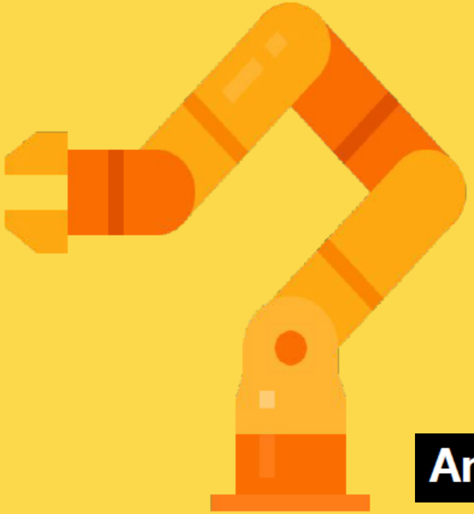
PARADIGM SHIFTS



Anil @anilsaidso

The Deflationary Force of Innovation

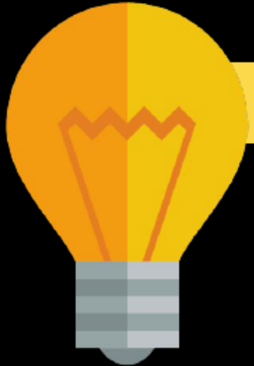
Innovation is concerned with doing more with less and is enabled by technology. Over time we develop more efficient ways of satisfying our needs- mechanization, automation, adaptation, modification,

"A minute of work in 1880 on the average wage could earn you four minutes of light from a kerosene lamp; a minute of work in 1950 could earn you more than seven hours of light from an incandescent bulb.."

-Matt Ridley
'How Innovation Works' (2020)

1880

Kerosene Lamp
1 minute of work buys
4 minutes of light



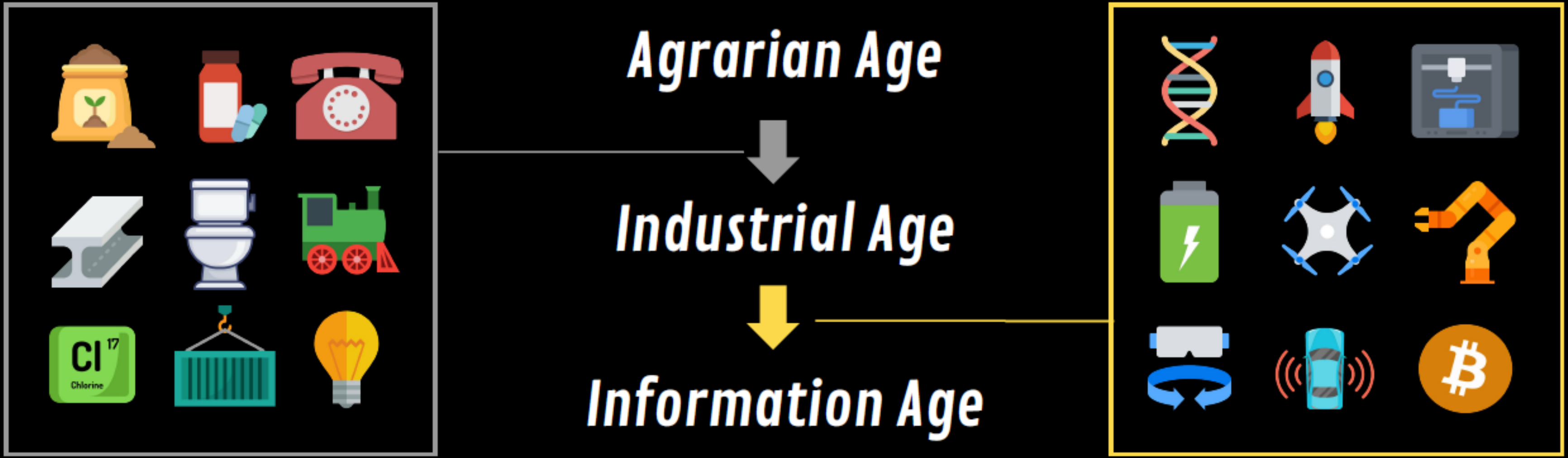
1950

Incandescent Bulb
1 minute of work buys
7 hours of light

A Shift in Era

Consequential innovations change the rules of the game. They radically alter our behaviour by providing different incentives or offering unique advantages over the status quo.

When a certain threshold of concurrent innovation is reached within a short period of time, we're propelled into a new era.

