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Charles Miller [00:00:00] Thirty years ago, George Gilder wrote *Life After Television*, predicting the effect of the Internet on the media, society and the economy. Gilder, formerly an economist and speechwriter for Republican politicians, became as interested in technology as in economics. Ten books later, he's written *Life After Google*, heralding what he sees as the next tech revolution, around Bitcoin and blockchain. Speaking at CoinGeek's London conference, Gilder shared a platform with Craig Wright and explained how he expects Bitcoin to solve problems created by the Internet and the international money markets.

Charles Miller [00:00:51] George, thank you very much for doing the CoinGeek Conversations podcast.

George Gilder [00:00:56] Well I'm delighted to be here. It's been just a magical mystery tour or whatever through CoinGeek 2020.

Charles Miller [00:01:05] We are on the final day of the CoinGeek London conference and you've just given a very well-received speech, followed by an interesting discussion with Craig Wright on stage. I'd like to start by going back to 1990 for the first edition of your book, *Life After Television*, where, ahead of the Internet boom, you predicted many of the changes that it was going to bring. How similar and how reminiscent of that period do you find this period in discussions of Bitcoin and its potential?

George Gilder [00:01:37] I think we're in a similar period. It's a similar transformative technology. I think that the blockchain is more transformative than the Internet by itself, that the blockchain addresses both the catastrophe of failed Internet security, the poorest pyramid of the Internet, where all of that money rises to the top, where it gets hacked and of sowing paranoia around the world where we're afraid of foreign routers as if they were weapons of mass destruction or something, or Trojan horses when they're full of Western chips and Western architectures and Western software. This paranoia is a technical problem. It's the result of the collapse of Internet security. The blockchain is the solution to a new architecture that establishes a fixed and resilient background state for our networks again. And the other great crisis is Ponzi money. The 6.7 trillion dollars of currency trading every day - that doesn't even stop trade wars and monetary conflicts and claims. And it's a scandal of money, as I wrote in a previous book. And these are the two great problems of the world economy. And both of them are brilliantly addressed by blockchain technology and Bitcoin technology.

Charles Miller [00:03:40] Can I just ask you one thing about your your critique of foreign exchange? Why is that such a big problem? It's not on most people's lists of the great problems we face?

George Gilder [00:03:51] Imagine this 6.7 trillion dollars of currency trading. It represents an increase of 30 percent in three years. It doesn't stop trade wars. It doesn't stop monetary conflicts. It yields incredible profits for hedge funds and eleven big banks. It represents a hypertrophy of finance with without real utility. And to have all this energy and technology lavished on a system that is a broken paradigm measured by the more money you spend on it, the worse the results. This is a fundamental problem of the world economy. It's why we have trade wars.

Charles Miller [00:04:58] Funnily enough, for most people who haven't taken an interest in Bitcoin, probably the one thing they might have heard about it is the speculative, spectacular increases in prices. And so telling them that Bitcoin is going to solve the problem of people speculating on money is going to be a surprise to them.

George Gilder [00:05:20] Well, I think that the original Bitcoin had a flaw. In my book, *Life After Google*, the last chapter is the Bitcoin flaw. The Bitcoin flaw is that it targeted the supply of money rather than the value of money.

Charles Miller [00:05:39] Just explain that.

[00:05:42] This was the great error of monetarism that Milton Friedman inflicted on the world and persuaded Nixon to leave the gold standard in response. And it's believing that money is a commodity that should adjust to change by changing its price rather than money being a measuring stick that is pegged to permanent value. And throughout history, the permanent value to which money has been paid is a particular amount of Troy ounces of gold. And that relationship between the pound and gold and the dollar and gold rendered money global. So money everywhere was translatable into gold at a particular price. And I think that the next challenge for Bitcoin is to figure out how to fix it digitally to a particular price rather than a particular supply of 21 million units by some date a hundred and forty years from now.

Charles Miller [00:07:17] But people's lives and standard of living have gone up incredibly spectacularly since currencies were not pegged to the gold standard. Isn't that a counterargument?

