

Bitcoin Satoshi's Vision (BSV): Identifying Signal Through the Noise

 medium.com/crypto-oracle/bitcoin-satoshis-vision-bsv-identifying-signal-through-the-noise-3c3a32b8f7cb

May 21,
2019

Disclosure: The New Economy Fund holds all major implementations of Bitcoin: BTC, BCH, and BSV. The author of this essay series is not a financial advisor and this is not financial advice. Do not invest in speculative assets with money you cannot afford to lose.

[Dave Mullen-Muhr](#)

May 21

Much has been made about the most recent major fork of the bitcoin blockchain: Bitcoin Satoshi's vision (BSV). From crypto celebrity billionaire lawfare to conspiracy mass exchange delistings to high profile social media campaigns of threats and retaliation, the crypto space has been unavoidably abuzz with BSV and its most prominent supporter Craig Wright. But this, as with much of the "news" in the world of crypto, is almost entirely noise.



What is actually going on here?

In this series of essays we will explore this question, but first, more importantly, in this series of essays we will **ask** this question. If you get lost in the noise generated by the mob you will find that in the minds of most observers there actually is no question that needs asking. To them, the story of BSV is self evident: scam, fraud, shitcoin.

A sense of peculiarity stemming from this superficial crypto consensus became a personal obsession after attending a San Francisco BSV meet-up. Taking to heart the popular Bitcoin slogan "don't trust, verify", I ventured into the chaotic unknown of BSV open to discovering the steelman argument (opposite of strawman) for BSV's raison d'être. Though I was open to this possibility, I was certainly hoping to have my presuppositions confirmed in discovering a cult of Craig Wright (more on him later) populated by mindless pawns echoing unoriginal arguments received directly from the twitter profile of their dear leader.

This is not what I found.

This series will be loosely formatted around the who, what, when, where, why, and how of BSV. At times this will look similar to any other asset valuation you may have read, weighing

the pros and cons of the low level minutia of the platform and token. At others, it will be much more broad and high level in an attempt to explore the bigger picture.

The outline for the series will look as follows:

Table of Contents

"What" is going on?: Fractals and Contrarian Consensus (this essay)

This essay (part I) attempts to answer how we found ourselves in this situation where general crypto consensus appears at odds with reality.

"Where" is the problem?: BTC, Small Blocks, and Lightning Network

This essay (part II) looks into this hidden reality and outlines potential problems with crypto consensus that are largely unaccounted for, and as a result, not appropriately reflected in the price of assets.

"Why" BSV?: Darwinian Fitness and Irrational Markets

This section of this essay (part III) explores the mechanics of forking and investigates what it means for the investor. It also investigates possible investment theses and hedging approaches that stem from forking. On a high level it attempts to introduce a useful crypto-relevant heuristic via simple biological analogy.

"Who" is Craig Steven Wright?: Satoshi? Does it Matter?

This section of this essay (part III) dives into the identity of the mysterious and controversial figure of CSW. Who/what does the crypto community think he is? Why? And ultimately, what does it mean?

"How" did we elect thought leaders?: Complexity's Preference for Genius over Excellence

This essay (part IV) is a high level look into how we arrived at our crypto consensus. What methodology and epistemology are implicit in this process? Did we actively decide to use these tools? Are they the best tools for the job?

"When" to make an investment: A Conclusion

This essay (part V) is a conclusion. What is the take away of the series? Where can we look to continue this exploration?

Let's begin.

“What” is going on?: Fractals and Contrarian Consensus

Before we enter the discussion of BSV we need to familiarize ourselves with one another in order to provide necessary context. If you are someone who has never explored cryptocurrency or bitcoin, this essay likely won't provide maximal value. Likewise, if you are someone who sees their worldview well articulated by Paul Krugman in his NYT op-eds. There are other essays which would benefit you more as an introduction. This isn't an ad hominem attack on these points of view, though I realize it may sound as such. Instead, this is a recognition of the fractal nature of “red pills” with special consideration for this specific fractal pattern. Let me explain.

I fancy myself a free thinker, or perhaps even a contrarian. I'd imagine you do as well. Who, after all, would self identify as someone who “just believes what everyone else does”. Nope, not us. We are all free thinkers with the ability to be contrarian. So the operative question becomes: contrarian relative to what?