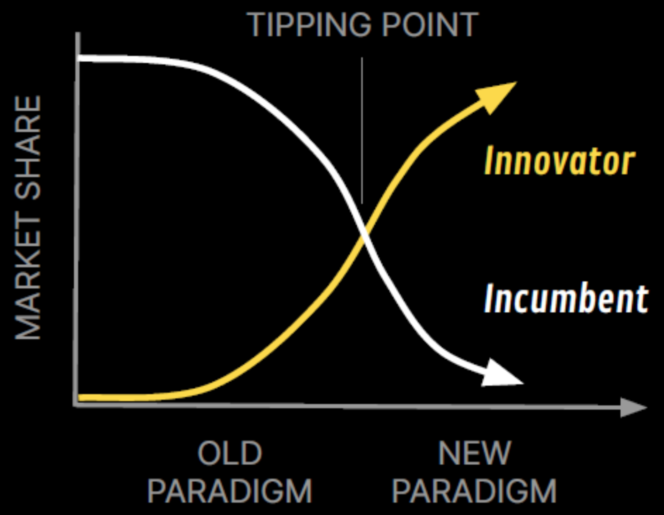


Creative Destruction

Innovation is continually shifting our behavior. This disrupts existing business models. When it becomes more attractive to increase barriers to entry and lobby for monopoly protections, rather than compete, an industry grows stale. Creative destruction is the cycle of entrepreneurs out-innovating incumbents, eventually rendering them obsolete under a free-market.

We've seen this phenomena play out many times in recent decades, radically transforming industries such as advertising, entertainment, telecommunications, retail and customer service. The next wave of disruption is now well and truly underway.

Bitcoin disrupts the business model of central banking and permissioned settlement networks by offering an open parallel alternative, resistant to moral hazard.

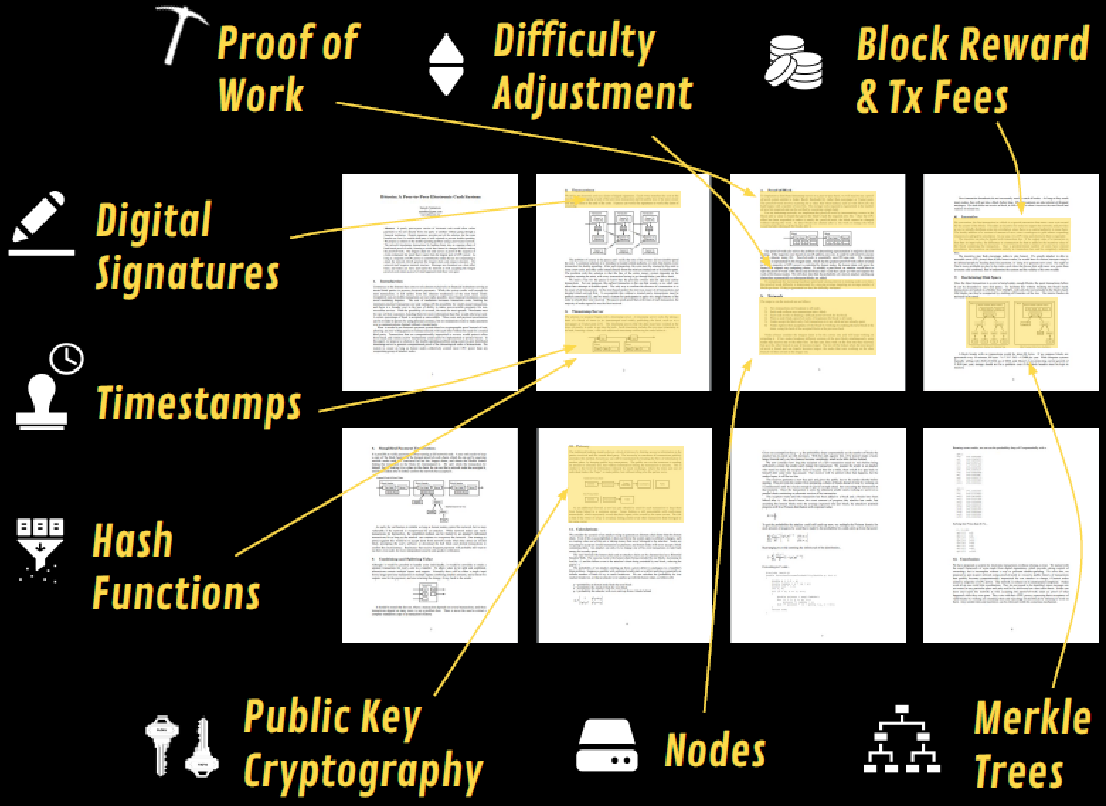


Deconstructing Bitcoin's Design

"The genius of Bitcoin... is not in creating any new abstruse mathematics or cryptographic breakthrough, but in putting together decades-old pieces in a semi-novel but extremely unpopular way."

