Tr

Haym Salomon @SalomonCrypto
Aug 29 • 24 tweets • SalomonCrypto/status/1564316505650524160

(1/23) The Future of Global Commerce: Internet Native Settlement

The future of commerce is decentralized. The future of commerce is trustless. The future of commerce is $ETH.

@ethereum will become the world's global settlement layer, this thread will explain why.

(2/23) @ethereum is The World Computer - a credibly neutral, globally shared utility that exists between a network of thousands of untrusted computers (called nodes).

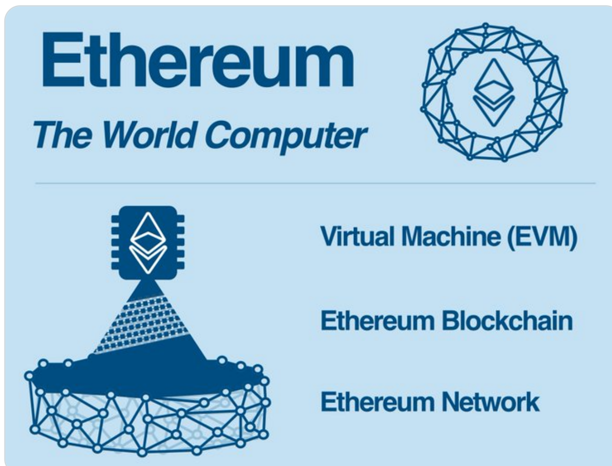
Imagine a virtual computer that exists on the internet, where every user has equal access and status.

Haym Salomon
@SalomonCrypto · **Follow**

(1/7) The Hitchhiker's Guide to **@ethereum**

In 2014, **@VitalikButerin** gave us an idea that WILL change the world. Have you wrapped your head around The World Computer yet?

DON'T PANIC, I'll break it down for you. Read on for 4 threads that will show you the future.



1:01 AM · Aug 3, 2022

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(3/23) Crypto's innovation is the ability to operate the computer trustlessly and securely while guaranteeing open access.

@ethereum achieves this by coordinating around the asset $ETH; economic rewards and penalties incentivize actors to behave properly without explicit trust.

(4/23) Consensus is predicated on the ability to distribute (and for PoS, the ability to confiscate) $ETH. The asset $ETH is the lifeblood of @ethereum; one cannot survive without the other.

The result: property rights are built into The World Computer from day 0.

> **Haym Salomon**
> @SalomonCrypto · **Follow**
>
> (1/12) Internet-Native Property Rights: The Distinguishing Property of **@ethereum**
>
> Still trying to work out what makes The World Computer special? Need help seeing why all the best talent is building on Ethereum? Wondering why **$ETH** is so critical to web3?
>
> This thread is for you!
>
> 5:24 AM · Aug 4, 2022
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(5/23) @ethereum is a decentralized virtual computer that exists on the internet. It's fundamental properties include:

- open, un-censorable access to anyone with an internet connection
- transparent, auditable record keeping
- exists in perpetuity

and native property rights!

(6/23) With internet native property rights, for the first time since its creation, we have internet native settlement.

First, let's discuss how settlement (the final step of the transfer of ownership, involving the exchange of assets and payments) works in the real world.

Haym Salomon
@SalomonCrypto · **Follow**

(1/16) Global Finance Fundamentals: Settlement and the DTCC

Who actually owns a stock/bond? What happens when you buy/sell a security? How do we handle the complexity of billions of trades every single day?

Looking to understand world trade? This thread is for you!

11:52 PM · Aug 17, 2022

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(7/23) Most financial assets are held in trust at a handful of centralized institutions; "ownership" exits in the records of those institutions

Eg, you buy a stock from a broker. When the deal has been made, the broker tells them to add the stock to your account (more or less)

(8/23) Non-financial assets aren't necessarily held centrally but still require a centralized actor to facilitate.

Let's say you want to sell a camera. Even if you can set up a sale without a marketplace like eBay, you still (probably) need a payment processor like PayPal.

(9/23) @ethereum supports 21st-century commerce with settlement built directly into the core systems; a new paradigm - decentralized settlement.

Settling on Ethereum doesn't require permission or special access. It's available to all, for any reason, at any time.

(10/23) Just like a car requires motor oil to function efficiently and safely, settlement requires liquidity.

Liquidity refers to the efficiency or ease with which an asset can be converted into the settlement asset (cash / $ETH) without affecting its market price.

