

## [Transcript] FYI - For Your Innovation / Could Bitcoin's Price Reach \$1,000,000? With Balaji Srinivasan

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Hello, everyone. My name is Yassine Almondra. I lead Crypto at Arc and I'm super excited to introduce a conversation Kathy recently had with Balaji Srinivasan, an angel investor, the former CTO of Coinbase, and a long-time Bitcoin advocate about the implications of the current macro landscape on Bitcoin. As you might be aware, Balaji has been particularly outspoken about the impact the regional banking crisis will have on Fed policy that the irresponsible money printing to come out of this crisis will lead to a rush to exit the system into assets like Bitcoin and basically end the dollar's reign as a global reserve currency. While the conclusions that Kathy and Balaji draw from the current macro landscape are much different, they were still able to converge on points of agreement about Bitcoin's value proposition, which makes this conversation particularly compelling. If you like crypto conversations like these, be sure to subscribe to our YouTube channel and our FYI podcast, Stay In The Loop, on our latest releases. Next week, for example, we'll be publishing our second edition of the Crypto Brainstorm, which will include guests like Lynn Alden, Jeremy Allaire, Caitlin Long, and Michael Sonnenschein. Stay tuned for that. Hope you enjoy.

Hi, Balaji. How are you?

Good. How are you, Kathy?

Great. Well, for everyone tuning in, I'd like first to thank Balaji for agreeing to do this webinar or podcast with me when we heard your price target for Bitcoin in the next 90 days, a million dollars. I said, what? And so Yasin Elmandra, who leads our crypto effort, and I were chatting about it, and we're very positive on Bitcoin as well. But your forecast was in the context, apparently, and we'll get into this, of the hyperinflation associated with fiat currencies. And our optimism is more a function of fears of deflation and counterparty risk. And both of those should accrue to Bitcoin's benefit, Bitcoin as an insurance policy, a flight to safety against confiscation of wealth. So I just thought it would be a fascinating conversation because you've thought very carefully and intensively about this, Balaji. And I just thought it would be instructive for both of us. And just like I did with Art Laffer, a week or so ago, I felt like we got a lot out of it. And many people have told us that they got a lot of it out of it as well. So lots of, really, what we're doing here is seeking to find the truth, what actually is going to happen. So just setting it up that way, I'd love to, I've read your threads, we've taken, we've gone through your charts. Maybe you can start, and if you wouldn't mind, I will interject along the way. But before we do that, I just wanted to set up for you how we could possibly be thinking about deflation here, given what's going on out there. And I'll go very quickly through this, but the warning flags we have been observing

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for more than a year now are signals like credit default swaps on banks and many other companies going up the last year. Now, the credit default swaps for people who don't know are insurance policies against the bankruptcy of corporations. They're actually bets on the bankruptcies. As they go up, the probability of bankruptcy typically is increasing for some reason or another. And so last spring, spring of 22, I was pointing to credit default swaps going up. What's this about? And then the yield curve inverted in July, the yield curve inversion has always led within 12 to 18 months to a recession. And so I was pointing to that commodity prices were falling. The oil price peaked at \$130 in March of last year, I believe, and has been nearly cut in half. And I finally wrote a letter to the Fed. I don't know if you saw that biology, which basically said, wait a minute, you're hiking interest rates, 75 basis points at a time, and hiking interest rates faster than any other Fed in history, 20-fold within one year, it turns out. And here are these conflicting signals, and you're voting unanimously to raise the rates like this. And so I have been much more concerned about deflation. And I think the bank crisis has punctuated that because, and we can get into this later, the two big mistakes that banks have made was assuming that interest rates would stay very low for a long time because the Fed told them that during COVID. And so they invested in long-term government-backed securities, figuring out they'd be money good when they matured. So that was the first mistake. And then the second mistake was to assume that deposits would not leave the system. It wasn't just Silicon Valley Bank. Deposits are leaving the banking system because money market rates are so much more competitive than what people are getting in their bank accounts. So for the first time since the 1930s, we have a decline in M2 on a year-over-year basis. It started in December. It's intensifying. It looks like it'll be down 3% in March. And I believe this has all the hallmarks of a potentially a deflationary bust.

So first of all, I think we've both been reading some other stuff from afar for a while. First of all, I actually agree on the medium to long-term thesis of technology-induced deflation, like the positive kind of deflation. I actually also agree that we're going to have a contraction that is normally associated with prices going down and so on and so forth. In this case, I think that just like stagflation was a regime that previously was thought to not be possible to have that combination of unemployment and high inflation at the same time. I'm just going to put up something on screen. For example, in Argentina, there was a period where you had both the protracted closure of the entire banking system and tripling in the price of \$1. So this is something where there was a huge economic contraction, but also people wanted to leave that economy for a better foreign currency at the same time. So those are things where what you're looking at, the tripling in the price of dollars, the desire for exit, as opposed to having a strong thesis, right? Go ahead. A flight to safety. A flight to safety, that's right. As opposed to having a strong, like when you're in very atypical times, you can't really have a strong thesis on what's going on within a system because things will go, woo, woo, woo, like this, you're not going to have normal relationships. I mentioned this over here, basically, print trillions while hiking rates that the Fed now has high rates, like SF has low crime rates, it says it does, but it doesn't, ha ha. Okay. And the reason is that, you know, like this is Bianca researchers graph, there's a lot of other graphs like this, where in one week, the reversed, you know, the quantitative tightening, people will argue about whether this is, you know, they'll say it's not QE because it's loans, and the banks are getting these loans, and they have to pay them back under this BTFP program. Those loans are extremely generous, in some, in one sense, extremely generous terms, because

