

Joe Weisenthal Speech to Coin Center's annual gala

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Hello, and first of all I want to thank Coin Center for inviting me to speak. As noted on my bio, there's basically only two relevant facts about me. I co-host a daily financial markets show on BloombergTV, and for the last 10 years I've spent way too much of my time on Finance Twitter.

Finance Twitter is great because there's lots of sub-categories of it:

- Stock trading twitter.
- Macro twitter
- Eco twitter
- Complaining-about-the-Fed twitter.

And now lately, you all showed up and have really reinvigorated the place with crypto twitter, and needless to say that's been pretty wild. It's definitely a fresh source of abuse for me in my mentions and just general trolling.

But also what's great is that crypto twitter frequently interacts with another one of my favorite sub-categories which is "what is the definition of money Twitter" where people go around arguing over what is and what isn't money and what criteria something needs to satisfy for it to be called money.

You know the typical answers: money needs to be a store of value, a medium of exchange, and unit of account. Or maybe it just needs to be some of these. Or maybe you need to pay your tax bill in it too. But then is gold money? What about frequent flyer miles? What about a rewards card at a Japanese steakhouse that gives you discounts as you consume more and more ribeyes? (Incidentally I have one of these cards, so I think my carnivore credibility is in good standing) Is that a form of money? I don't know.

It's great. People just go round and round in circles debating this stuff, and of course they never get anywhere. But that's fine. It's still fun.

And besides, all the important things in life have a certain ineffable quality about them, where we'll never really arrive at an answer about what they are. It's like love: There's a reason people keep writing songs and poems and sculpting sculptures and painting paintings that try to describe what love is, cause we'll never really arrive at a definitive answer.

At best, I think we approach our understanding of these big things asymptotically and hopefully our understanding of what they are just improves a little bit over time.

The question of “what is money” has always been interesting to me, and now with crypto that question has gotten even more interesting and more urgent. Especially, coming from my position, as a member of the media. Because I think there’s still a gigantic deficit on the part of the media in terms of understanding cryptocurrencies. It’s gotten better, but in many cases it’s still not as good as it should be.

So I’d like to share a few things I’ve learned, in studying money, and how those things have helped me wrap my head around Bitcoin and other digital currencies. None of this is remotely complete, but I found these things helpful and hopefully you will too.

Probably the most surprising source of insight about Bitcoin came from the book *Understanding Media* by the theorist Marshall McLuhan. The book is a series of short essays where he analyzes various forms of media: The TV, the radio, the record player and so on. And, interestingly, he has an essay on money, which you wouldn’t expect to see in a book about media, though if you consider that money is a “medium” of exchange it’s actually less weird and rather profound.

But what’s really shocking is how McLuhan, back in 1964, identified the concept of “proof of work” as a condition of money in pre-literate societies. Specifically he wrote about how people turned everyday commodities into money:

...In nonliterate societies goods are used in direct exchange, then it is easiest to note their tendency to include the function of money. **Some work has been done to some material, if only in bringing it from a distance. The object, then, stores work and information or technical knowledge to the extent that something has been done to it.**

And of course, that’s a great description of Bitcoin and many other proof-of-work-based cryptocurrencies: Take some commodities (electricity, computer chips etc.) and then go out and do some work on it. So long before Bitcoin, people have intuitively recognized this concept

Not surprisingly, I also learned stuff about Bitcoin by reading about gold. Peter Bernstein’s “The Power of Gold: History of an Obsession” traces humanity’s ancient efforts to obtain and acquire the shiny metal, at seemingly any cost.

One of the striking things about gold is just how incredibly hard it is to attain (and hold onto once you have it) and the different things you have to master to get gold.

To get gold you

- Have to be good at warfare
- Be able to marshall an extensive human workforce to mine it
- Mastery of global supply and logistics routes
- Be able to command guards who will watch your gold, and not steal it

-- Have the technical know-how to get gold out of the ground, which is expensive and cumbersome. And so on

Gold is different than oil in that it's just randomly scattered throughout the world pretty much. There's no Saudi Arabia of gold, where you can just stick a straw in the ground and have oil come shooting out. Even where gold is (relatively) abundant, it's hard and expensive to get the gold out. Gold is cheap for nobody.

So then why did people go through all the trouble then if it was so costly?

My takeaway from the book is that if you were an early state or a king or something, then the holding of gold was essentially an embedded proof that you had all the skills needed to wield power.

In other words, when you have gold you're communicating all the different things you're capable of (mastering supply routes, commanding an army, scientific endeavor, marshalling labor etc.). Gold, then, is a very specific proof of work. If you can get gold, you've proven that you have the ability to run a state or some state-like entity.

So what seems like a gigantic waste is actually an extensive demonstration of skills. It's an important thing to keep in mind whenever some activity on the surface seems like a waste of resources. There's that line about how the golden rule is "whoever has the gold makes the rules" well, there's a reason for that.

If you have gold, you have the capabilities to rule over the people around you. Throwing this forward to cryptocurrency mining, people often decry all the waste involved, and the extraordinary lengths people will go to do seemingly pointless computations. But looking at gold's history shows there's a reason people go through all this trouble. It communicates a lot when you demonstrate all of the various technical skills you're capable of.

The final book I want to talk about, which really helped my understanding and which may be the most controversial, is *Money and The Ancient Greek Mind*, by the British classicist Richard Seaford. He wrote about how the Greeks, in the 6th century BC, started the development of coinage. It's a dense book, and there's a lot of stuff in it I probably didn't grasp, but for me the biggest takeaway were the spiritual origins money.

What made gold a special commodity to the ancient Greeks? The fact that it never tarnished implied, to the ancient Greeks, that gold was the commodity of gods who were immortal. So gold quite simply represented a higher power. Coins also traced their origin to cakes of food sacrificed in the temple.

The key thing though is that the spiritual elements of money continue today. Look at any paper money, and there's all kinds of weird symbols (pyramids, ancient icons of the nation) that attempt to imbue that money with mysticism appeals to higher power.

And so it is with crypto that we see the same thing at play. The still unknown prophet-like character Satoshi (without ever spending any of his coins for his own enrichment). The White Paper. The early disciples. The schisms. The forks. It's all there. Or think about the ceremony they used to launch ZCash, filled with all kinds of drama. To turn a cell on a big distributed spreadsheet into money requires the same realization that the ancient Greeks had nearly three millenia ago. That there must be an appeal to something bigger.

These were three particular things I read, while trying to understand money, that caused a lightbulb to go off when thinking about Bitcoin, the early recognition of proof of work, as even a media theorist in the 1960s recognized. The role of waste and effort in communicating important information. And finally the spiritual roots of all money.

Of course, this is all very incomplete, but I think it's an interesting fraction of what I've come across as I try to wrap my head around the world you all are building. And I think that for the media, as it tries to figure out how crypto should fit in its coverage, thinking about money and what it is is a very useful place to start.