And again, the internet did the same thing. It moved from HTTP, which was plain text to HTTPS over time.



So the internet is kind of a perfect analogy. It went from dial up to broadband. It went from IP addresses to domain names, and it went from HTTP to HTTPS, and cryptocurrency needs to do the same kind of equivalent.

So how is that going to translate into the different cryptocurrencies that are out there today? Nobody knows for sure, and I certainly don't. Bitcoin has really established itself as the reserve currency in the crypto economy. So I think that'll be the gold standard, the gold equivalent for quite a long time. And we may get

layer two solutions working on top of Bitcoin, which allows the high throughput as well, or that might end up in one of these newer blockchains, like any of the ones that I mentioned earlier.

> "So the internet is kind of a perfect analogy. It went from dial up to broadband. It went from IP addresses to domain names, and it went from HTTP to HTTPS, and cryptocurrency needs to do the same kind of equivalent."

Brian continued (00:41:56): And then of course, privacy tokens are a piece of the puzzle, some of these decentralized identity solution, which would give you that human readable names instead of the machine readable names. Those are all things where there's a lot of research papers being written. We're reading them at Coinbase. We're doing meetings trying to figure out, "All right, do we want to put our weight behind one of these standards to help the industry move forward?" So those are the things I think we really need to get working.

Patrick (00:42:16): What area of innovation in crypto, outside of Coinbase, are you most excited about?

Brian (00:42:23): Well, there's a lot of really cool stuff happening in DeFi. I mean, we're participating a little bit in DeFi through Coinbase wallet and things like that, but I think we haven't dipped our toe into it in a big way.

Patrick (00:42:33): Can you define DeFi for people out there?

Brian (00:42:37): It stands for decentralized finance. It's basically a collection of new protocols and tokens that are allowing people to do different financial activity like borrowing and lending, or doing decentralized exchanges, but these are happening in a totally distributed, decentralized way.

Instead of there being like a centralized place where you'd go, "Hey, I want to get a loan," and they'd match you with a lender, or like an exchange where you'd go and you'd say, "I want to put a buy order in." They'll match with a seller, in a centralized way. These are offering via smart contracts and with new protocols. So they're totally decentralized, which means they inherently work on a global basis and it can't really be shut down. And there's a lot of regulation that's well-intentioned around lending licenses and things like that, but in decentralized protocol like that, you want to work on a global basis.

Well, it's kind of impossible to go get a lending license in 190 countries around the world, not to mention individual states in the United States and everything. Decentralized protocols are basically creating a little bit of that truly open financial system that is global, and they get there by being decentralized.

Patrick (00:43:39): Is there a country or region that you visited as part of this Coinbase journey that was especially interesting through the lens of crypto?

Brian (00:43:47): There have been a few over the years, yeah. One thing that was kind of formative in my path was I ended up living in Buenos Aires for a year, not while I building Coinbase, but prior when I was younger. And I think seeing a country that had gone through hyperinflation actually did really influence my thinking. A lot of people who have only grown up in the United States and have never really seen financial crises, the U.S. has its own now, I suppose, but a lot of people who they grew up outside the U.S., they somehow just get cryptocurrency quicker I've noticed. That's not the only way to get there, but that's one of the ways people get there, and I've done other trips in my life too where, for instance, I took a trip into Ecuador at one point, and I did this Amazon rainforest trip.

And that goes in these villages where people, they have dirt floors, but they all had cell phones. And in fact, they were like pretty modern Android smartphones. And I realized, "Okay, well, the smartphone is... the costs have come down. People are going to have these everywhere. Even the poorest people, they all use the internet. They know how to use it." I gave some of them cryptocurrency and stuff like that, just to see, could they even understand it and things like that. And they're very resourceful. They understand how to use things. There's actually a charity that I set up called givecrypto.org, which is sending small amounts of crypto into regions of the world that are going through financial crisis.