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they're at par. They do have an interest rate associated with them, but a lot of people are obviously taking them up on this. And the potential result of this, you know, Arthur Hayes puts it at four something trillion just for this, and obviously, it's kind of going up like that. And so you have this weird thing, then there's also the swap lines thing that they did internationally, which is like BTFP for other countries, for all their central banks. So you have this weird thing where they are printing trillions and hiking rates at the same time, right? They say they're hiking rates, they're seeing banks burst, you know, burst holes on the side as a function of this, because they're, you know, either insolvent or these huge losses. So then they're printing, but they're still hiking rates. And so, you know, I think it's, I think we're in this weird time of traditional economic relationships are not, you know, not necessarily a guide as to what's going to happen. And I don't have a strong thesis is what's going to happen within the economy, but I do think people will want to get out of this economy, at least in part, because Bitcoin is something, you know, in one sense, you can think of there being, to first, or only three true currency pairs in the world, USD, RMB, RMB, BTC and BTC, USD, because they're like three currency regimes, right? The Western system where it's a Fed and all the central banks that are friends of Fed, the Eastern system that, you know, the Chinese system, which is now actually expanding, you know, as you've seen, like, it's not just China, but it's China, Russia, it's China, potentially Saudi Iran, it's African countries, even France and Brazil are doing deals and so on. All a lot of the world is now starting to deals that are denominated in the Yuan, those are big announcements are happening coming very fast. And there's probably coordinated on some level, the sense of use, those are big deals that take a long time to negotiate, so having them all announced liquidity split is important. And then finally, you have the BTC economy, which is outside the control of both the USD system administrators and the RMB system administrators. And I say that because you can think of the Fed as a system administrator, they're like, you know, they've got like a video game where they control it, they can hit a button, they can freeze your account, of course, not directly, not yet with a CBTC, but they can indirectly freeze your account, they can make numbers go up on the screen, everything within Western financial system, they can in extremists do something like they did to the truckers of Canada or the Russians in terms of freezing assets, but they can't mint a loaf of bread, they can't control what's going on in the RMB economy, and or at least not directly, and they can't freeze Caesar and play Bitcoin, the 21 million limit is outside their control. So my thesis is more about the desire to exit this economy than it is about the system dynamics within which I just find unpredictable and I'm, you know, and I don't have as strong a thesis on I think it's quite possible that some prices go to the floor and some go up, but it's a desire for exit that I'm thinking about. Okay, power pack there. And touching a lot of topics that that we think about all the time, you are correct, we have never seen the Fed raise raise interest rates in a crisis. This has just never happened, which tells me that they're completely off base. And one of the ways they're off base is they have compartmentalized their responsibilities here. They're basically saying, oh, well, we have tools to deal with financial instability with liquidity crises and such. But the Fed's primary role right now is to fight inflation. And so I think this this compartmentalization confuses the fact that financial instability is going to impact inflation. And the way I think

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it is going to impact inflation is through a serious decline in the velocity of money. Now, because of your forecast, and I've been thinking about this for a while, but I wanted to do the arithmetic and sort of scenario test here, I'm going to actually put up a slide. So here is the velocity of money. And what the way you get to a hyperinflation is if the rate at which money turns over turns up. Now, this velocity of money goes all the way back to 1960 here. 1960 here, early 60s. And it was going up during the 70s. Here in 1990, and it actually went up in the 90s, which which I find curious, and I'm going to go back and study that a little bit, because that was a very disinflationary period. But here you can see we peaked out in 1997 during the tech and telecom bubble, as people were worrying about the economy shutting down as we entered the new millennium, and computers not being able to take it. So there we started the decline, and it has been a very long term decline. And you can see when we're in, this is velocity during the tech and telecom bust, and we come out and goes up for a while, and then it resumes the decline in if you're in a disinflationary or a deflationary prone economy. Here is 0809, and it continued down because the fear coming out of 0809, this was going into it. The fear coming out of 0809 was just as intense. And then here we are at COVID. And this has been the increase in velocity since. Now it hasn't even gone, I drew all these lines here, but it hasn't even gone back to this downtrend here. It hasn't gotten back there yet. And if we are correct, velocity is going, it is in the process of flattening out. And we believe because of this crisis is going to resume its decline. Now, just to give you a sense, in the fourth quarter, these numbers are firm, although they revise all of these economic numbers, and I'm sure we'll be in a recession when they revise it 10 years from now. But anyway, given what we have now, we had in the fourth quarter, we had the year over year money supply really had flattened out. It went to zero. It had been as high as 27% in February of 21, and it's come all the way down to basically flatten the fourth quarter. But GDP on a year over year basis was up 7.3%, which meant that velocity had to absorb that. And it did. It was up 7.1% year over year, and 11.4% sequentially at an annual rate. Now, in the first quarter, and I'm sorry if I'm getting too much in the weeds, but this has to do with  $MV = PQ$ . And it is a macroeconomic concept. It's an identity. They have to equal. Right. I'm familiar.

Right. No, I know you are, but our audience, I don't think will be as familiar.

So  $PQ$  is price times quantity. That's GDP. That's the production of goods and services and include and the pricing of them. So  $PQ$ . And then it has to equal  $MV$ ,

$M$  on a year over year basis in the fourth quarter went flat. And it looks like in the first quarter, it will be down 2.5%. And it seems to be accelerating to the downside. So what does this mean?

The first quarter is pretty much put to bed. So it looks like we know that we know that money is down 2.5% on a year over year basis, but down 5.7% at an annual rate in the first quarter.

So from the fourth quarter to the first quarter. And this is really before the crisis, which occurred at the second half of March. Now GDP is up 7.4% on a year over year basis. So that means velocity had to accelerate or the rate of growth in velocity to 9.9% on a year over year basis.

And then a sequential basis, it will be roughly the same, 11.6% at an annual rate.

But now we get into the second quarter. That velocity, just that trend line going down, it's a powerful force and it may reassert itself here. So if in the second quarter, money is down 3.5%. Now 85% of M2 is demand deposits. And the demand deposits we get weekly. And they are continuing to leave the system, some for the money market fund, some for crypto,

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but they're leaving the banking system. And so that's down 3.5%. And the estimates for GDP, consensus estimates for GDP for the second quarter are roughly 4.5% on a year over year basis, which would be minus 2.8% on a year over year basis. And the way you could get there is with money going down 3.5% is velocity just staying flat. Now I think velocity, which when you go through a crisis and the economy seizes up, velocity goes down. When I saw people lined up in front of Silicon Valley Bank, the most technologically savvy people probably in the world lined up in front of a bank, taking their money out physically, it reminded me of a, it's a wonderful life. I don't know if you've seen that movie, but people waiting and get their money and they put some of their money under the mattress saying, I don't know what's going on, but I need to rush to safety. The equivalent was Bitcoin going from 19,000 up almost 50%. You know, in the same time period. So you're absolutely right, Bellagio. I agree with you completely. There is a flight to safety, but it is also into treasury, mutual funds, which have left the banking system and therefore will not be able to contribute to the production of goods and services in the economy. So 4.5% on a year over year basis, minus 2.8% sequentially quarter to quarter, that we have then entered a hard landing. And if you enter a hard landing, I think if I'm interpreting what you're saying, what you're saying is, okay, the Fed will just throw money at this thing, it'll get even more out of control. And I would submit to you that the risk is, you may be right, you may be right, but the risk is what's called a liquidity trap. People holding back even more, you know, not spending anything, fear, real fear. And hopefully that's not going to happen. But I think this crisis has raised the probability of it. And I do not know why consumers and businesses will migrate back to the banking system, given the very low rates there. Yeah, okay, now we're talking. So basically, just as a preface, one thing that I am, I don't know if you like the term, you know, rationally uncertain about are a lot of macroeconomic arguments, because you're dealing with huge aggregates in times where technology was different, people were different, they're slow moving and so on. And, you know, the, for example, let me show you something from actually that just came out recently. Have you seen this economic report of the president, this thing that they just put out? Oh, about digital assets? On page, well, actually, it's on a bunch of things, but it is, it's like, it is just from the federal government, okay, and the economic and this graph over here, okay, shows here's inflation, and then here's a giant stimulus, and then inflation just goes vertical. Okay, so there aren't that many great cause and effect relationships in economics. I mean, one of the, like, microeconomics, you have cause and effect, right, because you can do controlled experiments, it's through the firm, I can raise a price to this customer in a web browser, and I can have a lower price to our customer, I can actually empirically measure supply and demand. With macro, though, doing experiments on large numbers of people is first hard to do ethically, and second, insofar as you have a really ironclad conclusion, the first law of macroeconomics is, in my view, communism doesn't work, right, because you can do North Korea and South Korea, you can see East Germany and West Germany, you can see China and Hong Kong before the integration, at least the old China, the Maoist China, and so like, it's very hard to do experiments in macroeconomics, where you're actually partitioning a population, you're subject to two different policies, and you're actually seeing what's happening. Much of what passes for macroeconomic