-Gwern

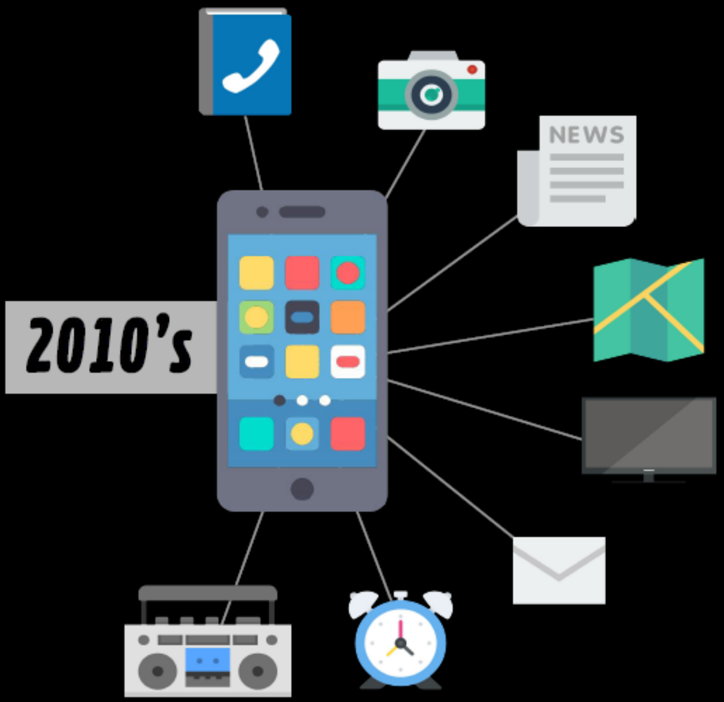
'Bitcoin is Worse is Better' (2011)

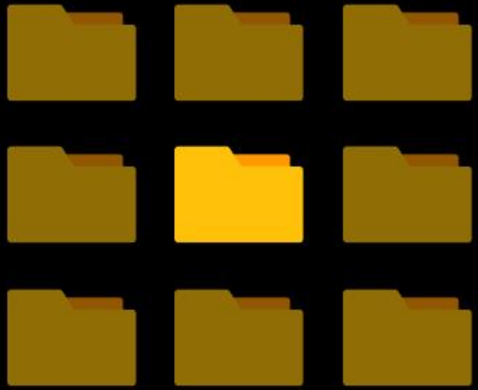


Digital > Physical

The last decade saw a range of goods and services dematerialized in information and digital media centric industries due to the proliferation of smartphones. Simply put- innovation can occur faster when feedback can be obtained in real-time, incorporated via a software update and pushed instantly to millions of users.

Netflix > Video Store
Spotify > Record Store
Google Maps > Street Directory
Email > Postal Service
Wikipedia > Encyclopedia
Facebook > Phonebook
Craigslist > Classified Ads





Infinite Abundance

Computing unleashed the power of ***zero*** marginal cost of replication at scale.

Absolute Scarcity

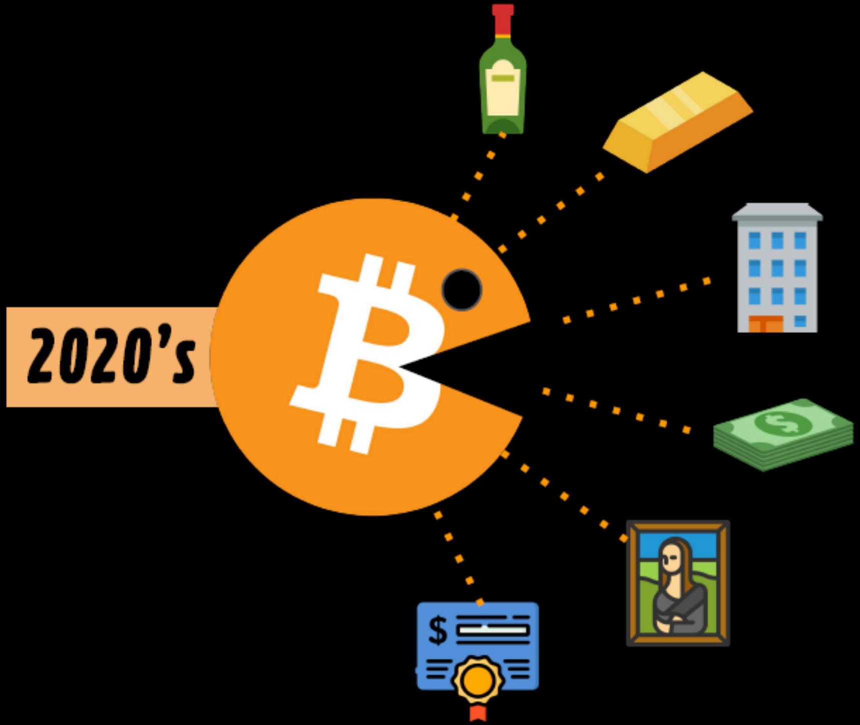
Bitcoin unleashed the power of ***infinite*** marginal cost of replication at scale.