Brian (00:44:58): We've sent a bunch of payments to people in Venezuela and stuff like that, where 90% of the people who've received these payments, they're able to go complete a transaction, buying food or medicine, whatever they need with cryptocurrency, or going to a local exchanger. That to me was pretty exciting. We didn't even know if it would work. Would they even want cryptocurrency? Would the internet work well enough in Venezuela? But 90% of them were able to benefit from it, and the transaction fees for us to get money like that into Venezuela was a lot less than transferring fiat currency.

Patrick (00:45:29): Back to the idea of company building again, over the journey of building Coinbase to this point, what has changed most in your mind? What opinions of yours have changed most about effective company building?

Brian (00:45:51): This might take me some time to write up a really good post on this. But just off the cuff, I mean certainly hiring great people was one of the best things that we started. It kind of all comes back to that. And then you have to have a company that's going to be economically viable, and Coinbase has been very lucky to have a good business model and be operating cashflow positive and stuff like that.

There's a real risk that I think companies get too big, too fast, and they have to kind of rely a lot on venture financing. And basically the founders end up losing control and bad things can happen there. This is a topic maybe I could talk more about publicly at some point, but I think actually having founder-controlled companies is kind of important, just in terms of staying true to the vision of it.

And it can all go wrong as well, and we've seen some public examples of that too. Like founders are kind of crazy people. I think there's some data I've seen that founder led companies in the public markets actually out perform and that kind of thing. And you need to kind of pair these crazy founders with great operators. That's a really tricky thing to get right. There's probably a lot more that I could say on that. I'll have to think about it more.

Patrick (00:46:46): Sure. Sure. During that same journey, the founder thing is interesting. Like the psychology of it is very interesting to me. Were there points where you lost confidence, either in yourself, or in the business, or in the vision? And if so, how did you fight through those things?

Brian (00:47:02): Starting a company is definitely an emotional roller coaster, and I have a lot of respect for founders even when they fail, because it is such a tough thing. A lot of people, I think they see someone like Elon Musk or something, and they're like, "Oh, this guy's crazy. What's he doing?" They don't like him or whatever. I kind of have some respect for him. What he's attempting to do is fricking difficult, and whether he succeeds or not, I feel like we should be rooting for him because it's probably better for humanity in that sense.

But yeah, I mean there were some very dark days building Coinbase. Especially when we were smaller. Somebody stole this amount of money and my two best engineers quit, and we just got this lawsuit from someone. And one of the things nobody told me about starting a company is that a lot of people will just end up hating you for no reason. That was like kind of a weird thing. But I like to think I'm just like a pretty normal, nice guy, I talk to people, whatever. In your normal course of your life, most people will never experience the idea of having 100 people mad at you at the same time, much less, 10,000 or millions.

That's been very uncomfortable, and I think it's just kind of human nature thing. Social media probably doesn't help with this, but people, if they meet you in person or something, they're always nice to me, and they've kind of become more comfortable with what I'm all about and everything. But if they just know me from the internet or something, there's people who have become very negative or whatever over time. So it's a common experience by the way, I don't think it's anything specific to Coinbase. Like probably obvious statement, but I mean, there's people who I know that are just, they decided to run a charity where they're just giving all their money away, and there's people who hate them too, which is mind boggling to me.

> "But I like to think I'm just like a pretty normal, nice guy, I talk to people, whatever. In your normal course of your life, **most people will never experience the idea of having 100 people mad at you at the same time**, much less, 10,000 or millions."

So I think that's just something social media has maybe exacerbated a little bit, but yeah, you've got to power through all that stuff. And if you want to change the world, you can't let that stop you. Basically people are going to hate you no matter what you do, so you might as well just do the thing that you actually are passionate about and keep going.

Patrick (00:48:57): Do you think that that has hardened you at all, or changed your personality in a permanent way, almost out of necessity? It seems like it must have to, to some degree, to be able to keep enduring. Your growth is going to be correlated with the amount of haters.