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theory, in my view, Keynesianism is like sort of a soft Soviet kind of thing, where the Soviets had tons and tons of equations. Sorry, if I could just take you back to your chart before you leave it? Yes, of course, of course. I just want to point out something else that I think is equally important. So, yes, you're right, the stimulus, they went crazy, but look at what that orange line has done for the last two years. It actually was severe fiscal restraint on, if you're looking at this chart, and it's extended. So, they were trying to undo some of the fiscal stimulus programs, so that's fiscal drag. In addition to monetary drag, so it actually increases the risk, I think, that something very negative is going to happen to the economy. Sure, but the way I kind of think about it is, being sort of outside of TradFi entirely, one of the things I encountered on Twitter over the last few weeks is I realized that a lot of people treat the Fed as God, okay? Or as a combination of God and a referee, right? Where, on the one hand, it's a position more powerful than the president, we hang on every word, don't fight the Fed, algorithms trigger on their Twitch, and so on. On their hand, oh, you know, like, I don't really listen to their forward projections, oh, you know, you can't blame the Fed, you need to make your own book. They basically think blaming the Fed is like blaming the refs. And maybe you can do it on one call or once in a while in a game, but if you do that all the time, then you're a loser and you're basically just dumb and you just need to play the game on the field, right? And anybody who's within TradFi ends up doing that, in some sense, because they think of the Fed as the sun around which the whole thing orbits. But because we're in Bitcoin, we're in cryptocurrency, we have a totally different theory of who that first mover is, what is the sun at the center of the crypto-economic universe. And one of the things I think about is like you compared this graph. While you're setting up there, I agree with you completely. When I last year was pointing out, hey, Fed, what are you doing? Let's just put it this way. A lot of people just basically said, look, you're blaming your performance on the Fed. We got that kind of pushback. I wasn't talking about my performance. I was talking about economic policy and some red flags that the Fed was ignoring and still is ignoring, which is quite worrisome. Yes. So here's the thing is what I've sort of realized is you have to be completely outside the system and have a totally different theory of what should be. I'm not of the opinion of the Fed should have had high rates. The Fed should have had low rates and so on. Basically, if you look at this curve, this chaotic curve of up, down, up, down, is this really the solution to some equation  $R^*$ ? Or is this some committee voting and doing political things and generally stimulating the economy since the mid-80s and printing money and just kind of going, like a pilot moving a joystick up and down because they're like up, down. They're like steering a car by mail. Imagine you're steering a car. You drop a postcard out the window and you wait a week before you get it back for your turn. Of course, you're going to crash. That's a Fed with this group of committee members that smells the incense and they decide to set the interest rate and low. We have a new interest rate and the entire economy gyrates to this where it's based on like rearward-looking things that they're seeing. Right? And you compare this, this incredible unpredictability, this cyclicity, this craziness where it's like this bipolar thing where it's down and then up and then down and then up and down and up to Bitcoin, which is completely predictable in terms of the issuance schedule. It is a fixed policy where we can plan against it for years and it is being fixed for, it's

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proven itself. It wasn't 10 years ago, but it is now. It's certainly much more predictable than the Fed has been over this timeframe. Right? So this is a root and branch. What I'm trying to get at is root and branch critique, which is, I'm not, I mean, do I think the Fed is responsible for the economy? Yes. Do I think that they are arsonist and firefighter as the saying goes? Absolutely. Do I think that it's crazy that some immigrant engineer who has an account at SVB is supposed to be responsible for ensuring the bank's actually solvent, but Jerome Powell is responsible for nothing? Absolutely. But do I think it is one person and just firing one person or tongue lashing them is the issue? No, I think it's a systemic problem. The systemic problem is the difference between this and this. And what's going to happen is we're going to actually have, in a sense, the true election. At the end of the Soviet Union, they had Glasnost and Perestroika. You're familiar with that?

Right, Glasnost was like free speech and Perestroika. Okay, great, right? So you're familiar, you know, basically Glasnost was more free speech and Perestroika was more free markets. And these things basically destabilized the Soviet Union because it wasn't built on free speech and free markets. And eventually towards the end, they actually had the first true elections where you could vote against the central planners, you could vote against the communists, and then people voted against it, right? And I actually think something very similar is happening where social media is American Glasnost under Elon. It's like actually free speech and cryptocurrency

is American Perestroika and Bitcoin is actually free markets. And now we're having the true election, which is between USD and BTC, where people are again voting against central planning of a very different kind. And that's actually the macro frame that I have on this is that the level of instability the Fed has been causing, they're now in the state of like a plane going, vova, vova, vova, like this. Can I predict every single crazy gyration they're going to make? I cannot. And ultimately predicting a lot of the macro economy is on that. Can I know that there's going to be passengers who are hitting the eject button? And like this pilot doesn't know what they're doing. We're getting into the parachute, the Bitcoin parachute, we're getting out of the plane. Yes, I think there will be more, right? I've got more, but let me pause there.