The Next Domino to Fall

This decade is being shaped by the dematerialization of physical stores of value brought about by the creation of a global and provably scarce digital bearer asset- Bitcoin.

By reducing settlement friction and removing third-party liabilities, bitcoin has unleashed a new paradigm in how we transfer value. As the total market capitalization grows, so does its utility due to the increased liquidity for larger and larger participants.

Bitcoin > Gold
Bitcoin > Bonds
Bitcoin > Cash Savings
Bitcoin > Investment Real Estate
Bitcoin > Collectibles (Wine, Art, Cars)

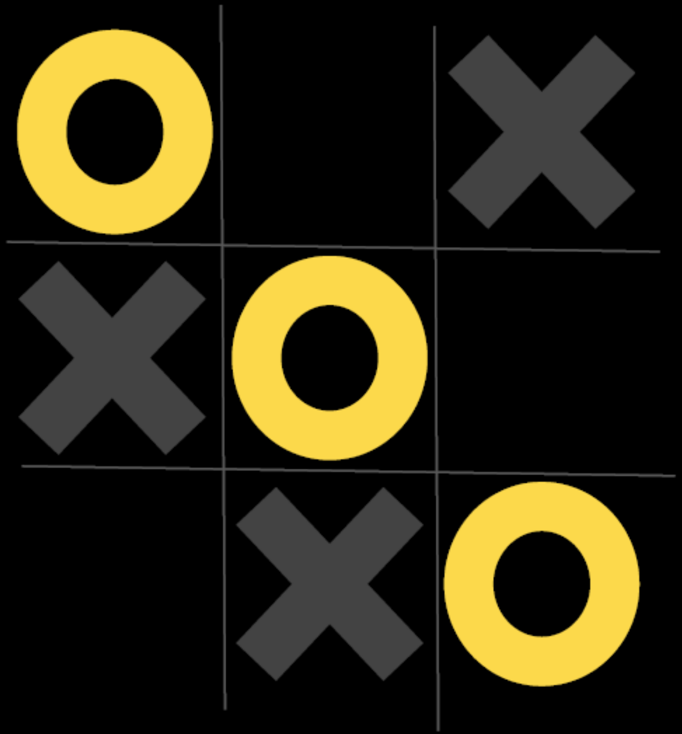


Pattern Recognition

There are three common markers that often precede the adoption of significant innovations.

- Catalysts (ripe conditions)
- Perceived as a toy (underestimation of potential)
- Fear, uncertainty & doubt (narratives with a clear negative bias)

You've likely spotted them in regards to things like the internet, autonomous vehicles and 3D printing. Identifying these markers early can provide insight into future trends. Let's see how they apply to Bitcoin →



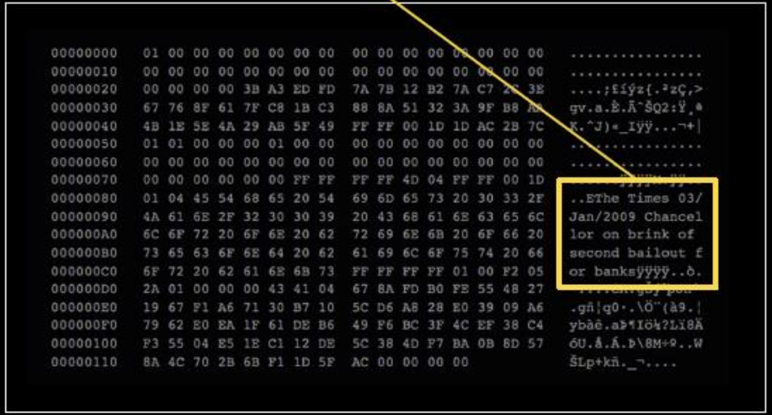
Catalysts

A catalyst is something that kick-starts a reaction but isn't itself a reactant. Societally speaking, catalysts often alter the current set of incentives resulting in some form of behavioural change.

