Log Out
MyBN
Latest News
Resources
Property
Commercial Content
All Categories
Data & Insights

TECHNOLOGY, INNOVATION & SCIENCE | OPINION

28/03/2025 - 13:35

Opinion: Snapshot of a post-Keynesian world

By Ian Love

Photo: Unsplashed / Andrew Francois McKenzie.

The Bitcoin genesis block, mined by Satoshi Nakamoto on January 3 2009, set the foundation for the world's first decentralised digital cash system.

Like many teens, it's still a bit misunderstood by some; but for many millions of holders of bitcoins, it represents hope. Bitcoin is not yet widely used as a cash system.

Instead, bitcoins are considered, by most regulators around the world, to be a digital commodity.

US Federal Reserve chair Jerome Powell recently referred to it as digital gold.

Like gold, it has no intrinsic value but instead has monetary and utility value.

The total value of above-ground gold is estimated to be $US12 trillion, while Bitcoin's market capitalisation is $US1.89 trillion.

Bitcoin is part computer science and part monetary experiment.

The computer science part seeks to demonstrate that a single source of truth about the status of a ledger balance can be maintained on multiple ledgers at the same time.

The impact of this is that a centralised party is no longer needed to maintain records of ownership and transfer of assets.

This enables peer-to-peer commerce over the internet in the same way we have peer-to-peer commerce at the local farmers' market.

On the monetary side, Bitcoin introduces to the current system the notion of absolute scarcity of money supply.

The proposition put forward by Bitcoin is that scarcity is an essential property for monetary value.

This notion is borrowed from the Austrian School of Economics, which theorises that a fixed money supply creates a robust economic foundation by preventing inflationary distortions and encouraging long-term savings and investment.

The Keynesian economic system, which is also an experiment, puts forward the notion that a managed monetary supply provides flexibility so economic downturns can be managed.

Keynesians also theorise that it's good for the economy to encourage debt and spending, on the basis that debt fuels growth and spending fuels demand.

Austrian economists prefer to have low debt and to save in an instrument that accrues value relative to the assets they want to buy in the future.

Bitcoin is hope because it provides individuals with the choice to opt out of the Keynesian system, where the value of money is managed by central banks, to a world where pure supply and demand dynamics set the value of money.

The supply side of Bitcoin is well known: it's fixed at 21 million bitcoins.

The demand side is just emerging. For the past 16 years, it has primarily been driven by individuals.

More recently, we have seen public corporations, institutional investors and sovereigns adopting Bitcoin at scale.

Although just 16 years old, Bitcoin has demonstrated it has the Lindy effect (the longer a thing has existed, the longer its remaining life expectancy) and is now in its store-of value phase.

The next emerging use case is as pristine collateral.

Beyond Bitcoin

Blockchain technology brings two superpowers to the internet.

Firstly, the creation of digital property. Bitcoin is a bearer instrument.

Secondly, the ability to pay thousands of people around the world tiny amounts of money automatically without invoicing or the need for a bank account.

These superpowers have been further developed on general purpose blockchains such as Ethereum.

Each of these blockchains and the assets built on them need to be studied individually.

Comments in mainstream media around speculative bubbles apply to many of these assets, but not all.

Among the noise are some significant assets that will change the way we work, live and play in the same way the internet has done.

Bitcoin maximalists hold the view there is no second best, there is Bitcoin and everything else is nonsense.

I do not hold this view.

Some of the best crypto assets are yet to be developed.

In the meantime, holding Bitcoin, Ethereum and few others gives direct investment exposure to this emerging technology.

As Satoshi Nakamoto wrote in 2009: “It might make sense just to get some in case it catches on.”

• Ian Love is the founder of Blockchain Assets Pty Ltd and manager of Australia’s first crypto asset fund, the Blockchain Early Opportunities Fund

View Full List

Data & Insights

Mentioned Organisations

Blockchain Assets
Fund Managers

Mentioned People

Ian Love