Yeah, let's, can you will do, I'd like to respond to both of those charts since I've lived, I've lived through a good lot of that, that volatile period in the story. I'll put it in chat so you can see it. Josh, I put it on screen. On screen, on screen, so that I can read. Okay, great. Sure, sure, of course. All right, I started in the business in 1977. I was in college. And so I experienced the last bit of that, that inflation into the double digits. I know. Well, this inflation is not shown here, but I mean, the rate hike. Yeah, inflation was in the double digits and rate hikes went into the, and there was even a cert tax that they put on at one point. So we're over 20%, over 20% at one point. And then Volcker came in and focused on money. And I remember standing, this is how long ago this was at the teletype. Every Thursday at 415 or 430, whenever the number came out, we were waiting for the money supply number. And if it wasn't low enough,

the market sold off and so forth. Anyway, monetarism worked to get inflation down. Getting that money supply down and having that as the sole focus, God bless him, Volcker took interest rates in one year from 10% to 20%. And that was the beginning of the end of that nearly hyperinflation period. Now, to contrast with what Powell is doing today, so Volcker took interest rates up twofold.

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Powell has taken interest rates up 20-fold. Right. It's a difference between going from here to here versus going from near zero up over here. And it was also something where the economy was more, I shouldn't say normal, but it was like the state of, it's like altitude, right? If your altitude is here, you can take a certain set of maneuvers. If your altitude is close to the ground, you cannot take the same set of maneuvers, right? Like the state of... Exactly. So, and at the same time in, let's see, we got to 1981 and he still had the screws on and was singularly focused. We got to an inverted yield curve of more than 1% or 100 basis points. And for those who don't know what an inverted yield curve it is, it is when long-term interest rates drop below short-term interest rates. And it's when the bond, and that's where we are now, the bond market is worrying about something and it's typically recession. So, now many people say, oh, yeah, last time, 1981, back to the difference here. 1% on a 15% interest rate, well, the long-term treasury yield back then was 15%. This is the Fed funds rate. So, 1% on a 15% treasury bond yield, you can measure that one divided by 15. That is roughly six and a half percent. One over 5%, which is where we are right now, is 25%. And I finally figured out when I was in LA this last week, right near the place I worked at 333 South Hope Street in Los Angeles, I was on the 50th floor of that building when we had an earthquake. And I was in another earthquake, the Northridge one, when it was a 6.5. These are wicked numbers, just awful. 6.5 on the Richter scale is a very bad feeling. 25, I don't think, has ever happened. And that's how serious I think this is. And then just to your point about all the volatility, I think that what people who are in the economics field would turn back and say to you is, well, look at the price volatility of Bitcoin. So, you understand what I'm saying? They're saying, how can this digital gold, when the price is so volatile, even the gold price is very volatile in that context. But in the Greenspan years, just to finish this off, since I lived this history, during the Greenspan years after Volcker, you can tell now that what he did, he was a follower of Anne Rand. And what he did was use the gold price as his guide. And he wanted a flat gold price. And by golly, it was. And to achieve that stable price level, which is what the Fed is trying to do, preserve purchasing power, the Fed fund rate was very volatile. But I must say, and he never told us he was doing this. But if you look at the history, that is what he was doing. And then after that, I think Fed policy ran into a bureaucratic morass for the most part. And they were riding on the coattails of a policy that had started in the early 80s and that Greenspan solidified. And now we need real people who have actually experienced markets and respect market signals. So going to the other chart, your chart. Sure. Can I just jump in on one thing just before we come back to that chart is basically, I understand you're just being a quantitative guy, like you're correct in terms of like 6.5 is one thing 20.5. The Richter scale is like a log scale. The exact formula here is would be a different formula. It's like the modified duration formula for the change of the value of bond or response to a change in interest rates, which you can calculate from first principles if you just take to bond the time series and you discount them and calculate it, take the ratio. But the concept you're correct, I think, is that this is a change from a because people were prime for a low interest rate environment. If you take the 10 year, it doesn't look exactly like this. But it is something where the change from a very low interest rate environment to a very high one that's very sudden meant that everybody got caught at the same time and wrecked in the same way. I've got some charts and so on on that. I think



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you're basically correct in even if we can look at the equation over there. Go ahead.

If we now go to the other chart, the Bitcoin chart, which I love, now I remember Art Laffer collaborated with us on our first Bitcoin paper in 2015. It's when we first gained our exposure to Bitcoin at \$250. When we were writing the paper, do you know who Art Laffer is?

Yeah, the Laffer curve, basically. It's funny because it's a completely obvious point that at 0% and 100% taxation, the state gets no revenue and that there's at least one optimum in between. It's essentially like the mean value theorem. But go ahead.

So when we were writing the paper, he said, I have been waiting for this since we went off the Gold Exchange Standard in 1971, a rules-based monetary system, a global rules-based monetary system. And I love it. But what he said is, I love the rules, the rule. But if you want price stability, you need a price rule, not a quantity rule. If you want to store a value and you want appreciation, then a quantity rule is fine. So from a monetary policy point of view, and I've often wondered this, I'd love to get your thoughts. Let's say you are right and Bitcoin takes off. And you know, we have the same price target. It's just ours is more like the timeline. 2030. And I know you're saying it for effect just to get people to understand. It's directional. That's right. So actually, go ahead. Finish what you're saying.

Yes. So much like I described Greenspan and the Gold, he was on the Gold Standard, but nobody knew. He was managing money to Gold. Art thinks that we need that. And he said, but they'll get it right. They'll get it right. Now, remember, and in terms of his credibility, his mentor was Robert Mundell, who won a Nobel Prize for Monetary Economics. So he's not only a fiscal policy expert, but also a monetary policy expert. And so what I have been wondering all of these years is, let's say you're right. I actually think our research, the building blocks of it, you can see in Big Ideas 2023. I don't know if you've seen it, how we get to that 1 million plus by 2030. And I've been wondering, let's say it takes off and it just goes parabolic.

And there's no incentive for anyone to let go of any of it. It's just right. Why would you?

Every time you do, you lose money. And so you get into that mindset. And then in a way, it's from a monetary policy point of view, in terms of managing the economy globally,

you're off the rails. You have to figure out a way to get to a price rule. And so I have wondered, I think the answer is absolutely not because I have met with the core developers and I know how strongly they feel about the quantity rule here. But can you imagine any circumstance where Bitcoin actually loses its usefulness in a sense? Nobody wants to use it for anything. I just want to hold it. What happens then, right? If you're trying to manage the economy around Bitcoin?

So what I actually think we're moving towards is potentially the re-denomination of the many fiat currencies on digital gold, the return to the gold standard, but it'll be the digital gold plus gold standard. And countries like El Salvador actually think of as first movers towards that. And I think that'll be more obvious in the years to come. And it may be, I tweeted this, but it's actually kind of already happening in this century. Maybe it's North Americans that are moving to South America or Latin America. And maybe it's North America that has the currency crises of Latin America. This is part of, by the way, a broader, just to show that's not like a one-off. Here's a phenomenon that I have observed and I don't fully know. You can argue whether it's actually happening. And then if it's actually happening, you can argue whether it's a real or what's causing it. But one of my macro mental models is that history is running in reverse with 1950 being roughly a mirror moment. So 1950 is like peak centralization. We have one

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telephone

company and two superpowers and three TV stations. You go forwards in time and the internet frontier

opens, right? Backwards in time, the American frontier closes. You go forwards in time, China is a senior partner in the China-Russia relationship. Backwards in time, China is a junior partner and the Soviets are the senior partner. You go forwards in time and here's just one example.