Bitcoin was born out of one of the major catalysts of the 21st century- the Global Financial Crisis. We know this because Satoshi placed a message in the genesis block, referencing a headline about the subsequent bailouts of various financial institutions.


THE TIMES

Chancellor on brink of second bailout for banks



Genesis Block (raw hex code)

Toy-Like

We often misunderstand new technologies because they don't yet fit into to our world and their usefulness isn't always immediately apparent.

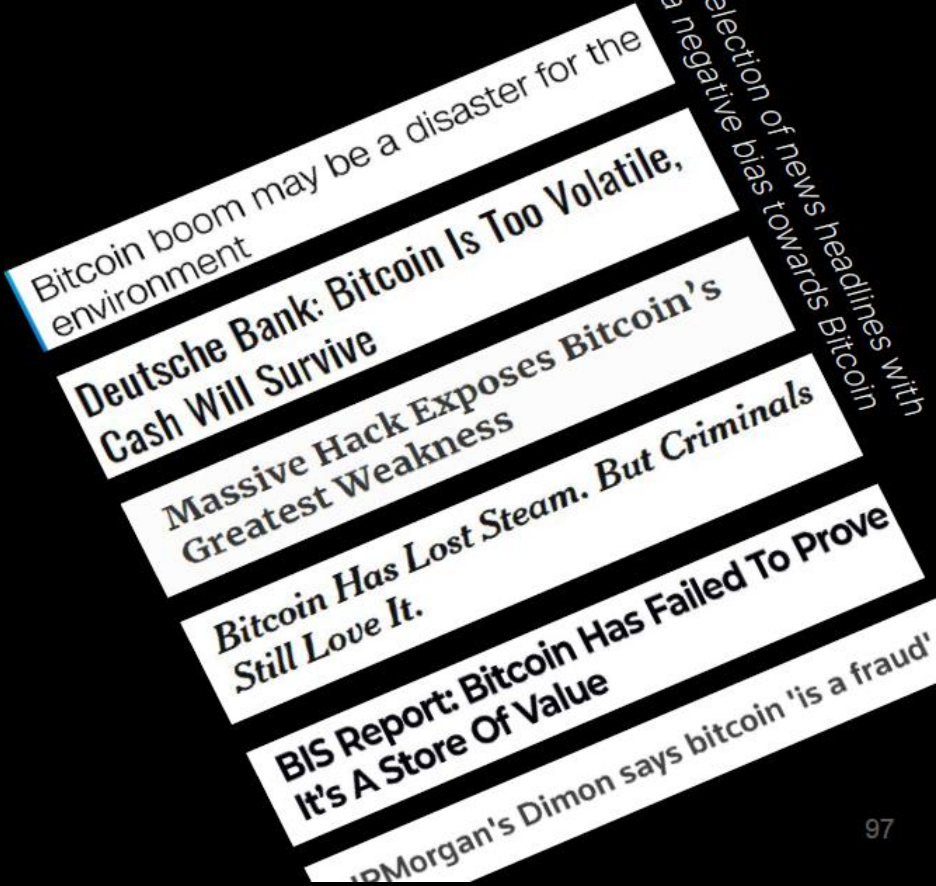
Many of bitcoin's future use cases won't be understood or actualized until the innovation meets a wide enough level of adoption. Early on in the adoption curve of new technologies, the user experience is often lacking. Bitcoin faced this hurdle, with early user interfaces, nomenclature and standards yet to be refined. But with time, usability improves, adoption grows, feedback precipitates and evolution occurs.

Image: 'Magic Internet Money Wizard' used by the r/bitcoin subreddit and created by /u/mavensbot

Fear, Uncertainty & Doubt

Opposition, criticism and skepticism to new innovation can come from various directions; the concerned citizen, the cynic or the threatened incumbent. The latter is the group with the most to lose and often the most vocal as a result.

Having a deep vested interest in the continuity of existing systems for relevance, power or resources will create an enemy of any potential innovation that could pose a future threat.



Selection of news headlines with a negative bias towards Bitcoin

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