George Gilder [00:07:34] The impact of human creativity and new technology, I believe, has been vast and vastly underestimated throughout the history of our economy. William Nordhaus, the Yale Nobel laureate, measured the real drop in the price of lighting, all through the industrial age and all through all human history, as a matter of fact. And he showed that the cost of lighting measured in the hours of labour that you had to expend to gain the money to buy it dropped millions of times more rapidly than economists measured. So we had this transformation of human life, allowing us to conquer darkness, to live in the night for the first time in human history, really. And as candles gave way to whale oil, which gave way to kerosene, which gave way to incandescent light bulbs, the fluorescents, you know, the whole saga of lighting just wasn't measured by economists. It's like it never happened. And so we've always vastly underestimated technological progress. Abundance has been expanding throughout human history since capitalism unfolded and unleashed human creativity on the frontiers of new technology. There's been a constant transformation.

Charles Miller [00:09:30] But you also put this in terms of the value of information.

George Gilder [00:09:39] Yes. Wealth is knowledge.

Charles Miller [00:09:39] When you look at what you expect to happen with Bitcoin, what impact does it have on nation states and governments? What is its political hue, this revolution?

George Gilder [00:09:51] Well, it overcomes this 50 year delusion that money is a function of sovereignty rather than an objective reality. That money is a tool of central banks rather than a measuring stick for value.

Charles Miller [00:10:12] So that devalues the role of governments, I guess, doesn't it?

George Gilder [00:10:17] Well, it it it unleashes the world economy. Capitalism is not chiefly an incentive system where people respond to carrots and sticks, rewards and punishments, and Mark Zuckerberg gets lured into the office every day by being paid millions of dollars a week or whatever it is. That's a completely false model of capitalism.

Charles Miller [00:10:52] What does make Mark Zuckerberg tick then?

George Gilder [00:10:55] It's information and under capitalism, money doesn't go to the people who spend it best but to the people who expand it best. And because Mark Zuckerberg has knowledge and is expanding his company, he needs the funds to exploit the new opportunities that his previous insights have generated. It's an information system, not an incentive system.

Charles Miller [00:11:33] But are you saying that he deserves the wealth that he has?

George Gilder [00:11:35] No, I'm not. It's a utilitarian measure. You want the people who have previously proved that they can invest money effectively to invest more money. You want money to go to the people that can use it most productively. You don't want it to go to the peoples who spend it most readily. And the whole delusion of Keynesian demand side economics that has subverted, I believe, economic growth is that the big problem in economies is spending. The big problem, or the big opportunity, in economics is creating new things.

Charles Miller [00:12:29] But going back to Facebook and so on, which is just an example you picked, you are very critical of Silicon Valley altogether, aren't you?

George Gilder [00:12:38] I'm critical of the business plans of Silicon Valley. I'm more critical of these governments who now think they can run Facebook better than Zuckerberg can and who are trying to impose all these detailed regulations on how you manage a social network. I think this is very destructive and will result in the Chinese information companies probably dominating the field in the future. Alibaba, Baidu, Tencent, these companies are tremendous. And the idea that Facebook and Google are monopolies shows a complete incomprehension that we have a world economy. Even though many people seem to want to break it up into smithereens again, it's a world economy. And Google is by no means a monopoly. It's a vulnerable company with a business strategy that's deeply flawed and which is in danger of being overwhelmed by better companies in Asia.

Charles Miller [00:13:52] But so you would say that Washington should avoid overregulating Silicon Valley and let it rip?

George Gilder [00:14:00] It certainly should. You know, I use WeChat all the time. It combines a phone service, a data service, a social network, a wallet, an investment plan. It's a totally integrated system. It brings together all the things that the regulators in Washington of the Federal Trade Commission want to pull apart and disable.

Charles Miller [00:14:36] But you've just written a book called Life After Google. And in your talk today, you have contrasted the things that you see as wrong with the Google economy with what you hope to come from Bitcoin.

George Gilder [00:14:49] That's right.

Charles Miller [00:14:49] So in that respect, you don't just want Google to be left to get on with what it would like to do?

George Gilder [00:14:55] Well, I think better companies can rise up exploiting the blockchain to defeat the Google model.

Charles Miller [00:15:05] And that that will just happen because of the design of their business?

George Gilder [00:15:09] Because of 'aggregate and advertise' at Google. Google's chief business, 90 percent of their revenues, comes from ads, as they say. But we all know there are minuses. Its value subtracted advertising. You don't want it. And then on your smartphone, it's particularly a problem. I mean, 30 percent of what you pay for your smartphone bills goes to fund advertising that you almost never click on and which consumes 30 percent of the bandwidth. You click on it less than, I think it is, 0.04 percent of the time and half the clicks are in error. What advertising on smartphones really is, is spam. They aren't ads. They're minuses. And to have a whole business plan based on giving people things they don't want is, I think, vulnerable. And the Chinese companies, I visit often and if they don't get suppressed by the Communist Party, will have almost unlimited opportunities.