You have an Indian origin and Pakistani origin politician debating the partition of Britain, England versus an Akhand Britain. Whereas in the past, it was British origin men presiding over the partition of India and Pakistan. And I actually have lots and lots of examples like forwards in time, we have the tech billionaires, backwards in time, the captain's of industry. Fords in time, Ilan and Jack are winning against the journalists. Backwards in time are Ida Tarbell beat Rockefeller. Today, we have like a populist movement of digital gold advocates. In the past, we had a populist movement against gold and so on and so forth. There's many, many kinds of flips and so on like this. And so one of those theses would suggest actually maybe the North American, Latin American flipping, right? Where already you have people

who are going to Latin America and so on, like El Salvador is actually improving in many ways. This is off people's radar and people laugh. They'll say, oh, that's totally ludicrous. Kind of already happening, whereas people are going to Mexico, going to South Latin America, especially with remote, the time zones and so on line up so you can work remote, but you can limit it. Okay. So essentially what has happened, here's my view on why we have a flight to safety. Basically, as you were mentioning, all of these, the many banks are missing billions, hundreds of billions of dollars because people are draining them and putting them into money market funds, which have the safety of effectively through the custodian bank being backstopped at the Fed by the reverse repo. So it's sort of like storing your money at the Fed and getting interest on it. And others are moving into big banks and again for the safety. I think that's going to be a mistake if you're moving money entirely into big banks and money market funds. Basically, I feel like what's going to happen is that makes it much easier to freeze and seize and corral the assets than if you had lots of small banks. But the overall concept is 500 billion into money market funds of major banks and SUV imploded. There's graphs of just like how what a record move and deposits this was. What has happened is this is a consumer crisis unlike 2008. So in 2008, the markdowns, they're happening between guys and skyscrapers sweating over a piece of paper between themselves. And for the most part, the person on the street with the exception of some things like WAMU, which was an exception, but for the most part, depositors were basically not affected. Your credit card continued working. You didn't have like direct fear in that way. You might fear to lose your job and not your life savings. This is completely different. The collapse of SUV meant that 40,000 tech CEOs got the message that the US banking system is unsafe. If I can just interject there, what I have found fascinating about this period is many people had their money in deposits in deposits of the bank. And this crisis actually has forced them to focus on what they're earning in the banks versus what they could get into money market in money markets. And so, yes, they've all become yield farmers. Well, not only that, and isn't that something. So you see them in their minds, in their minds, what they're saying is,

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I am going to lower my risk by leaving the banking system and increase my return. Now, isn't that upside down? That's not how the world works. And this I worry about from a bank deposit point of view. And the reason for this is lending. And ultimately, lending is going to shut down. And then you were right by starting out with a hell to maturity. We don't have to go through that. That has been studied. And I'm sure a lot of people know about it. But what people have talked about available for sale, you mark it right away for that quarterly. So that hits earnings, hell to maturity. If you sell those, it hits equity. But what they're not talking about is the rest of the asset side of the balance sheet of these regional banks. And it's real estate. Yes, exactly. They're getting crushed on everything. Yes.

Yeah. Promotional real estate, 75% of real estate loans out there, if they're from a bank, are done in the regional banking system. And I would submit that residential will be hit in another way because there has been so much overbuilding with the capital markets now facilitating this of multifamily homes that we have now coming online, the largest number of apartments in 40 years, in 40 years. And we're going back to the 70s, which was, so when I look at that, I said, okay, that was real estate speculation. That was inflationary.

But I do think that rents will now come down dramatically, velocities coming down. And I, again, worry about GDP and economic activity. Right. So have you ever seen, have you seen like a flock of pigeons, and then like somebody, you know, they maybe throw bread or something, and the whole thing just takes off at once.

All of them take off at once, right? You've seen that? I'm sure you have, right?

That is my mental model for what has happened. The combination of fear, because, you know, it's not just SVB, it's essentially like tech elites, financial elites. Now the conventional wisdom is cash is a risk asset, right? Friedberg actually said that. Because all these people were very condescending and ridiculous around the time of SVB, they're like, oh, what, you didn't have 10 bank accounts? Oh, you didn't, you didn't know your money wasn't safe for the bank past the FDIC limit? Well, actually, what, you know, the more sophisticated argument is you would have thought that all the regulation that you paid for would have given you a heads up about the literal insolvency of your bank when the bank and the bank regulators were clearly aware of that. I mean, you dig into the footnotes over here. And look, I don't, I feel like SVB is not unique in this. A bunch of banks have actually got killed by the Fed with these surprise hikes.

Basically, here's, you know, Michael Greene, I don't agree on on Bitcoin and so on, but some evidence of deception by SVB management. Basically, the way I think about it is the Fed surprised the banks, the banks, oh my God, what are we going to do? They decided to, you know, go and surprise the depositors, basically, anxious banks, bankers wondering what they should do in reaction to large losses, answer, hide it, right? They go and hide it in footnotes, they hide their literal insolvency, okay, in a footnote. And, you know, they do things where, like, you know, item six or they used to break out there, hold the maturity securities. Point is, if you go through a bunch of bank 10Qs, you can probably find some evidence of quote deception where they disclose, but they don't really disclose. I mean, you have on every website, EU regulators make these cookie pop-ups, okay? But on the bank website, you're not told the bank is insolvent or could be insolvent, all right? Now, what's happened is we've all gotten the message. Every single tech CEO, which is actually an influential sector of the economy, amidst all the yelling and screaming, has gotten the message that your funds aren't safe in the bank. You are

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not going to get heads up from bank regulators if the bank is insolvent. The bank is not going to tell you, they're going to hide it in some statements. It could be insolvent for many reasons, it could be insolvent because of, you know, them buying treasuries, it could be insolvent in terms of a write down of their loan book, it could be insolvent because of some opaque derivative thing that who the heck even knows even at the bank if they're actually dead without knowing they're dead.

It could be dead for many reasons. You will not be told whether it's dead or alive. It is Schrodinger's Bank, okay, where it exists in this quantum superposition. You can go and look certainly at studies like this, you know, the Stanford study of, you know, banks or basically, they do think that lots of banks face the same risks and you can look at their model and they think there's two trillion losses. But once you start seeing numbers like two trillion in losses, many banks, when you see FDIC itself, for example, say most banks have unrealized losses, right?

