

INTRODUCTION

There's an old bit of Silicon Valley wisdom that the best technology doesn't always win. With that in mind, our strategy at Unbounded Capital may not look very pragmatic. We are investing exclusively in scalable blockchains like Bitcoin SV which we are going to refer to as BSV throughout the book. We only hold scalable blockchain tokens and we only invest in businesses building on top of scalable blockchains. The only blockchain we think has a chance of meeting global demand for using blockchain, BSV, is one of hundreds of blockchains and thousands of cryptocurrencies. It isn't even the main version of Bitcoin by market cap or visibility. That mantle is held by BTC, the popular version of Bitcoin which we are going to refer to as BTC throughout the book.

Our blockchain/crypto fund peers are taking a very different approach, diversifying across a range of cryptocurrencies and blockchains under broad investing theses. This includes funds like a16z, Pantera Capital, Bitbull Capital, Blockchain Capital, Digital Currency Group, and Multicoïn Capital. Virtually none of these funds have any exposure to BSV or BSV businesses in their otherwise diversified portfolios. To most others in the blockchain space, BSV is thought to be thoroughly uninteresting, extremely unlikely to work, or even an outright scam.

So why have we opted to forgo diversification in favor of investing solely in the one thing that all our peers seem to think is not valuable? It only makes sense when one realizes

that BSV is something wholly different from BTC, Ethereum, EOS, Tezos, Chainlink, and virtually all other blockchains and cryptocurrencies. It isn't in the same category. It's not that BSV is a different technology. In fact, BSV is attempting to restore the original Bitcoin design, the technology from which all other blockchains are based. Accordingly, BSV's differentiating factor lies not in its technology but in its market philosophy: it is informed by a completely different view on the value of Bitcoin and blockchain.

If BSV exists in its own category, what specifically is different about it? It all stems from assumptions shared by the rest of the blockchain community, or what we would call the **crypto consensus**. These shared assumptions inform views on why blockchain technology is valuable, what limitations exist in the technology, and what sorts of applications should be built. Even though variations on this general worldview manifest differently in distinct blockchains, applications, and investment strategies, these shared assumptions still unify nearly all non-scalable blockchains and cryptocurrencies in their own category since they are being built to pursue goals dictated by those assumptions.

What are these assumptions, and how are those of Unbounded Capital and BSV different?

CRYPTO CONSENSUS ASSUMPTION

Bitcoin **can't scale** and is inefficient

Decentralization is necessary to make Bitcoin valuable because it provides Bitcoin censorship resistance, trustlessness and security.

Bitcoin exists **outside of the scope of law** and code can be a pragmatic or preferable substitute for law.

UNBOUNDED CAPITAL VIEW

Bitcoin **can scale** and is highly efficient

Decentralization, trustlessness, and censorship resistance are **not necessary** or desirable for Bitcoin. Bitcoin is valuable because it is efficient. Bitcoin is secure because it is public.

Bitcoin exists **within the scope of law**. Bitcoin is more valuable and useful when it operates within the context of law.

Within the context of these shared assumptions, what may appear to be a diversified investment strategy in many blockchains with different strengths, weaknesses, and use cases is actually a concentrated investment in these shared assumptions. That strategy is making two big bets:

1. The qualities of decentralization, trustlessness, and censorship resistance have market value such that users are willing to sacrifice efficiency to attain them.
2. The benefits that come from these types of blockchains can't be replicated and exceeded on some other type of network.

In our view, both of these are losing bets. We don't believe that decentralization, trustlessness, or censorship resistance – as they are commonly understood by the crypto consensus – have value, and we think that scalable blockchains will be able to offer all of the valuable use cases these other networks are seeking to fulfill and more on one dominant network. This ebook will thoroughly explain how and why, but first we will explain how we came to this conclusion and why we decided to write an ebook explaining it.

A TALE OF TWO FUNDS

One of our grandfathers recently sent us a Forbes exposé on the cryptocurrency fund Multicoin Capital titled **Secrets of A Successful Crypto Trader: Question Absolutely Everything**. There was irony in the act of sending an article on cryptocurrency by cutting it out of a magazine and mailing it, but also in the idea that Multicoin Capital, a fund that we see as a standard bearer for the crypto consensus, is a fund that questions absolutely everything. In our view, this mismatch in how Multicoin Capital sees themselves and how we perceive them is rooted in the crypto consensus seeing their shared assumptions as facts, rather than assumptions needing to be questioned.