For example, if you were to take a broad look at the landscape of institutionally approved, good opinion, capital E Economics (academic, political, establishment media, etc), you would find that the overwhelming influence comes from the Keynesian school of thought. The policy level debates engaged in between Ds and Rs are largely centered within the Keynesian game.

“The income tax rate should be X% and the slowly transition towards Y% over 10 years in order to achieve Z effect on consumption and aggregate demand.”

or

“The federal reserve should increase the money supply to X to manipulate the interest rate towards Y% in order to achieve Z% GDP growth by year 2023.”

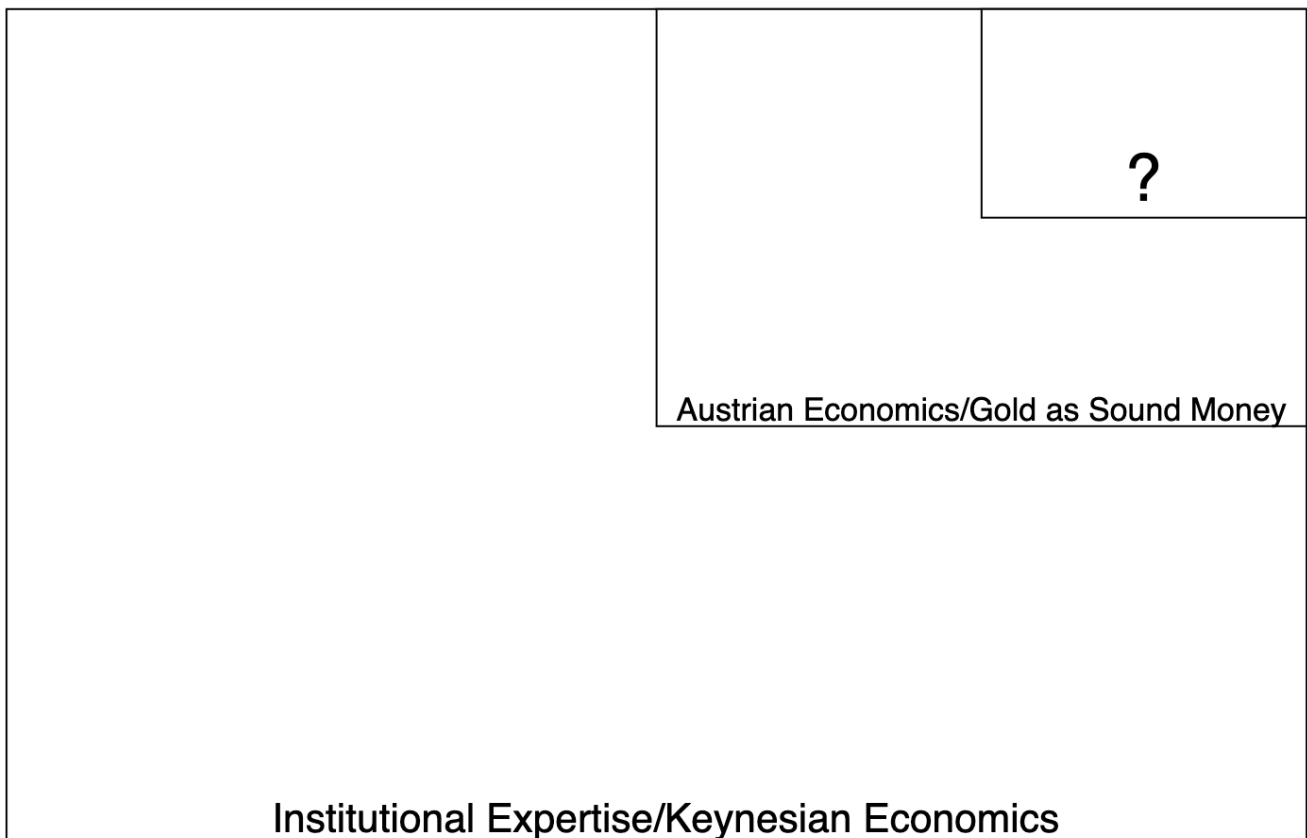
These discussions weigh the pros and cons of differing strategies within the boundaries of the Keynesian game. However, every once in a while you have someone like Ron Paul who will come in and say something along the lines of:

“Let's remove the ability of the federal reserve to even have the option of manipulating interest rates by fixing the money supply to a scarce and tangible asset outside their inflationary control. I suggest we use gold.”