So can I stop you there, Balaji, because I want to make sure that we don't set off unnecessary fire alarms. So can I just set this up and say, you are right, this is an indictment, not own, you know, it's the indictment of certainly, but the bank analysts, where were the bank analysts? They read the footnotes, they know how to, they know how to market, they know all the rules of the game. But just so we understand, banks always have a mismatch in their durations. That's what makes it a bank. So their assets are long term, their liabilities, which are deposits, are short term. They can leave any time. And so the issue is that held to maturity as part of the asset base is money good if they hold to maturity. And when they buy those, look, in COVID, when they were getting gushers of deposits from the stimulus programs, the Fed basically said, okay, the risk here is a depression. And if you look at their forecast through 2023, the end of this year, they showed no increase whatsoever in interest rates. Okay, so these bank officials are making decisions saying, okay, then I will put my money in this government backed mortgage security. And I will, and I'm planning to hold it to maturity. The problem was, and they would have, and banks typically do. Silicon Valley Bank allocated too much to held to maturity. That's one point. But the more important point is they never expected a venture funding drought, the likes of which we haven't seen in quite some time. And they didn't expect a 20 fold increase in interest rates. As you said, you know, it went vertical and the expectation was quite different. So that, you know, each of those, each of those mistakes is understandable. We've never had a 20 fold increase in interest rates in one year. In fact, I don't think we've had a 20 fold increase in interest rates ever, right? And we have not seen but deposits leaving the banking system, like we see now, since on a year over year basis since 1948. And we have not seen M2 decline. It's down three-ish percent now. We have not seen it decline since the Great Depression in the 30s. So it is understandable. They did not expect these black swans, but these black swans occurred. And so I'm just trying to put in perspective, you know, I've watched the banking system all my life. I've watched this mismatch all my life and seen these two assumptions that they made, interest rates wouldn't go up hugely, you know, certainly in the last 40 years and deposits wouldn't leave the system. So this is a very unusual time. But I think when you, when you, if you really want to blame someone, you blame the Fed. You blame the Fed. Sure. I agree with that. But so I absolutely agree with the Fed. But marginally, I think it's... The regulator is terrible.

Totally. But so here's the thing. You're right that, you know, the fractional reserve model

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presumes everybody doesn't come for the deposits at once. With that said, first, I think the current situation is worse than typical fractional reserve because, you know, even the assets that were on hand, supposedly to support the withdrawals, the marked market basis was not enough.

The, you know, because of these unrealized losses and so on. The second thing is, it's not just, it is the Fed, but it's also fighting the future. Fundamentally, we're in the age of the digital bank run, right? The funds are there and then they're not because everybody can go and hit wire out at the same time. My understanding is Dodd-Frank actually presumes that people are going to come down physically for a bank run. There's going to be physical friction. When you're in this frictionless digital world, you may not be able to have fractional reserve banking. You may need full reserve banking like what Caitlyn has, you know, proposed with custodia, but the narrow bank proposed years ago. And the Fed blocked people from doing full reserve banks, right? And the obvious model, by the way, is you have a full reserve bank and then you separate out your risk capital, right? So you are consciously only taking risk with some percentage, right? Maybe you have 95% of your capital and it is just sitting there and you're not taking risk with it. And 5% maybe you're trying for some gain, but this, you know, is safe and sound. Now, you might have that effectively in Bitcoin under your mattress or, you know, some other crypto that's local, or it's gold, or it's something else like that, or it's a full custodial account where they're saying we're not monkeying with it, we're not making loans on the back, we're not doing all this crazy stuff, your money will be there when it's there. And then you do crazy stuff with other 5%. That will give you on a portfolio basis the same thing as an interest-bearing account, but allows you to dial your risk rather than being shoved into risk that you didn't want to take, right? Yeah, the Fed doesn't offer that option. And the Fed is basically it's not allowed people to modernize by having, you know, like obviously they fought crypto, they fought full reserve banks. So the point is that what I'm trying to get at is all the assumptions of the US banking system that the Fed controls interest rates, the Fed licenses things, that they can freeze the money that, you know, like you're not going to have digital bank runs that everybody can buy the same assets at the same time. All of those assumptions are breaking down at the same time, including the ones that you mentioned where, right? And so we have is not a bank crisis, we have a central bank crisis, where fundamentally, it is US banks as a whole, where, you know, again, you can look at all these things, unrealized losses, you can, this is the point that I was making earlier, which was that here it is, it's like most banks have some amount of unrealized loss and security. How big a deal is that? Who the heck knows? The point is, though, that all like a flock of pigeons, the entire market has been spooked, right? Cash is now a risk asset. People are, you know, moving to money market funds. People are, you know, moving into big banks. All this money is now liquid. It's digital and it's moving around like a cloud and it's looking for the safest thing. And if some of that starts getting out of the system into Bitcoin, that is hyperbitcoinization, right? Or it is Bitcoinization and then eventually hyperbitcoinization, because it's, it's looking for safety. And once it realizes, if it realizes that actually within the system, there isn't safety and it starts seeking an exit, that's basically the thesis. All this money has been rendered super liquid and digital. And then what's going to happen is with something like FedNow, they're going to try to impose capital controls or, or blocks on it getting out of the



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system. So that's kind of my thesis. As opposed to micro things about what's going to happen over here, people don't think their money is safe in the bank. The assurances that people are getting are conflicting. They're like, you know, oh, on the one hand, you're responsible for going through all of your bank's 10 Qs. And on the other hand, Yelena saying sometimes that they're going to back all deposits. You know, you have basically not f-dick, but you have FedDick, right? We're all \$18 trillion gets back. The net effect of that is maximum certainty plus maximum liquidity. Yes, I think, and so here we're back to the velocity question. Everything you have just said tells me velocity will go down and that the risks to the economy are to the downside here, including inflation. So here we're coming to the same as we started at the beginning.

I understand why Bitcoin went from 19,000 on March 13th, the week after the weekend of Signature and Silicon Valley Bank basically going into receivership.

It was a flight to safety, 19,000 to nearly 28,000. That boy was that proof of concept right there, decentralized, transparent, auditable and so forth. So we are on the same page here.

I worry that this economic downturn, this deflation is a much bigger problem right now.