Brian (00:49:10): Yeah. Totally. I mean this is actually an essential skill set of founders. You need to make sure you don't burn out. Take vacations, exercise, health, all that stuff. And then you've got to make sure that you cultivate this mental toughness or resiliency, because building a company is basically just moving from one setback to the next with enthusiasm. Sometimes people ask me how I got that. Part of it might be just how I'm wired or something. I'm a pretty even keeled person, but I think a lot of it can be learned too. And it's like building a muscle. Before starting Coinbase I had never managed anybody, and so if you had thrown me into doing what I'm doing now, our company's 1,100 people and the stakes are really high and all this, I mean I would have crumbled under it.

But it didn't happen overnight, it took eight years. And I learned how to manage one person, and then 10. I've had a lot of really good executive coaches along the way, my board was really supportive. I try to surround myself with people who either were building companies or had built companies, and I just tried to go hat in hand to them and kind of with total humility and be like, "Here's what I'm thinking about doing, but I don't know what the hell I'm doing. Can you tell me what to do?" And I would just get everybody's opinion and then just did what I thought was best. You're sort of drinking from the fire hose trying to grow a company like that. One of the best things I did was I surrounded myself with a really great executive team and deferred a lot to them on things that I just didn't really know that much about.

I have nothing to teach my CFO, my COO, my head of engineering or anything, go on down the list, they're all much better at what they do than what I do. So a lot of them they've run bigger organizations than me, they're older than me, they're more experienced. So you have to kind of have this... It's really finding this balance between, "Okay, I'm going to defer to these people, because that's why I hired them." But I also kind of know where I want this company to go. If I feel like there's something a little off about that, I do need to make sure it's all aligned towards this common strategy and vision that I've articulated. It's a tough balance.

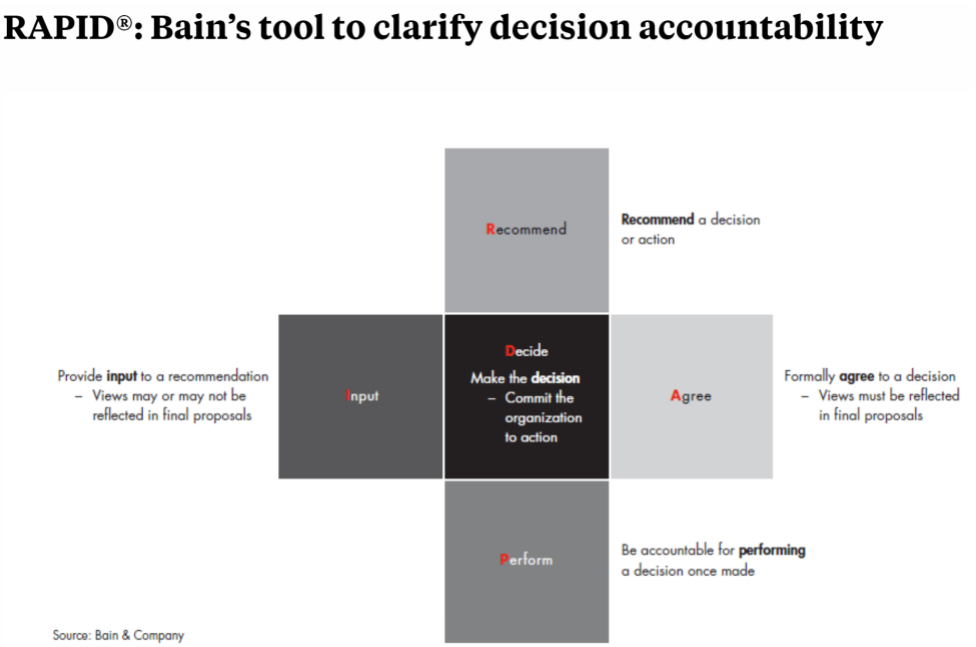
Patrick (00:51:02): In addition to people being so important, it seems like the other hand of this would be more and more effective decision making on your part. How have you gotten better at that

skillset over the years? Do you think you've gotten better as a decision maker, and if so, kind of along what dimensions?