Rather than *playing within* the boundaries of the Keynesian game, Ron Paul is *playing with* the boundaries. In this example, he is contrarian relative to consensus economics. In modern lexicon (influenced by the film *The Matrix*, itself influenced by Plato's *Republic* before it) Ron Paul is “red pillled” on academic economics. That is, he has access to an alternate lens outside of the Keynesian game through which he can view the study of economics. The

existence of this new perspective would not be visible to him were he not red pill. This asymmetry (the very notion of having the ability to play with the boundaries) is the defining factor of the phenomenon of a red pill.

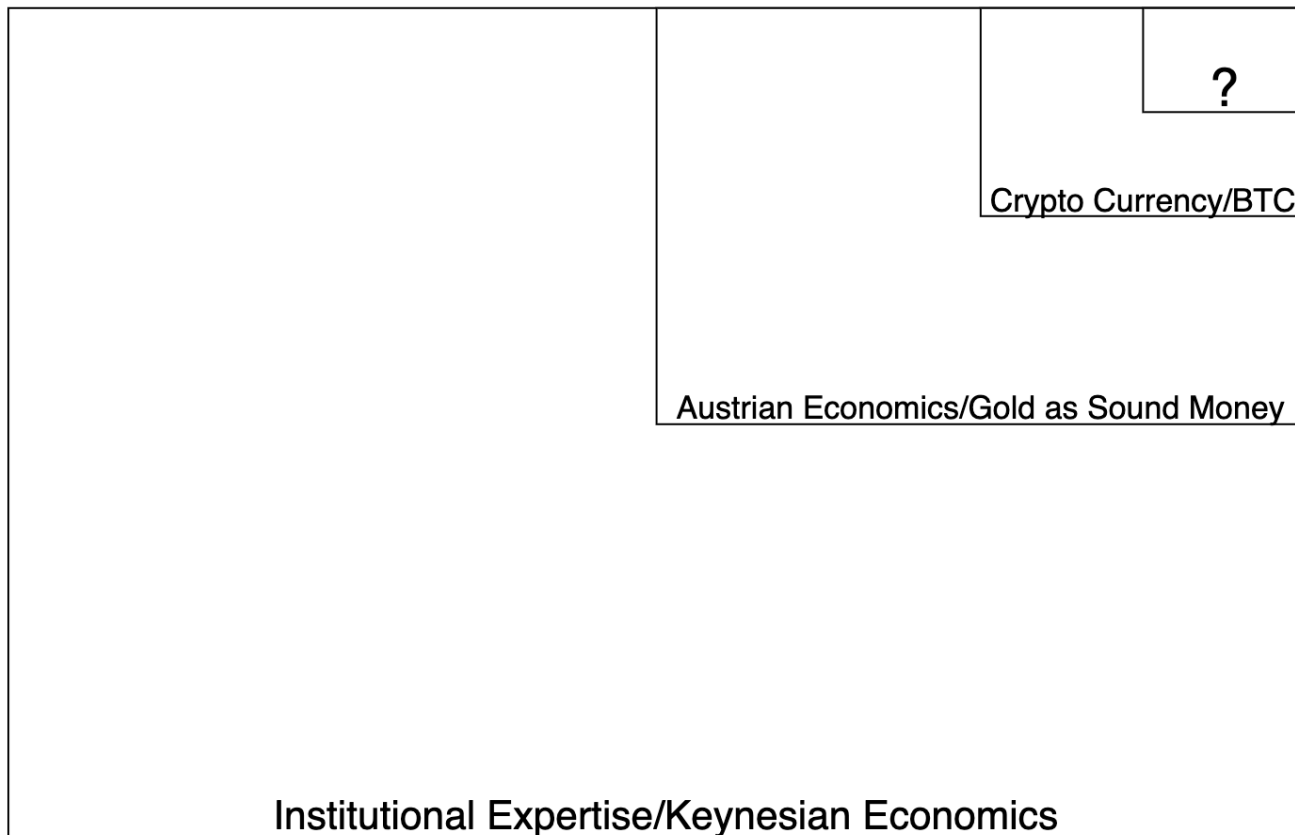
This specific example of Ron Paul voicing the ideas of contrarian Austrian economics over consensus Keynesian doctrine isn't an arbitrary one. I chose it because if you're reading this essay now you are likely empathetic to Ron Paul's point of view. This is because crypto currency itself is another scale transformation smaller in the same fractal pattern of consensus/contrarian as it applies to economics. Thus, if you are an avid Krugman accolite, you would likely find this deep dive into a specific crypto currency a futile exercise. Let's imagine this fractal looks something like this.