Despite our current divergence, Multicoin Capital and Unbounded Capital have similar origins. The Forbes piece describes how Multicoin Capital co-founders Kyle Samani and Tushar Jain viewed cryptocurrency as a sector with enormous potential but witnessed inexperienced investors in the sector making fundamental errors. Unbounded Capital launched for the very same reasons. In fact, once operating, we began emulating Multicoin Capital as an example on several fronts. Their approach of establishing themselves through high quality content was an inspiration for our blogs, research, podcasts, and

videos. Likely due in part to our consumption of their content, our initial thesis had similarities as well. We originated with a thesis that was also multi-coin, and we inherited the same assumptions that define the crypto consensus, as do almost all newcomers to the space. We imagined a future of various blockchains operating together as modular and complementary protocols. We imagined these protocols including a variety of cryptocurrencies which would accrue value as essential, incentive-aligning tools of their networks.

OUR JOURNEY

Our divergence from this thesis, and thus from Multicoin Capital which maintains it, was largely inspired by timing. We launched during the troughs of the bear market of 2018. Conversely, Multicoin Capital launched in spring 2017, in time to capitalize off the explosive bull market that followed that summer through winter. This generated impressive early returns and seemingly confirmed and reinforced their initial investment thesis. It also attracted new investors (up to 2020's \$100M+ AUM) who were aligned with that thesis. Our comparatively uncertain origins in 2018 lacked this strong positive feedback and made determining how to proceed more of an open question. We had strong feelings about what certainly wouldn't work, much of it informed by the immediate failures and course corrections following the bull market. While we maintained a general optimism that there was value in the technology, we were having a difficult time finding opportunities strong enough to invest LP money.

Our course changed suddenly when a question was posed in an honest and introspective discussion in early 2019 between Unbounded Capital's core team of Zach Resnick, Jackson Laskey, and Dave Mullen-Muhr. "What if we don't even understand Bitcoin?" At first, it seemed like an absurd question. With all the complex, new "next-gen" blockchain technologies emerging, rethinking Bitcoin, one thing we thought we had a real handle on, felt like an unproductive use of time. Fortunately, we ultimately arrived at the view that our understanding of Bitcoin was unsatisfactory. We needed to form our own views on how Bitcoin worked, what made it valuable, its limitations, and ultimately in what form and for what purposes it would be successful, if at all.

At this time, there were three significant versions of Bitcoin: market dominant Bitcoin Core (BTC), Bitcoin Cash (BCH), and Bitcoin Satoshi Vision (BSV). All three originated

from the same place, as one unified Bitcoin. However, they later split into different versions in a process called forking due to disputes in the rules and the direction of Bitcoin. BTC and BCH split in 2017. BCH and BSV existed as one chain that traded as BCH for a time, but just two months before our 2019 conversation about rethinking Bitcoin, BCH and BSV split. At that time and even up to now, BSV was known primarily by its association with Dr. Craig Wright. Dr. Wright claimed to be Satoshi Nakamoto, the creator of Bitcoin, and almost no one, it seemed, believed him. For that reason, we wrote off BSV along with virtually everyone else as something that was extremely unlikely to be successful because of its association with the man many dubbed “Faketoshi.” (The purpose of this ebook is not to explore this controversy, but readers interested in the topic can refer to our previously published piece, “[Why We Think Craig Wright is Satoshi, and Why That Matters](#)”).

Soon after we dedicated ourselves to better understanding Bitcoin, we became BCH supporters. We felt that the BCH view – that Bitcoin could scale through the original plan of allowing the rate at which new transactions were added to Bitcoin to increase over time – was correct. BTC had placed a limitation on the rate at which transactions could be added to preserve decentralization. BCH wanted to remove this limitation. BTC was pivoting to a different solution called the lightning network. We didn’t think lightning would work, which made BCH’s plan of removing limitations the best course of action in our minds. Accordingly, we shifted some of our BTC position to BCH.