If you're going to say, well, they're just going to throw money at it, we just saw that the Fed raised interest rates for the first time ever in the middle of the crisis. And today, this week, they've been talking once again about the need to increase interest rates at the next meeting. So I don't think they respect market signals. And this is a big problem. They are not looking at market signals. They're looking at massively lagging and unreliable indicators that are based in a world. The statistics came from the industrial age. So they're not even looking at the right numbers. Pricing signals are the most important signals right now. Credit default swaps, interest rates, yield curves, right? Bitcoin, yes, I agree with that. But I think you might have your hyperinflation of Bitcoin. And I think what we're coming to, if you seem to be nodding when I say what I'm saying about the banking system and the risks to the economy, it's not going to be inflation. It is not going to be inflation that we're worrying about this year. It will be something else. It may be counterparty risk, but I don't think it's going to be inflation in the prices of goods and services. And many people will say, oh, the dollar, the dollar is going to collapse. Well, the dollar is measured. If you're measuring it in terms of prices and goods and services, right now, it's going up if you're looking at commodities, right? The dollar is appreciating. If you're looking at it in terms of other currencies, after a 25% run in a very short period of time, it's come down. But at the same time it's come down in the last few months, commodity prices have come down. So what does that tell you? Well, so here's the thing. As I said, given the gyrations in the economy, that there are hiking rates while printing trillions, I don't have a strong thesis on essentially the ratios of different variables within this economy that's being manipulated in crazy ways. But I do want to show you something, which is this is sort of microdata that is, I'm going to say it's contrasting to your points on the velocity of money, but at least it's something that you can actually see from a very bottom up standpoint. So this is like the assets and deposits are kind of moving together. And Pilkington was looking at that ratio and shocks to that ratio. And he's finding that this last week was the highest ever change in the asset deposit ratio and the other events were like financial crises and whatnot, okay? Which I think is an interesting way of thinking about. This deposit's going down, right? The asset pays to Pilkington quickly. He's giving a different lens on this to show how exceptional

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this is, right? Like, you know, is this a big deal or not? Since the 1930s. That's right. And so essentially, one way I kind of think about this whole thing is, you know how many economists said Bitcoin couldn't exist, Bitcoin violated the laws of economics as they knew them, all these Nobel laureates, Keynesians lined up to denounce Bitcoin over the last 10 years, right? Not Art Laffer. Art Laffer. Art Laffer. Not Art Laffer. Not Art Laffer. Not Art Laffer. Sure. And Milton Friedman and others, I'm not saying Milton Friedman predicted Bitcoin and so on. There are good economists. But a large number of Keynesian economists denounced Bitcoin, said it couldn't exist, shouldn't exist. Yes, right? Okay. So their theory does not account for the existence of Bitcoin. It says that something gold-like cannot exist. Now, have you ever seen like an MRI machine and you know you're not supposed to have a piece of metal next to it? Like, the operation of the MRI machine depends upon there being no metal nearby. If there is a piece of metal nearby that field, it will fly around in very unpredictable ways and smash the whole thing to pieces, okay? And in the same way, the fact that a digital gold-like thing now exists is something that they did not predict could exist. And this generation of Keynesians has, unlike the guys who set up the Federal Reserve at the beginning, where they knew they had to defeat gold, like, you know, the so-called executive order 6102, right? The early generation of Keynesians, right? They actually, you know, had guys with guns who went and basically said, hey, give me all your gold where, you know, private ownership of gold is not allowed, right? I mean, I remember the history. I wasn't there. You remember the history. That's right. Yeah, yeah, yeah, but neither of us were there. Right. So the thing is that the people who set up this centralized system, you know, almost, you know, 100 years ago, 90 years ago, they were aware that gold was a competitor to them and they took gold very seriously. And they had to actually defeat gold, right? Now, this group of people truly doesn't take digital gold seriously. Digital gold is a V3, while physical gold, in my view, has been defeated by the state. And fiat does actually improve on physical gold in some ways, in the sense of it's electronic and it's programmable and so on. Bitcoin and cryptocurrency generally, it's like a V3, which incorporates aspects of both V1 and V2. So Bitcoin is not yet being defeated by the state. And the interaction of digital gold with this economy over here is like, you know, this MRI and there's this piece of, you know, metal nearby that it doesn't, that its theory does not account for. And so when you have this huge cloud of assets, right, all of this money that's super liquid now because of the digital bank runs, because your home is being set on fire, your bank account in your bank that you had for 40 years, Silicon Valley Bank goes to zero because all the tech elites were told that they're idiots for keeping their money in an American bank. Right. Just think about, by the way, what that means. I don't think people realize the extent to which that reverberated overseas. Every Indian founder that I know, okay, has been like, oh my God, the US banking system is not trustworthy. Okay. What an insane update. Yeah, I understand. And to make matters worse, just to give you a sense of what investors in banks are being told, the president on that Monday, March 13th, got up and said, the depositors, your deposits are secure. We want you to know that. And the people responsible for this are going to be fired, any decision maker, and any equity or bond investor is going to be, use these words, wiped out. What kind of message is that? But we probably should wrap this. And I actually have an interesting way of doing that because during my discussion with Art Laffer last week,

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we were talking about Bitcoin and he said, we really need to add, in terms of trying to figure out what's really going on out there in terms of the money multiplier, add Bitcoin to the monetary base, and we'll get a better picture. So he's already thinking in this way. And I was so happy that he said it. Half of the solution is understanding a problem and understanding how we should try and frame things to understand what's really going on out there. So this idea of adding Bitcoin, which is a little over \$500 billion, to the \$8.5 trillion in the monetary base, it was a start. And a start of a conversation, because we do have to deal with the world we're living in, the one you're talking about, I think will evolve over time, but it doesn't happen overnight. You might say the banking crisis is giving us that opportunity. And I think it may happen faster than otherwise might have been the case. But I am going to continue paying attention to market signals. I see credit default swaps settling down a bit. We haven't seen the regional bank index break down again, but it hasn't V-shaped either. So I think that's a risk there that there's another episode. So we're watching all of this very carefully and watching the stock market. Now, the stock market is very sensitive to all of this. And it is very interesting for me to watch the stock market levitate through all of this. And I think one of the reasons it is is it smells the end of rising rates. It sees over whatever the Fed's going to do right now to much, much lower interest rates because of this deflationary pull from monetary policy and gone wrong, velocity falling, and that's the bad deflation side of it. But then you've got the good deflation side of it, as you said. And I always want to end on a very hopeful note. And the very positive form of deflation we're going to see, if we're right, is going to cause enormous growth in everything blockchain related, all that innovation, as well as the other platforms, the multi-omic sequencing, robotics, energy storage, and artificial intelligence. And they're all going to start converging. And, you know, it's messy, it's messy getting from here to there. But I think, again, just the recognition of what can go wrong with the banking system, I think is going to cause more people to seek more insurance policies.

Can I give a closing minute? Is that all right?