To be read: "Institutional Expertise consensus is Keynesian Economics" and "Austrian Economics contrarian consensus is gold as sound money"

A minority of people looking into economics via the institutional expertise of Harvard's Economics department or the New York Times' Paul Krugman end up contrarian relative to this consensus opinion, Keynesianism. One prominent minority group standing contrary to the Keynesian consensus is the Austrian school of economics. Now, let's assume this Austrian minority arrives at some other consensus opinion of their own, like Ron Paul's suggestion that we should opt for gold as a form of sound money over value by fiat and the US dollar. Alas, we have *contrarian consensus*. *Contrarian* in that Austrians are contrarian relative to Keynesians, and *consensus* in that they, among themselves, mostly hold this same

sub-view that gold is the optimal form of sound money. A key implication of the formation of this fractal pattern is that if you are not already sufficiently contrarian relative to Keynesian economics, the case for gold being a superior backing for the dollar than the full faith and credit of the US government won't be easily made. Does the fractal go deeper? Is there another minority within consensus Austrian thinking? Enter crypto currency.



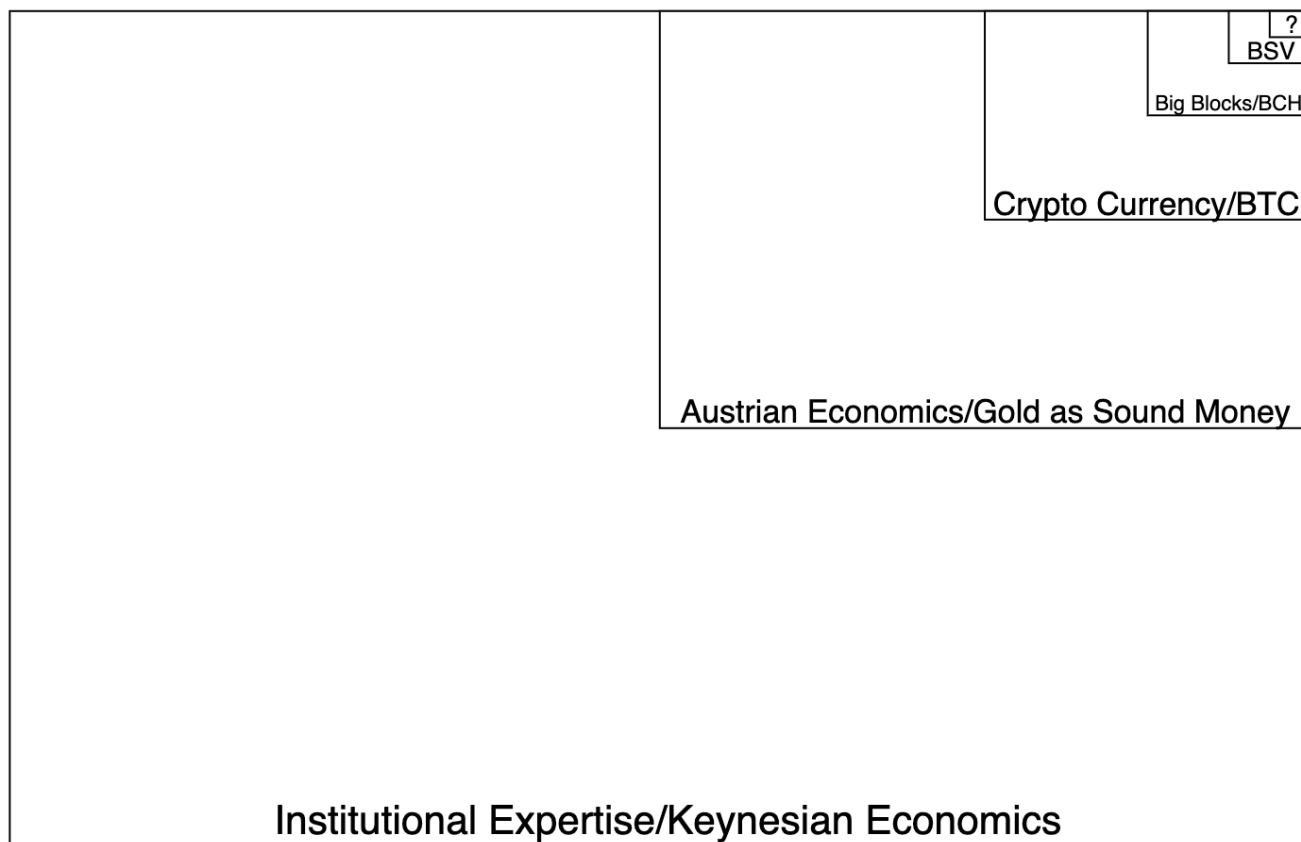
Since you chose to read this essay you are likely still tracking with me. As with the dependence of the case for gold resting largely on a contrarian disposition towards institutional economics, so too does the case for crypto currency. But because of the fractal nature of the pattern, crypto currency requires both a contrarian view of sound money AND a contrarian understanding of Keynesian economics. These views are nested within each other like a set of Russian dolls.