Charles Miller [00:16:29] So what's their business model then?

George Gilder [00:16:29] Advertising is 10 percent.

Charles Miller [00:16:34] Where does the rest of it come from?

Charles Miller [00:16:38] The rest of it comes from all sorts of ingenious platform services that they sell to customers and which in a company like Alibaba has scores of millions of entrepreneurs on their platforms, constantly paying for various goods and services and information.

Charles Miller [00:16:58] Well, shouldn't your argument be then 'well, let the market decide. Someone in Silicon Valley should wake up and come up with something'?

George Gilder [00:17:06] Absolutely. That's my argument. And I'm trying to convey to them that they better figure it out.

Charles Miller [00:17:12] But that doesn't require Bitcoin?

George Gilder [00:17:15] I think Bitcoin is indispensable to fixing the world economy and internet security. Google's response to Internet security - they have to secure their own clouds and all that -, but their essential response is to not have customers. They have no responsibilities to their customers. Their customers they sell to advertisers, because their customers aren't paying them, because their users aren't paying them, it's a free service. Nobody wants to steal something that's free so they escape the obligation to create a secure and reliable platform that can accommodate e-commerce the way the Alibaba platform, for example, does.

Charles Miller [00:18:16] But when you come to a conference like this, there's hundreds people here who share your vision or confidence in Bitcoin. And I think many people could see that when we reach the world run by Bitcoin, there will be all sorts of good things about it. But isn't there a problem about getting from here to there because how are people going to give up their addiction to 'free' services?

George Gilder [00:18:42] I think the great vision of Bitcoin SV that Craig Wright has launched and we've been celebrating here at CoinGeek 2020 is micropayments. And it's not that people don't want to pay for all the things they get on the Internet, it's that they pay through the nose, that they pay with distraction, they pay with time, they pay in all sorts of ways.

Charles Miller [00:19:17] But they're not complaining.

George Gilder [00:19:20] But they prefer to pay deliberately through micropayments. And the new Satoshi Vision Bitcoin, the new Bitcoin that's been launched now and has risen up faster than any other previous Bitcoin scheme is optimized for micropayments. It's overcome the scaling problem of Bitcoin, which limited it to five to ten transactions a second, some very limited rate. And now last night Craig told me it could have millions of transactions per second, and this is more than Visa. It's a new architecture that makes possible micropayments, hassle free payments for incidental goods and services you use on the network. A company like Google would do better with micropayments than it currently does with free goods and advertising.

Charles Miller [00:20:35] Yes, so if there's an incentive in it for Google, then we're in business. But let me just ask you one final thing. When you meet Craig and the other people in leadership positions in the Bitcoin world, how does that compare with the people that you knew in the pre-Internet days who similarly had a vision of 'the world is going to change in a big way and most of the rest of world doesn't realise it'?

George Gilder [00:21:04] I think in general, the cryptocurrency movement is smarter and more sophisticated about computer science, more alert to the flaws in the international economy and more shrewd about new entrepreneurial and business models than was the Internet movement that preceded it. I think it's an amazingly brilliant bunch of new talent in world capitalism. From China to London to Berlin to Hong Kong to New York to Seattle, I've attended these conferences and I'm awed by the brilliance of these people.

Charles Miller [00:21:59] You are 100 percent confident that Bitcoin SV is going to be a big part of billions of people's lives?

[00:22:05] Yup. You know, I don't know which Bitcoin. We're having a debate now about which Bitcoin. I think that the ability to do scaling and micropayments is a huge leap forward for SV. But it's not a complete solution yet. And I think there's still room for major new initiatives and blockchains and I expect a lot to be happening, a lot of exciting developments in the coming years.

Charles Miller [00:22:42] Well, we look forward to hearing your continuing commentary on the system as it develops, so thank you very much indeed George.

George Gilder [00:22:50] Thank you so much. I really appreciate it. Great interview.

Charles Miller [00:22:56] Thanks to George Gilder. It was a great privilege to be able to talk to him. If you've enjoyed this podcast, please would you give us a nice star rating on your podcast provider? Or if you're watching on video, you can 'like' us there. It all helps other people to be offered the series in future. Thanks for listening and see you next week.