Utah Business

Cryptocurrencies are changing the way we build wealth

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While the rest of the world was glued to their televisions and browser refresh buttons this past November, Trent Larson was largely indifferent. A member of the Libertarian party and a cryptocurrency enthusiast, he knew his preferred presidential candidate had no real chance at winning the election.

“It always goes to the money,” he said as the race unfolded.

Utah, long recognized as a bastion of Libertarianism, was one of just eight states where 2020 candidate Jo Jorgensen won more than two percent of the vote. Those same political leanings, coupled with the state’s technical background and rising business prowess, have helped make Utah a hotbed for a new system some believe will bring about economic reform and revitalization.

Ravencoin is an emerging cryptocurrency that is decentralized and hosted on multiple servers around the world. One of its developers, Tron Black, calls Utah home, and the spirit of the state, he says is well-aligned with his latest project.

Like Bitcoin and other cryptocurrencies, Ravencoin relies on distributed computer networks to track and automate transactions between network users. But while Bitcoin is designed to facilitate the storage and exchange of value in the same fashion as money, Ravencoin is designed specifically to track the ownership of real-world assets.

Black and other proponents of the project imagine that Ravencoin will help to create a more economically just world—one where all individuals are free to transact on an equal footing beyond the reach of government machinations. Others believe the revolutionary power of cryptocurrency in general, and Ravencoin in particular, is probably overstated.

Either way, it still has the potential to change the way many industries operate, right down to businesses with which we interact on a daily basis.

How cryptocurrencies can increase national freedoms

Ravencoin started as an idea presented at cryptocurrency conventions: what if developers took something like Bitcoin, tracked on a similar ledger, but modified so that the coins or “tokens” represented real-world assets? That would make it possible to trade things like certificates of authenticity for art, fractions of a building, or even stocks.

“I was in the right place at the right time,” Black says, “and I got to help with the project.”

Black’s interest in cryptocurrency began in 2013. At the time, he says, he found himself following developments in the Cyprus banking crisis, which got him thinking about the nature of money and what gives it value.

Somewhere along the way, while following the news from Cyprus, Black encountered someone holding up Bitcoin as a solution, and with his background in computer science and business, his interest piqued. That year he signed up to attend what was then the largest cryptocurrency conference in San Jose.

During the conference, Black recalls, a comedian took the stage to entertain the crowd. As he gauged his audience, the comedian asked for cheers for each political party.

“He asked how many Democrats in the convention. Nothing,” Black says. “How many Republicans? A couple claps. And then he asked for Libertarians, and it erupted.”

Black, himself had “kind of a Libertarian streak—basically this freedom idea” that had developed while watching the US wage war against Iraq. “I felt a frustration at the things that were being done in the US’ name or, in my name, across the world,” he says. He felt the US government had taken his tax dollars and used them inappropriately to interfere overseas.

And as he discovered cryptocurrency, he discovered he was far from alone. Libertarians, Larson says, are often drawn ideologically toward cryptocurrency, seeing it as a means of reducing government power.

“Some people may believe that money is a good responsibility to leave to government,” Larson says. “I think most Libertarians lean no. Having a federal currency is a state overreach. It’s them taking on something that they don’t need to do, and they’re doing that because it brings them more power and influence.”

Utah Libertarians, in particular, Larson says, may be drawn to cryptocurrency because of local cultural aspirations for entrepreneurship and self-sufficiency.

How cryptocurrencies can solve global wealth disparities

For Black and many others, the appeal of cryptocurrency is both entrepreneurial and ideological. Bitcoin, he believes, is to Netflix as money is to Blockbuster. Taken as a whole, he says, blockchain is the inevitable digitization of business—one that, as digitization has done to other sectors—will make the business world more efficient, less costly, and more equitable.

“This has the ability to modernize money,” he says. “You have this ability to automate things—contracts and things like that. So you can say once the escrow on the house happens, the payment will be made, instead of having people shuffling paper around. I’ve always been big on automating things.”

The importance of blockchain, and especially cryptocurrency, may be more evident outside the US.

“We live in America,” says Doug Pepe, a Washington DC-area law professor who has cofounded blockchain asset management company Mango Farm. “We have financial systems that are tried

and true and have been around for a long time. You can have disagreements with polity issues, but you can be assured that if you want to send $50 to your friend, it's going to get there."

This isn't necessarily the case in other countries. Cryptocurrency is "less important in the US, but more needed to avoid government abuses in developing countries," says Diego Zuluaga, associate director of financial regulation studies at the Cato Institute, a Libertarian think tank. "Having currency that is outside the reach of tyrannical government limits their ability to exploit the population."

Outside questions of direct government corruption, Pepe and others hope cryptocurrency will provide a solution—or at least an alternative to—monetary policies that result in the devaluation of national currencies. Money only has value because society agrees it's a scarce resource. Since abandoning the gold standard, Pepe says, the US and other nations have made a habit of decreasing the value of their own currencies by creating more money.

This is done with the intent of targeting a specified rate of inflation that is believed to incentivize spending and prevent market stagnation while avoiding inflation so severe that it would erode the public's spending power. But it also means, Pepe says, that every time an individual works to earn money, the government effectively takes some of that value away from them through its monetary policy.