Riding off the momentum of this first change in strategy, we decided that we were uncomfortable with the fact that we couldn’t “steel man” BSV. By “steel man,” we meant to make the argument for BSV that BSV supporters would make themselves in order to properly argue against it. Instead, like so many others, we argued against a “straw man,” an argument that doesn’t properly represent the views of the opponent. To help us steel man BSV, Dave was tapped to head to the local San Francisco BSV meetup.

Dave expected to encounter a group of Craig Wright acolytes, but instead he happened upon a conversation about Bitcoin unlike anything we had heard before that point. BSV’s competition wasn’t BTC or BCH, it was alleged, but rather companies like Amazon Web Services (AWS) and Google Cloud. Bitcoin wasn’t just digital gold or a peer-to-peer cash system, but a public database. This database had efficiencies not found elsewhere on the internet. These efficiencies were the result of the same breakthrough technology that had made Bitcoin the first successful cryptocurrency. Bitcoin would be valuable because it would be native currency for a new internet built on Bitcoin.

Naturally, we found this view of Bitcoin to be farfetched. How could a technology maxing out at around a measly seven transactions per second in the form of BTC be used to compete with giants like AWS? But we were also intrigued. The people at this meetup – entrepreneurs like Money Button’s Ryan X Charles and enterprise resource planning professionals like Joshua Henslee – certainly appeared to know what they were talking about. They were holding their own in, and perhaps winning, arguments with knowledgeable BTC developers who had also come to the meeting to investigate this seemingly strange BSV philosophy. They had a knowledge that seemed deeper and more robust, and they had a vision for Bitcoin that was far more expansive and potentially lucrative. We had to learn more, and the place to do it was obvious.

As we began reading Dr. Wright’s writing and watching his talks, it was clear how one could label his speech as “technobabble,” a term for Dr. Wright’s arguments sometimes used by crypto consensus experts. His arguments were complex, veering from one topic to another, making one statement that made perfect sense followed by another that seemed outlandish. While we found certain claims implausible at first – like his claim that Bitcoin could be mined in terabyte-sized blocks, a far step beyond the one megabyte block size limit that BTC and BCH had been quibbling about – there wasn’t anything that struck us as clearly wrong. Much of what he was saying made far more sense than anything else we were hearing about Bitcoin.

Our experience from the BSV meet-up propelled us to investigate the things we didn’t understand about what he was saying. Ultimately, as we continued to learn more and more about Bitcoin and the world around it, the more we began to realize that BSV wasn’t just a better version of Bitcoin: it was something else entirely. In time, we formed our own views about what Bitcoin was, how it could be used in the future, and what the presence of a version of Bitcoin with these capabilities meant to the rest of the blockchain ecosystem. It was this process that led us to focus on scalable blockchains.

We have ultimately come to see many of the crypto consensus’s assumptions as both incorrect and as the primary reason that there is so little usage of today’s cryptocurrencies and blockchains beyond speculation. In the long run, we think those who invest in and build blockchains and applications while operating based on the crypto consensus assumptions are destined for failure.

Today, we have an understanding of Bitcoin and cryptocurrency so contrarian as to be bordering on the heretical. This updated understanding informs our present investment thesis, which can be thought of as two high-level theses: one negative and one positive. The negative thesis is contrary to the “cryptocurrency” landscape at large as we anticipate virtually every cryptocurrency other than BSV or other blockchains that adopt a scalable protocol to become worthless in the long term. This is our cryptocurrency “big short.” However, this doesn’t mean that we are bearish on the technology fundamental to the cryptocurrency ecosystem. On the contrary, our second and positive thesis that directly informs all of our investments is on the future of implementations of scalable blockchains and Bitcoin in the form of BSV. **We expect this version of Bitcoin to be so successful that it eclipses the internet as it exists today in scale, efficiency, and value generation.**

Both of these bets are vehemently rejected by the cryptocurrency consensus. Multicoin Capital is a fund that we see as a standard-bearer of this consensus, and often leads the charge on articulating the vision of cryptocurrency we once shared but now think is fundamentally flawed. In [Secrets of A Successful Crypto Trader: Question Absolutely Everything](#), Multicoin Capital founders Kyle Samani and Tushar Jain are described as “pound-the-table Bitcoin bulls”. We would say the same about ourselves, but we are pounding the table for a fundamentally different view of what Bitcoin is and how it will be successful.

