Twitter Thread by Patrick McKenzie



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It’s underremarked upon that stablecoins accomplish basically all of the original design goals for Bitcoin qua a transactional mechanism (instant free value transfer anywhere), but that nobody cares about this because nobody ever cared about that part of the pitch.

“Why do people care about stablecoins then?”

A mix of “they encourage dollar-denominated liquidity in the cryptocurrency ecosystem and discourage withdrawal of the same” and “they’re good for money laundering.”

“But they make value transfer between exchanges much faster!”

This was a solved problem in traditional finance, too, mostly through the extension of credit. (It doesn’t matter how long settlement takes if there is sufficient trust to enable credit.)

The Bitcoin ecosystem is *positively allergic* to credit, so you have to call it a coin for them to accept it. And after you call it a coin they ignore everything the world has learned about credit, like risk management.

“Stablecoins aren’t credit!”

They’re pretty much exactly credit? A tether is a zero-coupon Bitfinex bond with a non-functioning call option. I