



Stanford eCorner

Bitcoin's Value Defined

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Bobby Lee, co-founder and CEO of leading Bitcoin financial platform BTCC, discusses how the digital currency is the first to have a set value and be transferable, like physical money. He also goes over Bitcoin's decentralized nature, how its value is derived from its finite nature, and how it will enable a global network for payments once it's widely adopted.



Transcript

- For the first time in humanity we now have a digital currency that is information based duh, information based digital currency, right? But has definitive transferable value, that means I can give you some of my digital currency for you to have it, of which I no longer have it. And this mimics the physical reality, physical world, where I can give you a glass of beer and you will have it, I don't have it anymore. Does that make sense? So this is the, the really cool thing and this is real, this is a really big deal, this is real. This is not hocus pocus, this is not virtual currencies of the 1980s, 1990s okay? We're talking about cryptocurrencies. That's why Bitcoin is different. So, is Bitcoin valuable? What do you guys think? Yes, no? I have a, let me pull it out. (laugh) I have a pre-release of a new physical Bitcoin that BTCC will be selling in about two weeks. I won't tell you too much about it, its pre-release. But this is valuable, if I toss it over to you I've essentially given you access-- - [Voiceover - Throw it. (everyone laughs) - Nice one.

If you, if you toss me some US dollars we can do that exchange. Yeah, but this is, in this case it's physical I could toss it to you and it'll be physical, you catch it. Right? But it's truly valuable because once I toss it to you it's out of my hands and that's what Bitcoin does electronically but made into physical format. Why is this valuable other than the piece of metal? Well because, a few things. It's got uniquely great features. So until Bitcoin was invented nothing in the world was able to encapsulate the functionality, the feature-set that Bitcoin gave us. Where if physical we could give you money, gold, we could give you stocks or bonds. Give you a house and so on, or a title to a house. But with Bitcoin now we can have a global network for payments, with a fixed supply of Bitcoins, 21 million, of which this is one. We can have a decentralized payment, decentralized nature of it.

What that means is the Bitcoin that I give you let's say, does not depend on some company telling you many Bitcoins you own. Does that make sense? So, for the first time you can now have Bitcoin that is truly, truly decentralized from any other company. Now even though our company, my company BTCC we run a Bitcoin exchange, Bitcoin wallet service and all that, we are a centralized service. But even if our company goes away or there is no Bitcoin company you can still own Bitcoin without depending on any other central government, any sort of university or any sort of company. Okay, and of course very low fees. So this is truly faster, better, cheaper. So why I like Bitcoin to summarize, for the first time we actually have a digital asset. Think about that. All the assets you own everyone in this room, other than the ones of the few of you that own Bitcoin, all of your assets, all of the things that you own, that you've worked hard for in your life, are physical in nature. The other types of assets are intangible.

Like for example your Stanford education, or your knowledge about the world. Right? But any other tangible assets always, always physical in nature. Everything from the money you own, having a wallet, the precious metals gold and silver, the stocks and bonds, even real estate. All physical in nature. Right? Some of you, do any of you own domain names? Yes, so domain

name comes close. But e-mail addresses are actually not digital assets. Would all of you have e-mail accounts? But you don't own them. Right? A moments notice, Gmail can stop your account or lock you out. Or iCloud, Apple iCloud could. Right? So you don't own your e-mail address any more than, it's more like a permission for you to use it.

Domain names, you sort of own them but it's at the mercy of the domain name registration companies. They can make a mistake or they could take it away from you. Right? And what if, I've heard some horror stories with domain names. But the point is none of you, if you don't own Bitcoin or digital cryptocurrencies, none of you own digital assets. Don't we already live in a digital age? Yes? Who still living in the Stone Age? So given that we live in Digital Age Bitcoin is very important. Bitcoin and cryptocurrency is very important because for now we really have digital assets okay? Second thing is, it's not just any digital assets, it's not just, seashells or peanuts or pieces of rice or candies. Because this is a strictly limited and scarce digital asset. 20 million, 21 million sounds like a lot. But in the grand world of things it actually comes down to about 0.003 per person in the world. Right? It's only 3/1000s per person if you spread it all around seven billion people.

So what happens is Bitcoin was actually created down to eight decimal places. So you have 100 million units in each Bitcoin so that way people could use it in smaller things. So that's what we call, for each Bitcoin we call 1 million Bits, okay? So that's why it's, even though that's a lot but it's still scarce and limited. No-one can make more Bitcoins, does that make sense? You cannot print them, no company can issue more Bitcoins like they can issue virtual currencies. So, for example, how many of you belong to airline frequent flyer miles, hotel reward points? Yeah. So those points you have there actually are centralized by the companies. Right? That's why no-one in their right mind would spend their allowance or spend their monthly paycheck to buy more airline miles. Or, do any of you do that? Do you buy more hotel points, they ask, they always offer to they say, "Hey, do you want to buy more miles?" I'm like, "Yeah, right." And the reason I say that is because the airline miles are ultimately controlled and configured by the airlines and they can do whatever they want. They can increase the redemption price. They can make it invalid.

They can say your miles won't expire and then a few years later they say miles do expire. You know, they change the rules on you. But with a decentralized crypto-currency that will never happen, okay. So if you own for example, 21 Bitcoins, then you will always have at least 1 millionth of the supply of the whole world's Bitcoin. Okay, so lastly, those two features of it being digital and being scarce, it actually makes for a good payment system. So today, Bitcoin is not yet the world's best payment system. Right, you have really good payment systems like Paypal. In China there's Alipay, there's WeChat pay, there's Venmo in the US, right. There's a lot of good payment systems around the world already. Or even just physical cash.

Bitcoin is not yet the most revolutionary, it's not yet the best payment system, we don't use it to buy coffee yet. But Bitcoin has a potential because of it being a great digital currency. Okay, so for me that's a bonus and that's why I like Bitcoin.