Okay. So basically, first of all, Kathy, I like you. I'm actually not a doomer at all. I would consider myself at most a doomer optimist or a positive person in general. I always try to have a constructive kind of thing. You know, one thing I just remarked on, you know, again, just seeing this, this is something which I pay a lot of attention to because I never would have thought, you know, 30 years ago, 20 years, even 10 years ago, that Indian founders would think of Indian banks as being more trustworthy than American banks. That is a massive world model update, massive world model update, that people are wiring money back home, they're wiring money outside the American banking system, because they don't feel like they can go and diligence everything 10Q by 10Q to find the where's Waldo of are they actually insolvent or not, will my money be there, right? This is the same reason that people are moving money to big banks and money market funds and so on. So I think we're agreed that basically in the flight to safety, that people will choose Bitcoin, whether you call that contraction and people feeling the flight to safety, whether you think of it as inflation in the sense of the Bitcoin price going up. That is the one number that they can't fake in the system. They can high grades while printing trillions, but they can't change the amount of Bitcoin and that hard denominator constrains them and it's visible to the whole system. Plus, it's a global asset, plus it's hard to seize. Now, one last thing I want to talk about, like from a hope standpoint, okay,

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you mentioned that Florida might do state chartered banks, banking crypto, right?

It's a rumor. There are a number of states, the Dakotas and Florida among them, the states that are trying to attract capital and labor.

Absolutely. That's right. So all these regional banks are getting killed and so on. And in a sense, there's a real deviation of interest between state and local versus the feds, right?

And so what I think could happen is Bitcoin dot Florida dot gov, Bitcoin dot Texas dot gov, Bitcoin dot Mississippi dot gov and Bitcoin dot Montana dot gov. All of these states, which, you know, Texas GOP has passed something where it has in its platform, the right to buy, sell, send or receive Bitcoin shall not be infringed.

The mayor of Miami takes the salary in Bitcoin. Mississippi and Montana have Bitcoin mining protection bills. Wyoming and Tennessee have Dow bills, right?

So lots of these red and purple states, Colorado accepts taxes in cryptocurrency. New Hampshire is pro-cryptocurrency, right? Lots of these, let's say red and purplish kind of states or pro-freedom states are pro-cryptocurrency. And if they reopen the gold window, okay? If you had Bitcoin dot Florida dot gov, Bitcoin dot Texas dot gov, where it's like basically a very simple exchange. It's like Coinbase Circuit 2013. You can buy, sell, send or receive Bitcoin. You can place limit orders. You've got a fiat USD BTC order book. That's it. And it's set up for you to just take your Bitcoin off the exchange within, you know, a few days, like or right away, ideally, it's not meant to be something where you hold it there. They just keep ping-ponging you to take it off, right? And then what happens is the state just takes a cut of that. So they're now accumulating a digital gold position, okay? Why is this important? Why do I think of this as a positive development? Well, first is, you know, DeSantis and others have come out against the CBDC, but what are they for? They're anti-CBDC, which is digital serfdom. They're for Bitcoin, which is digital freedom, okay? And so now you can be for something rather than simply against, and you have essentially a Bitcoin backed local state government, right? Where this is the move against the feds. And then the question is, okay, well, the feds, you know, will the fed try or the literal fed try to shut down Fedwire and ECH and other access to these banks? Will they cut off Florida? Will they cut off Texas? I think that's probably a bridge too far. If they did do it, it would show the potential financial totalitarianism incipient in a CBDC. If they didn't do it, well, the fiat rails would be open. The reason I think something like this is going to happen is it's a next logical step after, for example, El Salvador adopting Bitcoin, Mayors adopting Bitcoin, because right now you have the government going and fighting Coinbase and Binance and that's government

versus company. A company doesn't necessarily have enough hit points to fight a government, but another government does. You see in Pacific Rim, you know, to fight giant monsters, you need a giant robots, right? So if you have a state like Florida and Texas with a lot of hit points, that is now, you know, that can't go easily bust. That's got a lot of credibility and reputation.

And if you have a lot of red and purple states that share their order books, their USD/Bitcoin order books, that is now something which keeps the USD/Bitcoin window open, allows exit from the system, benefits local states because they can accumulate digital gold, builds upon the existing shall not be infringed, Dow language, minor language, Mayors accepting Bitcoin, El Salvador is a sovereign

currency. And finally, it can be internationalized because Naib Bekele held a meeting of I think

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like 44 small countries, you know, bankers, and I've been planting seeds about, you know, what it's like to transition your country over to a partial Bitcoin standard. So you also have this happening globally, where small countries like, you know, Palau, for example, that are pro-crypto could do this. Okay. If that happens, if the digital gold window is reopened, after Nixon closed the gold window in 1971, at the same time, by the way, that China is a totally different animal, and they're moving oil and other transfers over to the Petro Yuan, the biggest difference is in 2008, USD was too big to fail in 2023, it's not. And if it does go down, we don't want China to be that reserve currency, we do want it to be Bitcoin or freedom currency. And I think that actually the moves that I'm describing, that is like the positive vision of the future. If this system is going to go down, let's have an orderly exit. If you think that the Fed isn't simply piloting in the wrong direction, but actually crashing the plane, how do you make your way to the parachute? And I think that parachute that exit is BTC. Of course, you might have a different opinion, you might go and get gold, you might get oil, you might do other kinds of things. That's not financial advice you for people to decide. But I do think that that will end up being the shelling point. I may be wrong, but that's my thesis on why I think we see exit from the US banking system towards Bitcoin over the next weeks and months and perhaps years to come. The exact timeline of 90 days, I don't think it's impossible that happens given how fast digital bank runs happen. But directionally, it's much easier. Timing is hard, prepping is easy. Just like you prepped for COVID and prepping earlier was better. If lockdown came in 42 days after some of the initial reports of COVID in the US, who knows how quickly digital lockdown comes. The Fed now is dropping in July. So before that happens, build the exits, build the exit to Bitcoin, build the exit to other kinds of things. And I think we have potentially a positive vision on their side. Thank you. Okay. Well, we certainly explored a lot. And I thank you, Balaji, for doing this. I said, wait a minute, we both have the same positive buy. How could we, on Bitcoin, how could we be so different? And I don't think we are that different in the sense in terms of what we are worried about. So anyway, well, thank you again. And I look forward to doing this again at some point when we're at another, another moment in time that deserves the time we spent doing this. So thank you again, Balaji. Thank you, Cathy. It was great. ARC believes that the information presented is accurate and was obtained from sources that ARC believes to be reliable. However, ARC does not guarantee the accuracy or completeness of any information. And such information may be subject to change without notice from ARC. Historical results are not indications of future results. Certain of the statements contained in this podcast may be statements of future expectations and other forward-looking statements that are based on ARC's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events that differ materially from those expressed or implied in such statements.