Despite receiving a bachelor's degree in economics from the University of Michigan, or perhaps even because of it, upon first hearing about bitcoin in 2013 I could only interpret it through the framework provided by institutional consensus. At the request of a friend who considered my area of study an indication of some relevant expertise, I looked into if she should buy some at around \$400/BTC. My expert opinion: "Nah. It looks dumb." Steeped in the Keynesian context of institutional economics, I saw no need for any form of sound money, let alone elusive and intangible "magic internet money." Because of this lack of contrarian Austrian context, it read as a speculative fad not dissimilar to Beanie Babies or Pokemon cards.

Would this understanding still have been true if I was aware of the contrarian arguments against Keynesian thought? Peter Schiff, a prominent Austrian thinker and proponent of gold as sound money was made aware of crypto currency around this time as well. However, he too was not a believer in its efficacy, opting instead for the contrarian consensus of gold and other historically valuable precious metals. The contrarian nature of crypto currency relative to Austrian thinkers as a whole is roughly quantified by examining the market capitalization of each asset class. At that time, in 2013, gold had a market cap significantly higher than Bitcoin's. According to the votes of market participants with their dollars, crypto currency investors were a contrarian subset of Austrians, even considering the utility value of gold as raw material.

Once we recognize the existence of contrarian consensus and the fractal pattern forming in this specific economic domain, the question stands: how deep does it go? Is there a contrarian consensus within cryptocurrency that warrants additional red pills beyond the three already discussed? Are we (crypto currency early adopters) *sufficiently* red pillled?

For the remainder of the essay I am going to assume the reader is not the aforementioned Paul Krugman lover or crypto rejecting "no coiner". While the first three scale transformations of the above fractal patterns likely didn't alienate you, statistically speaking the following should.



This version of the fractal pattern will serve as a visual representation of the thesis of the remainder of the essay series. Thus far in part I, a key distinction has been implied that is

worth explicitly emphasizing now.

DISCLAIMER: holding a contrarian position, or being red pillled, on a given topic IS NOT evidence of being correct about the topic.

Still assuming your position on economics and crypto currency, you and I agree that our contrarian disposition towards these fields has offered us a point of view that is providing an edge over the broader market. If our beliefs about future trouble facing the US dollar and the upside potential of crypto currency as a solution pan out, this contrarian position will offer us a huge financial opportunity. However, we could both be wrong. This is partially why we haven't built our subterranean bunkers. The US dollar and Keynesian thought may surprise us and withstand the test of time. Crypto currency may end up as Beanie Babies 2.0 after all. Thus, the value of internally accessing this contrarian position is not that it ensures the infallibility of our predictive ability, but rather that it improves the landscape of additional options for our choosing. Optionality provides us the possibility of using these new points of view as a tool to obtain alpha.

If your initial reaction to the fleshed out fractal pattern as visual thesis is one of condemnation or dismissal, then we actually share this in common. But why let your first reaction dictate your ultimate position? Just as you are now glad you once peered through the thick consensus of Keynesian doctrine and exposed yourself to the contrarian study of Austrian economics, wouldn't you also like to know the argument against the contrarian consensus of BTC as superior sound digital money? Do you currently know a steelman of this argument? Are you sure? If you are curious enough to find out, please continue reading. If not, I hear that Krugman has a great new op-ed on the benefits of a \$15 minimum wage.

[Continue on to part II](#)