Bitcoin, Pepe says, is similar to the gold standard in that there is a finite amount of Bitcoin, and no one person or government can issue more. "One of the best use cases for Bitcoin is buying more dollars than you paid to get the Bitcoin today," he says. "You're foolish to hold dollars. You would be wise to hold Bitcoin."

This isn't to say dollars don't serve a purpose in society, Pepe continues—he believes they are and will likely remain an important means of exchanging short- and medium-term value. But the existing US system, he says, is clearly troubled—a reality he argues is illustrated by wealth disparities that have emerged in recent generations as a result of stagnating wages and the imbalance between an increasingly small portion of society that accrues massive wealth, while the rest cannot.

"There's something amiss with the way our monetary system is being run now," he says, "where you have trillions of dollars being created out of thin air and being handed over to a small subset of the population in a way that debases the wealth of everyone else. It picks winners and losers."

Outside the question of government interference, Black and Larson also believe cryptocurrency will help to create a more economically just society by removing barriers to entry that have historically held disadvantaged populations back because they are unable to pay for the middle-men who facilitate wealth-building transactions.

"All of these services that provide value to our economy end up raping us," Larson says. "They're just taking, and people don't get as much value in their lives."

Zuluaga believes we should take these claims with a grain of salt.

"Particularly if you're a Bitcoin enthusiast—they tend to have a bias for seeing it as a silver bullet for everything," Zuluaga says. From an academic perspective, he says, there is little reason to believe Bitcoin or Ravencoin will have any meaningful impact on the distribution of wealth, or on sociological power structures.

But that doesn't mean it's not useful in specific contexts he says, such as a means of exchange when parties are in different countries, as an investment, or as a means of facilitating transactions the parties would rather not have monitored by government.

Ravencoin, Pepe believes, puts even more potential uses on the table by introducing the idea of "tokenization"—the process by which real-world assets are converted into a digital asset tracked by the Ravencoin blockchain. Before the creation of Ravencoin, he says he had lectured on the potential of practical cryptocurrency applications, such as tracking the use of copyrighted materials like music or images online, documenting the ownership of data, or managing securities.

However conventional cryptocurrencies like Bitcoin weren't well suited to these uses because they only tracked value, not the assets themselves. "I recognized as soon as I read the white paper that [Ravencoin] was going to be a project that will allow people to do all these things," he says.

Within a year, Pepe began to work on coding a set of tools to simplify the process of "tokenizing" assets in Ravencoin and he has since been working on customized Ravencoin-based trading platforms. The first project, which is already live, is a platform for trading artwork that already manages $127,000 worth of art.

Art, perhaps, isn't the most practical application in a strict interpretation, says Adam Small, founder of IPAssets, another startup working in partnership with Pepe's Mango Farm to launch and manage the Ravencoin art market place. Only a handful of people in the world purchase the kind of art where authenticity of ownership is a real concern. But Small believes the art marketplace is a critical use case.

Currently, most artists can glean value only from the initial sale of their work. Ravencoin, he believes, should help artists earn greater returns on their work by making it possible to verify the authenticity of work that is sold second-hand, or establishing ownership when an image of the work is used online.

Small says he realized the potential of blockchain assets while working in graphite refinement. In the mineral trade, he says, the complexity of international transactions and the lack of transparency in some regions of the world make it difficult to ensure that the previous owner of a purchase received their full payment—and that the purchased goods remained as advertised. And it's not just minerals, he says. The movement of commodities and other goods and services around the world stands to benefit from a more transparent, decentralized system where all parties have the ability to verify ownership or authenticity of a product.

Securities, commodities, art—these things are just the beginning, Small says. "The idea of an asset is so broad, that I was talking to some associates the other day, and they asked what's our total addressable market size. I said, how many assets are there in the world? Anything that is physical and digital can have an identity."

This could apply to anything Small says—televisions, household appliances, the house itself. Larson can think of numerous other use cases, with applications as niche as airline miles or other reward programs, or as broad as verifying one's own identity and reputation. Ravencoin could be used to verify the quality of work by a cosmetologist or plumber—professions currently regulated by government licensure. In the private sector, blockchain could be used to vet

contractors or loan candidates. Some credit unions, Larson says, have begun to experiment with these processes internally.

“The more these systems talk the same language, brings us a world where we are able to manage our own trust,” Larson says. “We can digitally and securely verify the originator of a document, rather than looking at a birth certificate or scanning a driver’s license. You can check securely, and with great accuracy.”

Given the way cryptocurrency aligns with Utah’s ethos of self-sufficiency and fairness, Larson says he’s actually surprised by the limited way in which local businesses have embraced the technology. “It’s been very slow to grow, and just has not panned out as much as I thought it would,” he says, pointing out that only a few local businesses still accept Bitcoin payments.

When sharing their excitement about cryptocurrency and blockchain technology, Pepe says it’s important “not to get ahead of ourselves. Blockchain, the whole space, is about the size of Home Depot.” For finance, the digital revolution is off to a slow start.