



An Exclusive Interview with a Bitcoin Insider

Description

We just returned from CES 2018 in Las Vegas, Nevada, where we explored the top emerging trends and latest technologies, in preparation for the launch of *Hidden Gems Canada*, our brand-new service. Below is just one of the exclusive interviews we conducted at CES. To see more of our exclusive content from CES, as well as our top four trends and 16 stocks coming out of CES, go to our *Hidden Gems Canada 2018 Launch Hub*. [Click here to visit it right away!](#)

Peter Vessenes is the founder and CEO of New Alchemy and has deep roots in Bitcoin, tokenization, and blockchain technology. He's also co-founded the Bitcoin Foundation and founded the first venture-backed Bitcoin company. We caught up with Mr. Vessenes at CES 2018 to get his latest thoughts on cryptocurrency, blockchain, and what investors should be watching. You can watch the interview and find a full transcription below the video.

Transcript:

David K: Greetings Fools, and welcome to CES 2018. I'm Motley Fool analyst David Kretzmann, and I'm joined by a special guest today, Peter Vessenes, who is the Managing Director of New Alchemy and a blockchain expert. Obviously, a lot going on with blockchain and cryptocurrency this year, really the past couple years. Peter, excited to get some of your thoughts, and thanks for taking the time.

Peter Vessenes: Yeah, I'm glad to be here. This is fantastic. Hit me with questions.

David K: Let's start off really simple and high level. How do you define blockchain?

Peter Vessenes: Blockchain's just a tech. It's a way to be sure that everybody is agreeing on either data or computation, even if you don't trust them. You can run stuff on your computer no problem, but how do you know if somebody else is telling you when they ran on their computer, this happened, it's the right thing?

It turns out if you can pull together enough technology so that you're sure that you agree even with

Ukrainian hackers about what happened, then you can do a lot with it. The first application was money with Bitcoin, and nowadays we have all these different, kind of more sophisticated blockchains that are using technology to let people ... they're called smart contracts, where people can agree on what'll happen if this happens or that happens, and more sophisticated programs.

David K: Obviously, a lot of buzz around blockchain right now. What personally gets you most excited about blockchain and its prospects going forward?

Peter Vessenes: For me it's about freedom. There are huge industries that are basically locked up by public-private partnerships, you know... banks, nation states, like the Goldman Sachs of the world. The idea that some technology could maybe wedge open an area for innovation and just for people to try something new is really cool.

David K: When you look across the whole spectrum of the world today, what industries or companies stand to benefit most from blockchain and which ones should be most threatened, potentially being disrupted by blockchain?

Peter Vessenes: Yeah, so it's a little bit like in '95 being like, "Which software companies will be impacted by the internet?" All companies will be hit by it by some level. We see, especially we see banks in the last few years taking it really seriously. I think they know that some things will probably change about how they do their business. Probably the biggest benefit is to consumers though. The blockchain story's really not about financial institutions, about people all around the world and I think that will continue to be a thread.

David K: Where do you see that's most overlooked or misunderstood about blockchain today? Either by the media or by people who are just starting to familiarize themselves with blockchain? What are people not getting and what are they missing with blockchain?

Peter Vessenes: I don't think anybody understands it, really.

David K: That's a good answer.

Peter Vessenes: To me there's a couple of things to say about that. One is it might change the world even if you don't understand it. The other is that it's such a new technology that you really can't make analogies about it. If you're like, "Oh it's like digital gold." "Oh, it's like this, it's like that." I think in general the answer is not really. It's its own thing. If you want to get into it I recommend to people they really learn. They like really dive in and learn it. And that's the sort of way to get good at it.

David K: Obviously we're at arguably the height of crypto-mania so far. You have Long Island Ice Tea Company renaming itself to Long Blockchain and the stock goes up a zillion percent in a day. How do you personally, as an expert in this space, as somebody who follows this space closely, how do you discern what's really over hyped and what's actually legitimate and sustainable for the long term within this who blockchain and crypto space?

Peter Vessenes: You know, my framework is sort of like web, like dotcom boom v1. The way I like to talk about it is it was massively under-hyped. Internet's way better than anybody thought in '97, '98, '99. We can summon drones with nachos from our phone in some jurisdictions, like come on! That's way better than anybody imagined. Kind of on the long run that's how I think about this space is I'm totally under-hyped.

In the interim, there's, in web v1 there's boo.com, there's all these companies that are like crazy or too early. Kozmo.com. Too early. They didn't have the logistics skills Amazon had. For me I think right now it's good to stay sober, probably spread your bets more widely, keep an open mind. Some of these business models that sound dumb are going to brilliant. Some that sound smart are going to be super dumb. And it'll just kind of play out over the next few years.

