

Blockchain

How to survive the crypto economy

Professor Arturo Bris

Redmer Huizinga



Chapter: Next Level Everything (page 49 to 53)

NEXT LEVEL EVERYTHING

“I think Bitcoin is a technical tour de force.”

Bill Gates.

Bitcoin originates from the small but active Cypherpunk community. In the community manifest from 1993 you can read that ‘Cypherpunks write code’. This is exactly what they do, and they preferably write code with an anarchistic touch. Participants in this community were, amongst others, the founder of WikiLeaks Julian Assange and Rob Gonggrijp - founder of the Dutch XS4All.

Cypherpunks strive towards the goal to use technology as a means to secure our privacy and give important assets of power, such as money and (freedom of) information, to its users (2). This is how in 2008 a mysterious Cypherpunk named Satoshi Nakamoto published a white paper in which he explained his groundbreaking concept of Bitcoin (3). Meanwhile we know that a digital currency as the first application of blockchain was a killer app.

But Bitcoin is much more than just a currency.

Bitcoin carries all functions of a worldly accepted currency and also that of a pin terminal, retail bank, supervisor, international clearing and central bank. Bitcoin performs all these actions without any person or organisation influencing the value or availability and amount of the currency, or even the management of these functions. Bitcoin limits inflation, verifies all transactions using mathematics, calculation power and consensus, it ensures that we can participate easily, features a sophisticated rewarding system for participants and supervision is present in the transparent ledger of the blockchain. Additionally, it features the extra element by which one can program a bitcoin.

Bitcoin does all these things and 12,222 lines of code were sufficient to establish this (4). This is less than an average app on your phone uses (5).

Bitcoin is a decentralised, autonomous organisation, built from code and nodes in a network with the goal of organizing trust in the digital currency bitcoin. An organisation that is decentralised, autonomous and exists only of code is called a Distributed Autonomous organisation (DAO). When you learn to see Bitcoin as an Autonomous organisation, one can appreciate the endless possibilities. And changes.

Complete organisations, businesses and foundations built from code, without any offices, owners or managers, where people can find each other and strive towards common goals collaboratively. On the contrary to the private blockchain, there is no authority that determines access or rights. The DAO runs on an open blockchain, just like Bitcoin is regulated by code and consensus.

Programmable money is just one application. Exchange the image of bitcoin for a digital ID of a house, car or working time and you can appreciate a world where everything with value becomes programmable, receives features with the security of bitcoin and the ease of email.

Literally everything with a unique digital identity can now be fast and securely registered as someone's property and can be traded for both short and long term. Think about a digital identity for your car or summer house that can be equipped with a chip like your credit card, in combination with encrypted scans of property papers. This way you are enabled to trade digital rights of property of that object on a DAO without a third party intervening. Everyone can participate anonymously or under a pseudonym in this organisation by buying, selling, offering services, voting or publishing. Machines are welcomed as well in the economic traffic; you do not have to be human to be able to trade on a DAO.

A DAO does not have a CEO or management, but formalized and automatic rules instead, executed by software in a completely transparent way. A DAO can only exist because of a participating community such that decisions can be made and proposals can be put forward. Existing organisations are hierarchical and know a pyramidal structure. It matters whether an employee acts sociable and is able to connect with his or her colleagues or the management. Diplomas from 20 years ago, political skills, networks and the duration of your time in service are all of huge influence on your reward and position.

Not in a DAO, where everyone retains an equal status. A DAO is self-organizing and meritocratic through the scheme of reputation and incentives. This means that only the delivered work matters.

A well-known and infamous DAO is the investment fund The DAO. The DAO is an 'investment bank' that delivers venture capital to promising enterprises, but without banks, offices or staff. At the end of 2015 The DAO was programmed to bring in capital through crowdsale for the cryptocurrency ether. With this ether, startups that developed blockchain applications could be financed. The DAO crowdsale was a great success; it raised 168 million dollars with approximately 10,000 investors. This was the start of a new financing era for startups, which we later named Initial Coin Offering (ICO) (6). You can find more about ICOs in the chapters of part 7.

The idea behind DAO is that investors determine which startups should be supported and by how much money, based on consensus. The investment conditions, together with the granted sums, are put into Smart Contracts that are executed automatically as soon as the startup achieves its goals. The startups that turn out to be successful can ensure that all participants can profit from it.

A DAO is also called a dApp (a decentralised application). A DAO can do everything a complete business does, without overhead, central management, founders or location, but with mutual trust in abundance. The power of a 100% DAO is its public accessibility. The more participants there are, the better and stronger the network becomes. A cloud service can become overloaded and slow when too many people log in at once, while a DAO only improves in both trust and speed when the network grows. The vulnerability reduces while the chaos increases.

This extraordinary feature was called 'Antifragile' by Nassim Nicholas Taleb in his masterful book that bears the same name. It is an important condition in a world that becomes increasingly chaotic with increasing insecurity, vulnerability and instability (7).

The special feature of trust is that the value rises when there is more. As soon as you have unlimited access to an unlimited number of people that you can trust unlimitedly, you have unlimited possibilities. That is Hyper Trust in action.

For more details visit: www.block-change.eu