Brian (00:51:18): Decision making is definitely really important. I would say up until about 150 people or so at the company, all of our decision making was pretty ad-hoc and it was Fred and I would just get in the room and we'd decide. Nine out of 10 times we would agree. The one out of the 10 times that we didn't agree, we'd kind of say, "All right, how much do you care about this? One to five?" And we would kind of go on three, boom, and show the number of fingers. And if he was a four and I was a three, "Okay, great. You get this one, let's do it your way." That was like our V1 decision making, which got us a long ways.

The company grew, I remember we went through a big growth spurt, and we had 250 or 500 people. We realized that all decision making was just breaking down at a certain point, and people were coming to us and they're like... we were kind of a bottleneck. Nobody knows what the decision is. It's just being delayed for weeks. And we would end up revisiting decisions a lot. People would come in and a month later, "Hey, I want to revisit this." Or someone would come in at the last minute, "Hey, you didn't ask so and so what their opinion was, so the decision is null and void." We started to run into all these decision making problems. I credit some of the executives that joined at that time, especially Emilie, who's now our COO, and she introduced a couple of really good frameworks.

Brian continued (00:52:22): One of them is around this decision making framework called RAPID. There's a couple of them out there, but it's basically this idea of just choosing who is going to be up front. Who's the decision maker. Who's going to provide input. Those people, they can't veto this. Their input is important. Who's going to actually go do the work once the decisions made? You kind of label all the participants, and then you go in and you do it in writing. It captures everybody's input in writing. And then you go in and you have the meeting to discuss and you make everybody do the pre-read. Nobody can say, "Well, my opinion wasn't heard." You wrote your opinion in the document and you watched everybody read it, and then you discuss, and then the decision maker - and I'm a big believer in this idea of having single decision makers in most cases – because then it unblocks a lot of things.



There's a few exceptions to that, the bar raiser we talked about, and in certain committees we have to use things like that. But generally, I try to just have single makers. So we then memorialize it in writing in the document, after the decision maker deliberates. And the decision maker doesn't need to be me. Delegate and push down as many of these things as you can, only the really one way doors that would be very

expensive to go back are the kinds of things that should be at my level, and I push a lot of that decision making down into the org, and formalize the process.

BRIAN'S FOCUS AND SUPERPOWERS

Patrick (00:53:35): What aspects of the job do you most enjoy now?

Brian (00:53:40): Yeah. So the Founder/CEO job changes a lot over time. In the early days, I was actually writing the code to build the first version of the product, and getting our first couple users, and doing fundraising and stuff.

And I'd say over time what I've realized, the things that I actually like, and I think I'm good at is a few things. So one is hiring top talent. So I still think that's probably one of my top priorities, is getting really top talent into the org, especially senior people and board members.

Second one is around product. So I love product. We have an amazing chief product officer and product team, but I do like to go in. There's probably about five or six areas of product that I really care about, that changes every few quarters, and I want to go into those meetings and try to influence the direction and make sure it's in line with the overall product strategy that I've set out with our chief product officer.

The last one is just about setting a clear strategy and culture for the company. So articulating those things in writing, repeating them often, like at our all hands meetings, and when kind of edge cases come up, trying to be a guidepost or something like that about, "Hey, this is the kind of company we want to be long term. So this is kind of the reasoning behind how we got to that strategy or that cultural principle." So those are the three things that I try to focus on now.

Patrick (00:54:50): You've mentioned a few times how much you love product. I'd love to dig one step deeper there and just understand what specifically is it? Is it trying to remove frictions, trying to identify the jobs to be done, the aesthetics of it? What really gets you excited in those meetings?

Brian (00:55:06): Well, I definitely am very excited about usability. I mean I just generally think that all tech products are still too difficult to use. You make things easier to use, you just open up, not only like a few more people, but like an order of magnitude. It's kind of like a pyramid where at the top you have these computer scientists and the next layer down are really tech savvy people. You keep going down the pyramid, you can build something that can get billions of users. I focus a lot on usability.

