



ethereum

Coase's Blockchain

can equity crowdfunding
accelerate past Venture Capital?

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Coase: *The Nature of the Firm*

Why do companies exist?

Why isn't the world a sea of individual contractors?



Cost of decisions is split among all the employees: *affordable correctness*

Y Combinator: investing is random

Read “Black Swan Farming” and look between the lines...



Even with an enormous sample size, they do not have any way to identify successes...

and only a guess at failure..

Enter blockchains: 2nd DB revolution

- 1970s the SQL database
 - expensive, one-per-firm, very *fragile!*
- 1990s computer networking
 - databases don't change
 - hacked interconnects like XML-EDI
 - N^2 problem leads to hub-and-spoke

Enter blockchains: 2nd DB revolution

2010s blockchains: real ***network databases***
bitcoin is an *application* backed by a db

decentralized databases are *robust*
no edits, no deletions, 100% history
no privacy, no secrecy

Smart contracts: code financial tools

write a piece of code, store on a blockchain
anybody can read, analyze, run the code

digital signatures give us assent to the code
the code can represent some contracts

The prize: democratic companies

Suppose Facebook or Twitter were owned by 100,000 people who originally invested \$100 each? (\$10m)

Add “Liquid Democracy” software as pioneered by the Pirate Parties around Europe.

Equity crowdfunding

Like kickstarter, but if the project gets huge you make a thousand times what you put in at first

Massive numbers of tiny investments make for a bureaucratic nightmare almost without equal

Not hard on a blockchain...

“Shares” are data in a smart contract

Owners are represented by digital signatures

Company performance is totally transparent

Dividends / share sales are on same platform

As are shareholders electing the board

... and you can go further ...

Obstacles: Coase & info costs

Can potential investors get enough information?

For a \$100 bet, you can decide on limited data

Can we manage the transaction costs?

That's the whole point of blockchains in finance!

Big news: this is coming everywhere

This is one relatively simple example of what can be achieved using blockchain technology.

Write your own financial instruments, your own corporate or governance structure.

Get regulators to support this transformation!



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