Despite our differences, we sincerely respect Multicoin Capital. They were a major influence to our team members as we individually began our journey into cryptocurrency and they served as a role model when we launched our fund. The following critiques of the cryptocurrency consensus, at times by way of Multicoin Capital, are intended to be revelatory, not disparaging. We hope that by thoroughly explaining our understanding of Bitcoin, we can begin a discussion about the validity of these often unexamined, inherited assumptions. Once the legitimacy of the assumptions is open to debate and thoughtfully considered from our point of view, we think that many will find merit to our theses. Our desire is for Multicoin Capital’s founders and disciples to be among the readers who use this ebook to reconsider these assumptions. Thank you, Multicoin Capital, for your thought-provoking public writing over the years. We hope you find this writing as helpful as we have found yours.

THE LOGIC OF THE CRYPTO CONSENSUS

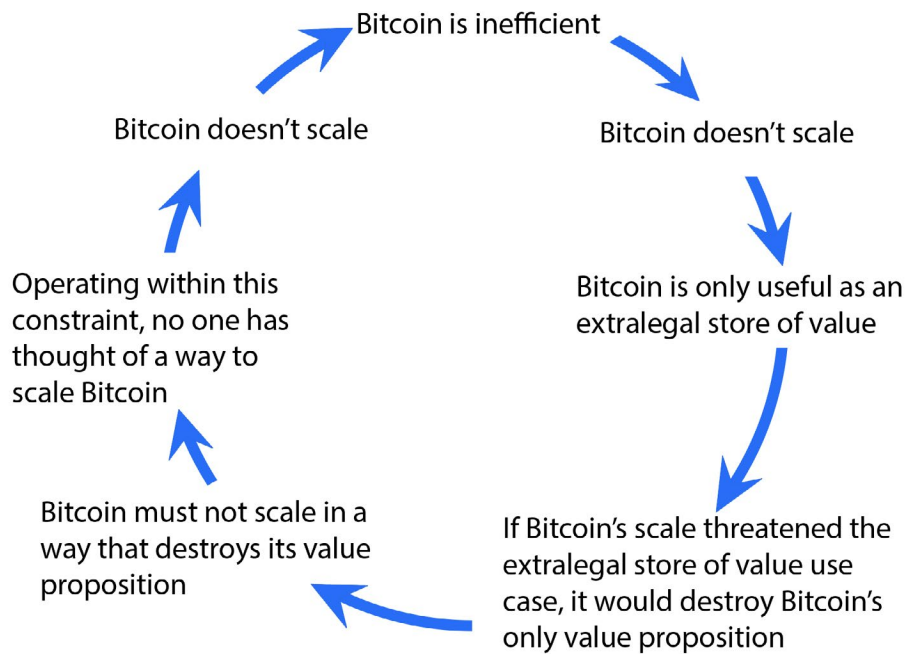
As we stated above, the foundational assumptions of the crypto consensus are as follows:

- Bitcoin can't scale/is inefficient
- Decentralization is necessary to make Bitcoin valuable because it provides Bitcoin's censorship resistance, trustlessness and security
- Bitcoin exists outside of the scope of law and code can be a pragmatic or preferable substitute for law.

Operating on these assumptions, the cryptocurrency consensus maintains a consistent internal logic. This logic appears strong so long as these assumptions are not scrutinized. Most people who discover the world of Bitcoin and cryptocurrency encounter this logic early and often. Those who buy into that worldview can quickly become immersed in this logic. Those for whom this logic does not resonate often write off blockchain entirely as a bubble likely to fail.