Patrick (00:55:30): On usability, are there questions that you ask of the team that you find yield interesting answers? Are there ways to poke and prod to get something more usable without having the idea yourself?

Brian (00:55:41): Yeah, I mean one thing that I like to do in product meetings is I'm not a big fan of slide decks. When I go to product meetings and product reviews and people are just showing me slide decks, I get really nervous.

"What is the customer going to see?" Just show me the thing the customer is going to see, whether that's a clickable prototype or the actual implemented feature. I don't like them to coach the witness too much. And they're like, "Okay, next you're supposed to click this." You're not going to be sitting there over the customer's shoulder when they're using the products, show me a brand new user trying this out.

We do a lot of user studies, user research, or in the early days especially I would try to simulate being the voice of user, although I'm not the perfect user. We have lots of different types of customers now. But yeah, I like going to product reviews where you get hands on with, let's see the demo. Let's see the actual thing. Don't show me slides. Yeah, there's probably other stuff, but that's one that comes to mind.

Patrick (00:56:26): Back on crypto in the kind of broad vision that we started with. What do you think the largest or largest impediments are to this vision coming to fruition? Is it regulation? Is it something else? What are you thinking about as barriers that need to be knocked down?

Brian (00:56:41): I think it's going to be a little bit of a repeat of what I said earlier, which is, I think there's challenges just in terms of scalability, usability, and then privacy and security on these blockchains. If we go from dial up to broadband and all those kinds of things, that'll be a huge unlock. There's definitely some regulatory component to it right now. There's a lot of startups that are trying to be created. We've actually invested in a bunch of them through Coinbase Ventures, we've invested in probably 60 or 70 crypto startups. By the way, if people aren't familiar, when I say crypto startup, it's kind of like a new type of startup, like a dot-com startup or something. But a crypto startup is a startup that raises money often using cryptocurrency. They also attract their initial user base with cryptocurrency by building a community, having some kind of collective ownership principles.

There's a lot of really talented teams trying to build companies this way now, but a lot of the regulatory environment is still unclear for them about, “is this a security? What kind of securities regulations might you trip up if you do these?” And so, there's all these kind of different exemptions and stuff that people are trying to jump through hoops to try to make work. So we're trying to think about how we at Coinbase can help that. We're working on a product, we'll probably call it Coinbase Launch or something like that, but it's a way for anybody who wants to do a crypto start up to come in and say, "All right, I want to issue a token. Maybe I want to raise money. Maybe I just want to use it to build my community," and just hand hold people through that process and help them with the custody of it, help them create the smart contract, help them with the governance issues, vesting of these things if you need to distribute those to employees.

I think that kind of like Stripe Atlas meets AngelList or something, I don't know what exactly the analogy would be, but that could be a huge unlock for the crypto economy as well, to get a thousand new startups built like that.

Patrick (00:58:26): Whether in crypto or elsewhere, what do you not understand well today that you wish you did?

Brian (00:58:31): I mean I'm interested in all kinds of technology. Generally I'm a technological progressive, I would say. I believe technology is an incredible force to change the world, and we should invest more in it. Yeah, I'm trying to understand more about how academic and scientific research works and why it seems so inefficient. There's a startup that I've been helping out called researchhub.com that's trying to... it's kind of like “GitHub for science.” It's trying to accelerate the pace of scientific innovation.

I'm also just really interested in genetic engineering and different kind of bio therapies and things like Neuralink. And I think the human body is something that's going to be something that people can edit and program over time. So I'm very interested in those kinds of topics as well, but I need to go back and brush up on my biology and chemistry and everything to really try to understand it. I was always better at computers, and that stuff I didn't learn it as well as I wish I had. So that's something I wish I knew more about.

Patrick (00:59:21): Thinking about advice for young people out there, whether they're going to be founders or just go work at another company, was there any special advice, whether from a board member or a mentor or something you read in a book, that was a really helpful guiding light in the early days, that you would offer up for the younger people out there?

