

## Twitter Thread by [Qiao Wang](#)



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**People sometimes ask me what my vision of DeFi is. This is a very tough question. DeFi is very messy with thousands of experiments happening. But high level, I think DeFi will go through 2 phases:**

During the 1st phase (next 2-5 years), we'll continue to build games, casinos, and speculative products.

This sounds uninspiring. But it has two main important consequences.

- 1) This will ultimately lead to hundreds of millions of users to install wallets and get uncomfortable with the UX.
- 2) This will force the tech (especially scaling) to mature.

Once we've achieved these two goals, phase 2 begins. In phase 2, products that serve real economic activities / integrated with the real economy will be built and flourish.

Right now, such products barely exist. [@terra\\_money](#) comes to mind. But this is the kind of products that I really look forward to. They are more economically sustainable, and create more value.

In a way, we saw the same 2 phases with #BTC. In the early days, BTC was primarily a speculative asset. Nowadays, it still is, but it's transitioning into the 2nd phase where it's considered an 'emerging store of value'.

Matter of fact, arguably the most important component of capital markets is lending / credit / fixed income. In TradFi, this function is largely manipulated by central banks. In DeFi, it's driven by speculative activities aka phase 1.

In hindsight, phase 1 has also played a critical role in bootstrapping the lending / credit / fixed income market in DeFi. This will pave the way for phase 2.

Moreover, in phase 2, I don't expect DeFi to become a 'parallel financial system'. Instead, I expect traditional financial services companies to build their products in DeFi. Just like traditional media companies moved their business onto the Internet.

If 'the Internet' existed before 'finance' did, I think that's exactly how finance would've been built. On open protocols. Rather in wall gardens.

At the end of phase 2, the 'De' in DeFi will just be removed, and it will just be 'finance'.