

Blockchain: Who's in charge?

You already use credit/debit cards and probably carry very little cash in your pocket, meaning you are already dealing with virtual money. Are you ready for the next step in the transformation of our currency system?

I recently attended an emotionally charged Happy Hour discussion on blockchain, produced by MIT Enterprise Forum San Diego (MITEF) and hosted by BDO. It was a sold-out attendance, attracting a bunch of people I'd never met before during my ten years in MITEF.

I attended out of curiosity...What is blockchain? How does or could it benefit me? Is it just a trend that's going to fizzle out and I shouldn't waste another nanosecond on it?

Once I arrived and saw all the people it had attracted, I was even more curious...Who are these people? What did they know that I didn't?

As it turned out, many people were just as curious as me. And, the rest had strong feelings about Blockchain as an economic disruptor of huge internet proportions.

Between the TED talk by Don Tapscott, a digital strategist on blockchain, that we watched as a discussion primer and the short presentations by Ben Esplin, a partner in the Intellectual Property Practice Group of Sheppard Mullin's Del Mar office who has been closely following blockchain for ten years, and Charles Robinson, Certified Blockchain Expert (CBE), we learned what felt like the top 15% of the "iceberg." I'll share what I've learned so far which I gather from our audience will be new to most of you, too. Many questions remain in my mind as in others; the most obvious one being-- "Who is in charge of blockchain?"

The short answer is no one and everyone. However, before we dive any deeper into this idealistic and perhaps existential discussion, let's catch a breath and get back to the basics about what is blockchain. (Disclaimer: this write up discusses the points raised at the session and is not meant to be a complete dissertation on the subject.)

As described, blockchain is a distributed accounting ledger tracking the journey of assets from one buyer to another over millions of computers WITHOUT a big intermediary like a bank. It is the underlying technology of Bitcoin and other "block" applications. Blockchain is being touted as the next generation of the internet and our greatest opportunity to democratize wealth creation and for true prosperity on a global basis.

Still confused?

Here are some of the current problems in our economy driving the popularity of blockchain:

- Intermediaries (i.e. banks) are centralized and can (and have been) hacked
- Intermediaries exclude people who don't have a bank account
- Intermediaries take a big percentage of the transaction

- Intermediaries have lots of data on you

Blockchain as a solution:

- Protects your rights and asset ownership through immutable records
- Creates a true sharing economy
- Ends the excessive transaction fees charged by big intermediaries
- Enables individuals to own, monetize and protect their personal data
- Empowers creators to build, share and sell what they create under their own terms in a peer to peer trusted economic environment

Here's one of the examples shared the other night:

One of the biggest intermediaries for transacting cash from one person to another is Western Union. Let's say you live and work in the U.S. and you have a mother who lives in Honduras. Every two weeks you send your mom money. You historically have had to physically take cash to your local Western Union office and they wire the money to another intermediary in Honduras. Western Union charges you 20% on the transaction. It may take days before your mom will be notified and before she can travel to an intermediary to receive the money which takes her a lot of time. Enter your ability to send your mom money thru a blockchain application like Abra (a peer-to-peer mobile payment service between smartphones) that uses Bitcoin, which was built on blockchain technology. You now send money to mom and she is notified and receives the money on her smartphone....this transaction took just minutes and may have only cost you 2% transaction fee vs. 20%.

If you are intrigued, take a moment and think about how truly and profoundly a disruption this can be in a variety of data heavy, transaction heavy industries. Obviously, the financial industry must be in complete upheaval trying to figure out if it will be replaced by blockchain enabled systems like Bitcoin or if there's a way to transform itself and participate in this new sharing economy.

Industries like music which have experienced a complete erosion of its past revenue model thanks to an internet redistribution of how we stream and access music. With blockchain technology, music artists are starting to take back control over how their creations are shared, licensed, purchased and distributed.

Healthcare was debated at the session as an industry that could be as easily helped or damaged by blockchain as personal data gets "transacted" in the system and distributed over millions of computers. Even new gig businesses like Airbnb stand to be disrupted, i.e. when my room that I want to rent can be placed into a "block" and transacted directly from me to you without the intermediary, Airbnb.

From a purely philosophical perspective, blockchain represents a new paradigm of trust. We have long held trust in big banks and other centralized intermediaries like Western Union to

keep our money and identities safe. Has there been enough hacking that you are ready for a currency system transformation to blockchain technology? Are you ready to put your trust in this new system of a peer-to-peer traded economy?

As for the question of who's in charge of blockchains? Well, that's definitely worth a debate. There are obviously developers who have created new applications off of blockchain technology and it seems that there would be an enterprise structure supporting the ongoing business of the applications that are serving peer-to-peer transactions. However, in closer look, applications like Bitcoin are not owned by an individual or operated by traditional management. Bitcoin is operated by thousands of people running the software. Interestingly, and perhaps a bit frightening is that the largest Bitcoin "wallet" is held byyou guessed it...The U.S. government!

With plenty of questions and stories swirling about blockchain and efforts like Bitcoin, the jury still seems to be out on whether this new paradigm will ultimately surpass traditional transactional intermediaries and become the "Internet of Value" as Don Tapscott envisions it.

What do you think?