David K: And speaking of business models, I've heard some pushback against, I guess blockchain... is that either it's open source and available for the whole world, so theoretically if you came up with a great blockchain application, it can just be copied by anyone. What's the response to that? Like how do companies or individuals or groups developing blockchain, can they have some differentiator or something proprietary about that that gives them a lasting advantage over the long term?

Peter Vessenes: Yeah, for sure. And I know with you guys with your analyst hats on, you've got to come at it ... it's like an intellectual property assessment question almost. I think in reality, a company tokenizing some part of their business process, like your sales process, something else, they're fundamentally engaging a community. You could copy the software but you've still got a group of people bought into the idea of the company, the ability of the company to execute on that process, like what it means for the token and so on. It's a little bit like ... maybe the analogy I'd make is, for traditional marketing people being like social media, it's so fuzzy. It's out there. What is it really? Like how does that work? And this is like that, for IP. Yeah, it's new, it's clearly valuable. People don't really know the ins and outs of how to value it, how to get the most out of it yet.

David K: The purpose of the Motley Fool is to help the world invest better. Just curious. How do you invest personally? Whether with stocks or bonds or whatever it might be, whatever financial assets. Where does crypto fit into your overall investing strategy?

Peter Vessenes: I would say that I'm slightly over allocated to crypto right now. But that said, I hold probably, something like 30 to 40 tokens, ERC20 tokens and a stake in a number of major blockchains. What I was saying, it's good to keep an open mind. I think that that's probably pretty good advice for this industry. I woke up today to like 20% across-the-board drops. If the thought of that gives you heartburn, this is not a good asset class for you. But overall, it's been a really good and fun ride, for me and my company, my fund, over the years. I love it.

David K: When you say token, would that just be an individual application of blockchain or crypto asset? Is that how you would define token?

Peter Vessenes: Yeah, tokens are a term of art in the blockchain world, and they are like, they are like a crypto asset. They might tie to like I said a business process. Might be a placeholder for a future blockchain that's going to be their currency. I own one that's like a membership club where you need a certain number to get into the club so there's all these different takes on it.

David K: Again, at the Motley Fool we're business-focused long-term investors. For people who are interested in the cryptocurrency and blockchain, obviously [there is] a lot of buzz, a lot of hype, a lot of

interest... what should investors or potential investors be watching within blockchain to get a sense for which blockchain applications are here to stay over the long term rather than just riding this incredible short-term momentum?

Peter Vessenes: *That's a great question. Here's how ... I would recommend you look at industry wide. We've been thinking about the venture industry a lot. We do our own investing. We know a lot of investors both traditional and now crypto. I'm in a fund that just closed. It's a traditional fund. Their estimate is 10 year liquidity. That's like a fair estimate for a good venture fund. I think if you eyeball that industry and think... that business model is dead. Startups will figure out how to get tokenized. These investments will have much earlier liquidity. Investors want that. Entrepreneurs want that. Everybody wants that.*

I think, when I think like, if you're going to put your hat on looking at the venture community, you're going to say like, "Well, what companies are going to have a stake in that change. How will it look?" Those are the kinds of strategy investment questions I'd ask. Real estate's another one. Are tokenized buildings more valuable than non-tokenized ones? Seems to be they are. They're fractionally liquid. You get real-time market assessment on pricing. These are questions that are really worth kind of chewing on. From there, I think a savvy investor should sit down and be like, "Okay, what companies are going at this kind of with that market change in mind?" "What do REITs look like if you could construct your own token portfolio for free?" These are all questions I think are really interesting.

David K: *Nice. Are there any established companies today, either private or public, that you see that are really integrating blockchain or being very receptive to blockchain in innovative ways? And on the flip side, do you see some companies that really are rejecting it when maybe they should be taking it a little more seriously?*

Peter Vessenes: *I won't call anyone to shame them. I think there's a little bit of a, on the enterprise side, like this thing where they're like it's like the internet '95, '96. The CEO's like, "Do we have blockchain?" It's like, "Phil, do we have blockchain?" "Hold on. Yes, we have blockchain." "Oh, good, we have blockchain." There's a way that big companies are like they have no idea what this is but they know they need to get into it.*

I think, I split in my mind. There's basically two sorts of blockchain projects, those that have a value component — a token, something tradable — and those that don't. I think the ones that don't are kind of missing the story. I think ... yeah, you can take a business process, you can monetize it, you can add economic levers to it that might drive your business. Deciding not to do that is missing a lot of the value here. Those are the ones I'm looking for. I think I'll probably leave it at that.

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