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How to Make Blockchain a New Economic Engine

Original:

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The blockchain where the future of finance will be built has zero downtime, zero forking, complete finality and a community of active developers.

The blockchain industry seems unique, new and frantic, but the evolutionary pattern of new industries over time is eerily consistent. Consider the California gold rush, the global oil boom or the rise of the internet.

Each of these economic disruptions saw a similar pattern. The first is a shift from speculation to substance. Each industry that survived began with the promise of riches, with speculation in these new worlds accelerated by marketing, often highlighting the sizzle. All of it is designed to create true believers and drive adoption.

The second element of economic disruptions is shifting demographics. Over time, the mix of people who are early adopters changes, and other types of individuals, institutions and companies start to move in. These new participants then put pressure on the field to introduce what is necessary to successfully build these new industries.

Third, the value that's created in these new sectors often comes after the initial dust settles. It's the second wave of participants that start steering things toward building real businesses, with fundamentals that become the foundation for sustained growth.

The blockchain industry is shifting to substance. The fundamental understanding of what is possible is far clearer. We've seen lots of use cases. The demographics have shifted. Institutional capital is entering the space. You know you're starting to get somewhere when there is the potential or actual use of blockchain by tens of millions of people who don't necessarily even know that they're using blockchain.

The good news for blockchain is that an increasing number of people want to understand the technology and how to create value in a meaningful way. The more sophisticated the participant is, the greater the demands placed on the industry. Traditional models for understanding value in our space do not conveniently translate from what was used in the past.

The question is, with an industry that's often been so focused on short-term value, how do we create enduring value, and what does it look like?

There's no great definition of enduring value. However, I've adapted a concept from Michael Porter, who wrote a number of books on competitive advantage and strategy, which focuses on long-term economic decision-making. According to Porter, the core attributes of value creation remain consistent, regardless of technology and pace of change. If we apply this thinking now, then all the hype around the blockchain and crypto market volatility is irrelevant to the essentials of value. What really matters is what this technology ultimately enables - real, long-lasting value.

From the beginning, this long-term focus has been a core part of how we think about building value at Algorand. When we launched the company in 2019, I struggled with how to describe what we were trying to build. The best I could come up with is that we were building a new type of economic engine, like a national economy or country, where all types of value, data and immutable records can be created and exchanged on a global scale.

What are the qualities you seek in a traditional economy?

1. Infrastructure quality - the roads, bridges, pipes, bandwidth, etc. These grant the ability to confidently exchange value.
2. The ease of doing business. What are the barriers to participate for the broader group of people that are in your economy? Those can be the difficulties of starting a business, taxes and tariffs and a country's immigration. All these issues create barriers.
3. Access to education. You need to be able to create a place where people can easily access information and understand how to build. The reason for that is it becomes the core of innovation in your economy. If you don't, it will likely stagnate.

4. For example, major automakers are now shifting to electronic vehicles. Of course, economic activity is at the center of that.

A simple view is that the combination of all these attributes working together dictates the pace of innovation. For example, Singapore invested heavily 50 years ago in education, technology, favorable trade practices and simplifying the ease of doing business. Its per capita gross domestic product 50 years ago was less than \$1,000. Now it's about \$60,000 per capita.

The question is, what's the biggest variable to performance from one nation to the other? How much friction exists in each of those areas? More friction leads to a slower pace and these four pieces working together more ineffectively. Imagine if you could build a new economy from scratch. What if you could do it in a way that removes the friction?

The blockchain where the future of finance will be built is one that has zero downtime, zero forking and complete finality. It will need a strong community of active developers, and a growing number of users and use cases. It would also need to be built with sustainability in mind.

The ultimate winners in this space will be those who are relentless in their pursuit of removing friction and focus on building enduring value.

Where does the blockchain industry go next? The best thing we can do is try to roll out a robust standard of economic indicators that are consistently measured and applied across all web protocols. We will find the right measures and metrics to show which projects create real value and to let the real winners succeed and progress quickly.

The blockchains that succeed will continue to innovate, build and create a new kind of economic engine that has an enduring value on the best technical infrastructure in the world. That is what ultimately matters.