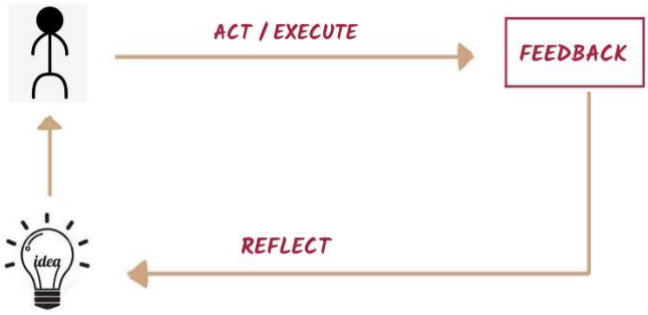
Brian (00:59:37): First of all I'd say I don't think everybody has to be a founder. If you want to have an impact on the world, probably in terms of expected value actually, it might even make more sense to join a startup that's already founded and a really good fit and it's kind of off to the races, or even these big companies that are products with billions of users. If you're editing a feature in a product that has a billion users, you're having a big impact on the world.

Most startups that you go and try and create from scratch, they fail. I've tried lots of startups and Coinbase was probably one of 10 or something. It's the one that worked, but most startups fail. And I feel like I kind of got lucky too. There was a big component of luck to it.

But for people who do want to start companies, if that's just something you want to do, I think there's one quote that I really like and it stuck with me where the greatest risk is not taking one. A lot of people in life, they have ideas. I'd say like 99% of people talk about ideas all the time. They're like, "Wouldn't it be cool if this and this worked?" or like, if that happened or someone built this, but they don't actually go do anything about it. It's sort of like intellectually you can get so caught up in, "Okay. What if I did that and this and this?" Okay. Well, stop trying to see 10 steps ahead. If you can only see a few steps ahead, just go do anything.

"The greatest risk is not taking one."

It doesn't even matter what you do as long as you do something, because that's my other favorite quote, is "action produces information." So at a certain point, you got to stop pontificating about this stuff and just try something, anything. You're going to be embarrassed by the B one until you go out there and you create. That's part of the product development process, is just dramatically scaling back kind of the ambition and the feature set and everything to rapidly iterate and prototype these things, but go do anything. The first thing you try is almost guaranteed not to work. So don't give up, just go try the next thing, and the next thing, and the next thing. That's the only way that new products and companies ever get created in the world. You got to put a lot of shots on goal to get one to eventually work.



Patrick (01:01:27): "Action creates information" is an amazing quote that I had never heard before. I will not forget that one. This has been awesome. I mean I've not explored this space in a while. I love getting caught up. I love hearing all the lessons you've learned, not just about crypto, but about building a business. My closing question for everybody is the same, and it's to ask what the kindest thing that anyone has ever done for you?

Brian (01:01:47): Well, I mean the first thing that comes to mind is what I said a little earlier, which is I was just a kid who was tinkering around with some kind of technology and I thought maybe I was crazy, because nobody else seemed to think it was very cool. But I applied to Y Combinator and they wrote me that initial check. And I was like, "Okay, maybe I'm not crazy." It sounds so silly in hindsight, but I was afraid of calling my parents and telling them, "Hey, by the way, I quit my job to go do this crazy thing." If I could tell them, "Well, somebody actually believes in me, because they wrote me this check," it gave me a little bit more confidence to go do it. So I think sometimes just taking a bet on somebody and seeing the potential in them, and I've tried to do that a few times with other people, can be like a really important gift for them. So, that was probably one of the kindest things someone's ever done for me.

Patrick (01:02:32): That answer has become probably the most common, some early bet ahead of results, or something like this. It's made me kind of reflect on maybe I need to do a lot more of that. Make bets on people much earlier on. It's definitely a great source of kindness. Well, Brian, this has been awesome. I really appreciate your time. It's great to meet you again. Thanks for all that you've taught us.

Brian (01:02:51): Yeah, thanks for the questions. They were great. And I'm going to try doing more podcasts like this. This was a really great one to kick off with. Thank you so much.