

Forbes

Bitcoin, Bit-by-Bit, Pitches Silicon Valley Against Washington As Our True Capital

Ralph Benko

February 23, 2015

Washington, DC, is the capital of the United States. Yet Silicon Valley is the true capital of the America of the present and the future. Silicon Valley and its satellites gave us personal computers, web browsing, email, Amazon, eBay, PayPal, Facebook, Uber, Airbnb, iPhones, iPads, and other technologies that have transformed and are transforming our lives for the better.

These developments are unlike anything out of Washington, usually a bastion of the status quo and the retrograde. So when the leaders of Silicon Valley start making amazing claims about something it pays to pay attention. Silicon Valley's latest Next Big Thing: the mysterious bitcoin.

In the New York Times, tech titan and venture capitalist Marc Andreessen writes:

A mysterious new technology emerges, seemingly out of nowhere, but actually the result of two decades of intense research and development by nearly anonymous researchers.

Political idealists project visions of liberation and revolution onto it; establishment elites heap contempt and scorn on it.

On the other hand, technologists – nerds – are transfixed by it. They see within it enormous potential and spend their nights and weekends tinkering with it.

Eventually mainstream products, companies and industries emerge to commercialize it; its effects become profound; and later, many people wonder why its powerful promise wasn't more obvious from the start.

What technology am I talking about? Personal computers in 1975, the Internet in 1993, and – I believe – Bitcoin in 2014.

Wasn't Bitcoin a passing mania, colored by the abundant drama of the collapse of Mt Gox, the takedown of Silk Road, and its collapse in value from a peak over \$1100 to the mid-\$200s range today? Not quite. The evidence is that bitcoin now is just beginning to emerge from its "Wild West" era. The smart money says it is just getting started in transforming the world.

Those of us who are not technogeeks but wish to understand this phenomenon now have two wonderful "guides for the perplexed." Dominic Frisby's gripping thriller-like

narrative *Bitcoin* and Jeffrey Tucker's lyrically philosophical *Bit By Bit*. These two works teach us everything we wanted to know about bitcoin but were afraid to ask.

Apart from a certain High Coolness factor, though ... why should we care?

As a recent article in the *New York Observer*, *The Race to Replace Bitcoin, An epic battle between two bitcoin 2.0 contenders grips the crypto world* neatly puts it:

There's an epic battle for the future of money, and the outcome is murky. It might have several winners. It might have no winners. ...

The coining of digital money ("cryptocurrency") has the potential to be the most important financial development of this century. On one side are governments, fiat currencies and the world banking industry. On the other side are hundreds of young companies backed by brilliant cryptographers, complex programming and security protocols and varying degrees of anti-establishment fervor.

... The result of this fight will decide, among other things, the fate of developing economies, access to financial services, inflation, terrorism, all forms of economic crime from insider trading to drug dealing, the ability of governments to spy on citizens' financial transactions, tax collection and the relationship between governments and the governed.

"The best-known cryptocurrency is Bitcoin. ... Bitcoin has a massive head start and has already developed significant brand equity. But among aficionados, there is wide consensus that the weaknesses in Bitcoin are fatal and unfixable. ..."

"There will be a 'Bitcoin 2.0,' and it will likely emerge from one of the hundreds of currencies that have been started in the past couple years."

Last year Perianne Boring — one of the two leading envoys of this tech to Washington, founder and CEO of the Chamber of Digital Commerce — spent considerable time tutoring me in, and introducing me to, some of the players of the bitcoin universe next door.

I came out of it with the impression that Bitcoin lacks "moneyness" (especially as its profound volatility makes it unsuitable as a unit of account, the preeminent quality of moneyness). Bitcoin seemed to me more a "fiat commodity" than an anarchic "fiat currency." This impression was reinforced by the analysis of Prof. Kevin Dowd and journalist Martin Hutchinson at the 32nd Annual Monetary Conference presented by the Cato Institute. Their paper crisply and unambiguously was entitled *Bitcoin Will Bite The Dust*.

That said, the lack of moneyness of Bitcoin may be beside the point.

It may prove itself a "fiat commodity" with superpowers.

Everett Rosenfeld, at CNBC, writes *Forget currency, bitcoin's tech is the revolution:*

Most people think of bitcoin, if they think about it at all, as a currency — a means of digital exchange, or perhaps a speculative investment.

But forget everything you know, because the technology underlying bitcoin has the potential to be a much greater disruptive force than the cryptocurrency itself. Investors and technologists think the technology could replace huge aspects of the financial and insurance industries, and eventually even corporate management teams. In fact, big names like Google and IBM are reportedly already looking to invest in applications.

“Bitcoin is a token, a currency, but that’s not all it is. That’s the first of many many applications of this blockchain technology,” said Jeff Garzik, one of five bitcoin core developers who have taken over maintenance of the technology from mysterious creator Satoshi Nakamoto. “[Currency] is not the killer app, it’s just the first app.”

Frisby, in *Bitcoin: The Future of Money* writes:

Ethereum’s Charles Hoskinson says to me, ‘I think it’s going to have probably as big of an impact on the world as the internet. The internet made communications super easy, but it showed that our money system doesn’t work very well. And now we have a new money system that’s started to materialize’.

This money system will grow bigger and better. It’s going to improve and increase commerce. It could unleash a huge global economic boom, as good for developing nations as it is for the developed.

The Bitcoin technology has laid the foundations for a dramatic increase in exchange. And, of course, exchange is the crucial process by which mankind prospers and progresses.

Tucker (founder of the vibrant online community Liberty.me), in *Bit By Bit: How P2P Is Freeing The World*, writes:

What does a modern, digital-age, Internet-based system of money and payment look like? Bitcoin shows us just that, and it is amazing to behold.

As compared with the dollar and dollar-based systems of payment transfer, we are looking at a Maserati as compared with a Model T. Fees are near zero, time of transfer is very quick, exchange takes place peer-to-peer with no third party, you move real property and not trust relationship, there is perfect transparency, quantity of creation is limited, divisibility is potentially infinite, and anyone in the world with an Internet connection can use it.

eCommerce titan and philosophical visionary Patrick Byrne, founder and CEO of Overstock.com, eloquently introduces Tucker’s work:

The digital revolution has taken place with astounding speed — happening at a much faster pace than any social and economic transformation that preceded it in history. Even the Industrial Revolution pales in comparison. Those of us who grew up before the Internet cannot but marvel at the opportunities technology has opened up for the world.

And yet we don't live in the grand sweep of history. We live day to day, right where we are, and we improve what we can, when we can, striving to make our lives and our world just a bit better at the margin. It is the accumulation of all of these efforts, stretching across the globe and spread out over time, coordinated through emergent institutions, that have remade our daily lives in little more than one generation, granting more people access to economic opportunity and empowerment than at any time in history.

We see this in the data — income, education, health, longevity, peace — and we feel it in our hearts.

Some of the greatest minds in the capital of America's future, Silicon Valley, are investing enormous sums in its development and the search for its killer app.

Washington, as is its wont, likely will be slow-footed in responding to, or ham-handed in attempting to thwart, the next big leap in technology. Between the capital of the past, Washington, and the capital of the future, Silicon Valley, now unfolds a colossal drama. This clash will affect your life. Pay attention.

Read Dominic Frisby's gripping *Bitcoin*, indispensable to understanding exactly what is occurring on the most important battlefield in the world — the battlefield of ideas. Read Jeffrey Tucker's *Bit By Bit*, a delight of a book, invaluable to understanding just how sky high are the stakes.