> **Haym Salomon**
> @SalomonCrypto · **Follow**
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> (1/19) Finance Fundamentals: Liquidity
>
> Liquidity is the most important vital sign of an asset, market or economy. From liquidity flows stability; with stability a society can build, invest and grow.
>
> Read on to learn about the metric at the nucleus of modern finance.
>
> 11:08 PM · Aug 24, 2022
>
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(11/23) Imagine a system with $1MM of liquidity:

Trading ~$500, no problem.
Trading ~$250k, the system begins to degrade.
Trading $2MM, impossible.

The more liquidity available to a system, the more activity (number of trades, size of trade, etc) that system can support.

(12/23) This presents a chicken-and-egg problem: does liquidity create trading activity or is liquidity just an effect of it?

Let's leave that for the academics. The reality is that liquidity is like gravity; the more it concentrates the stronger it attracts more liquidity.

(13/23) In fact, liquidity's behavior follows a power law: a relationship in which activity densely clusters around a relatively small amount of outcomes.

Liquidity will always pool in a few deep, concentrated pools.

Haym Salomon
@SalomonCrypto · **Follow**

(1/14) Statistics Basics: Power Law

The mathematical principal behind winner-take-all dynamics.

If you want to understand one of the unwritten rules that define our nature, society and reality, this thread is for you!

11:47 PM · Aug 15, 2022

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(14/23) Monies/currencies/assets that attract enough liquidity become critical to the functioning of modern global finance.

Consider transactions done at the scale of nation states; sovereigns must ensure they trade in markets liquid enough to support their magnitude.

(15/23) Once a currency/asset has reached a large enough scale, nations, central banks and other large institutions will begin stockpiling it to ensure orderly access to finance and to the market.

At this point, we consider the currency/asset a Reserve Currency/Asset.

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@SalomonCrypto · **Follow**

(1/14) Global Finance Fundamentals: Reserve Currencies

What makes a currency a reserve currency? Why are they so important to global trade and finance? What are the implications of control of a reserve currency?

Read on to learn about the lifeblood of global finance.

4:29 AM · Aug 20, 2022

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(16/23) Today, there are just a handful of reserve currencies. The US dollar reigns supreme, with the Euro, the Japanese Yen and UK pound providing secondary capacity.

Countries/banks/corporations build treasuries of these currencies for both offensive and defensive purposes.

(17/23) Whether it's @GoldmanSachs or Aunt Tayna, all entities in the modern economy need access to goods and services that they can't produce themselves.

Holding dollars/euros/yen/pounds the insurance that they will be able to access the market when they need to.

(18/23) (Until crypto) systems that could support the scale of liquidity required for global commerce need:

- an issuing body (government)
- the full faith and credit of its equity holders (citizens)
- centralized control (the Fed)
- implicit force (military and justice system)

(19/23) Using centralized systems, humanity has built the modern world... for better or worse.

In the 21st century, we are beginning to realize that centralization also leads to instability, corruption and zero-sum mentalities.

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@SalomonCrypto · **Follow**

(1/20) Modern Finance: the Rise, the Collapse and the Alternative

In order to understand **@Bitcoin**, **@ethereum** and Crypto, you must first understand the world that created it...

2:54 AM · Aug 26, 2022

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(20/23) Bottom line, centralized systems always boil down to one question: which individuals are in control of the system.

By its very nature, crypto rejects this idea.

(21/23) Look at the internet… for all the fancy bells and whistles we have today, it's still an infant.

Before crypto, the internet was just a way to post and distribute information. Commerce was possible, but was routed through non-internet systems.

(22/23) Post crypto, we have another option. One that isn't controlled by a single entity, that can't exclude or prejudice any party on earth

Politics, revenge, back-room deals will always matter… but on @ethereum they will NEVER result in censorship, exclusion, or confiscation

> **Haym Salomon**
> @SalomonCrypto · **Follow**
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> (1/15) Credible Neutrality: the Wellspring of Legitimacy
>
> To build a system people actually use, you must build a system people actually believe in.
>
> You must build a system that has legitimacy.
>
> 3:10 PM · Aug 17, 2022
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(23/23) Liquidity is like gravity: it's going to hold itself together. It takes an extremely compelling reason for an entity, let alone a system, to make a change.

@ethereum's pitch: "we can offer something never before seen in centralized systems.

We can offer fairness."

Like what you read? Help me spread the word by retweeting the thread (linked below).

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(1/23) The Future of Global Commerce: Internet Native Settlement

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