Twitter Thread by Noah Smith



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Bloomberg Ideas conference now starting! I will be live-tweeting it. You can watch on our Facebook or Twitter pages (links below)!

> Today and tomorrow we'll be having a Bloomberg Ideas event!
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> Today will be a panel on cryptocurrency.
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> Tomorrow will be panels on the economics of AI, and on regulation of big tech companies.
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> You can watch livestreams here:https://t.co/1dC0ELGvabhttps://t.co/Juz5Mp2EC1 pic.twitter.com/VfxOscNflo
>
> — Noah Smith (@Noahpinion) October 25, 2018

Our first panel is about cryptocurrency! We have @matt_levine, @tylercowen, @eiaine, @nirkaissar, and Camilla Russo!

https://t.co/0WjuYZ4GTq

Ou: Crypto will be useful for the unbanked.

Cowen: Crypto has to compete against a bunch of other emerging payments technologies. Bitcoin is too inflexible.

Cowen: I'll bet on the payments companies over crypto.

Levine: Crypto could have a stable, successful medium-sized niche without taking over the financial system.

Ou: Decentralized systems are still really inefficient relative to centralized ones. So crypto needs to get to the point where it's as easy to use as existing payment systems. But that's going to be hard.

Russo: Black market transactions are now only about 10% of transactions. But most is now speculation. Still almost zero use as actual money.

Feldman: Of the ppl using Bitcoin to purchase actual goods and services, it's still mostly illegal, right?

Russo: Yes. Remittances and cross-border transfers still very small.

Russo: Crypto is not anonymous! It's pseudonymous. You can track accounts to their owners.

Cowen: What are some use cases for crypto? Micropayments?

(Noah's note: Seems like fees are too high for that)

Feldman: If you use crypto for stuff on legal gray areas, regulation will come. You can't just occupy spaces between laws forever.

Cowen: 40% chance crypto is a niche thing, 15% chance it goes huge, and 45% chance it collapses and goes away.

Levine: It's hard for the SEC not to step in and regulate ICOs. Most clearly look like securities offerings.

Kaissar: Investors are more careful now because we learned our lesson from the tech and housing bubbles. The Bitcoin bubble was pretty small.

Cowen: The people losing on ICOs are typically highly educated nerdy people who know what game they're playing.

Feldman: But isn't general trust in the markets a public good?

Levine: It's possible you need to have decades of scammy markets in order to build the infrastructure for a functioning market, which you then regulate.

Cowen: @VitalikButerin is one of the very smartest people I've ever met, and with no formal training has replicated results by Nobel-winning economists.

Cowen: Vitalik is worried that too much of people's trust in Ethereum is just personal trust in him. So the mechanisms [of the Ethereum ecosystem] need to work in a more formal, effective way.

Kaissar: We're now realizing the negative impacts of social media. What negative effects might blockchain have on the world?

Russo: Bad guys are already using blockchain for their own benefit. And there's lots of market manipulation and other bad behavior in the crypto space. It's a fertile ground for bad actors.

Ou: Blockchain could topple the nation-state and lead to ultimate peace and prosperity.

Feldman: Having been to Iraq, toppling the nation-state sounds bad.

Cowen: Bitcoin's flaws actually allow you to hedge against weird things (like the state of hacking technology).

Cowen: Skeptical of stablecoins. All pegs fail. Bretton Woods failed. The Chinese currency peg failed. How well-capitalized are stablecoins? They will fail.

https://t.co/LxarVvr83K

> "Cash I think will be better for most kinds of crimes than these anonymous coins for the foreseeable future," says @tylercowen https://t.co/x9lL7uSz8v
>
> — Bloomberg Opinion (@bopinion) October 25, 2018

Cowen: As crypto matures it will become bureaucratized and institutionalized.

Levine: A lot of crypto is rediscovering the (institutional) history of finance.

Me: Crypto is using enormous and increasing amounts of energy. Currently for Bitcoin it's all being used for either speculation or crime. It threatens to.undo the decoupling of growth from energy use. What will save us from the Bitcoin energy apocalypse?

Russo: Bitcoin might be worth it. It still uses less energy than gold mining. And it uses electricity in places where electricity is cheap.

Cowen: Bitcoin is relatively minor as far as energy usage goes, but it's a real problem.

Levine: Lighting network and proof-of-stake.

Ou: Bitcoin energy usage is like war - a necessary use of energy to maintain competitive position.

Feldman: But war is bad.

And that's a wrap! Tomorrow we'll have two more panels: One on the economics of A.I., which I will be on, and one on regulation of big tech, which I will live-tweet!

See you tomorrow!