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Coinbase CTO Balaji Srinivasan describes how blockchain-based equity sharing could challenge even the web's most stable social networks. He imagines blockchain being used to issue tokens associated with the value of future startups, incentivising rapid scaling and creating new opportunities for social networks that function as crypto-economies.



Transcript

- Blockchains break network effects, and they give a completely new tool, a can opener, for going after skilled social networks and two-sided marketplaces.. One way of thinking about this is if you think about Metcalfe's Law you think about network utility.. Typically, the larger the network, the higher the value to the user, so in Facebook you got 2 billion people.. Supposedly, in a runaway advantage you can't displace them.. But there's something really interesting about crypto, which is that if you have a token whose value is associated with the startup, the token's upside is maximal when the size of the network is smallest.. So, for example an early investor in Snapchat had more upside than somebody who invested in the series D round where it already had 10 million-plus users.. So, upside is itself valuable, and now you got a second term in the equation which can balance out that first term.. Some kind of hypothetical future value that for the first time you can programmatically issue to your users for signup and other kinds of actions that they take within your app.. I mean, imagine if Facebook had something where the folks who signed up for it, the first 100,000 or 200,000 or a million users or any users, received some slice of Facebook's equity for doing that, well, that'd be a very big deal.. You'd actually start making money by signing up for all these dumb social apps..

So that's actually something which I think is a very powerful tool for going after skilled social networks, two-sided marketplaces and things like that, to split some of the upside with the user.. 10th and relatedly, blockchains I believe are going to transform social networks, so for the last 10 years people have been liking and poking and messaging each other, wasting time, the next 10 years, well, we're done making friends, it's time to start making money.. So, basically those edges we think are gonna now have money on them, cryptocurrency.. And you're gonna have new kinds of social networks.. What are we gonna call them? Maybe digital economies or crypto economies.. The fundamental difference being that your time in them is not wasted, your time in them is actually like a form of work, where you're actually remunerated for it.. And some of these maybe existing social networks might be able to retrofit, but I think you're gonna have to construct wholly new social networks that are based on these kinds of behaviors from the beginning where earning is part of the equation...