This internal logic is a circular chain of reasoning that interacts with several key assumptions. In some ways, the chain of reasoning is built off of these assumptions, and in other ways it informs these assumptions:

- Bitcoin is inefficient, **THUS**
- Bitcoin doesn't scale, **THUS**
- Bitcoin is only useful as an extralegal store of value, **THUS**
- If Bitcoin's scale threatened the extralegal store of value use case, it would destroy Bitcoin's only value proposition, **THUS**
- Bitcoin must not scale in a way that destroys its value proposition, **THUS**
- Operating within this constraint, no one has thought of a way to scale Bitcoin, **THUS**
- Bitcoin doesn't scale, **BECAUSE**



The assumption that Bitcoin doesn't scale is key, as people enter the chain of logic at different points. For some, the assumption is that Bitcoin literally does not scale. For others, the assumption is that Bitcoin must not scale. Regardless of how these conclusions are reached, the result is two-fold. The most must be made out of an unscalable Bitcoin, and non-Bitcoin alternatives are needed for any applications seeking greater scale. The implication is that these alternatives must make trade offs relative to Bitcoin or "recreate Bitcoin's wheel" with their own superior innovation in order to achieve greater scale.

TRUSTLESSNESS AND CENSORSHIP RESISTANCE

The crypto consensus view is that Bitcoin is inefficient and that Bitcoin's innovation and value are rooted in two important qualities: trustlessness and censorship resistance. Understanding these terms is essential. To begin, we want to provide a "steel man" and allow the crypto consensus to describe the terms in their own words. Binance is the largest cryptocurrency exchange and one of Multicoin Capital and the crypto consensus' primary investments. In their own learning resource, Binance Academy, they give the following definitions of what it means to be trustless and censorship resistant.

● Trustless

“A trustless system means that the participants involved do not need to know or trust each other or a third party for the system to function. In a trustless environment, there is no single entity that has authority over the system, and consensus is achieved without participants having to know or trust anything but the system itself.

“The property of trustlessness in a peer-to-peer (P2P) network was introduced by Bitcoin, as it allowed all transactional data to be verified and immutably stored on a public blockchain...

“Centralized systems aren’t trustless since participants delegate power to a central point in the system and authorize it to make and enforce decisions.

“In a centralized system, as long as the trusted third party can be trusted, the system will function as intended. However, serious issues can emerge if the trusted entity isn’t to be trusted. Centralized systems are subject to system failures, attacks, or hacks. Data can also be altered or manipulated by the central authority without any public authorization.”

● Censorship Resistance

“Censorship-resistance may refer to a specific property of a cryptocurrency network. This property implies that any party wishing to transact on the network can do so as long as they follow the rules of the network protocol.

“It might also refer to the property of a network that prevents any party from altering transactions on it. When a transaction is added to the blockchain, it’s propagated across thousands of nodes and added to the distributed ledger. Once the transaction has been added, it’s virtually impossible to remove or alter it, making it (and the network) immutable.

“Censorship-resistance is considered to be one of the main value propositions of Bitcoin. The idea is that no nation-state, corporation, or third party has the power to control who can transact or store their wealth on the network. Censorship-resistance ensures that the laws that govern the network are set in advance and can’t be retroactively altered to fit a specific agenda.

“While traditional financial institutions are in the hands of intermediaries, the Bitcoin network isn’t owned by any single entity. As such, it’s virtually impossible to censor transactions on it – in contrast, this isn’t the case when it comes to traditional finance. For example, if a person is deemed an enemy of an authoritarian state, the ruling government might freeze their account and prevent them from moving their funds. While Bitcoin is mostly used as an instrument for speculation, this use case is probably the most fundamental reason why it’s a substantial innovation.

“It’s worth noting that censoring transactions on the Bitcoin network isn’t completely impossible, but rather extremely resource-intensive. The security model of Bitcoin heavily relies on majority rule. This means that a single entity could, in theory, garner enough hash rate to gain control of the network in a scenario called a 51% attack. The chances of this happening are rather slim, but it’s possible nonetheless.”

It is widely believed that these qualities are not only essential to Bitcoin but to the value of all cryptocurrencies and blockchains. These are considered to be the fruits of Satoshi’s innovation. Ultimately, the crypto consensus is projecting a future where these trustless, censorship resistant platforms play an increasingly important role within the economy. Look no further than the first sentence of Multicoin Capital’s **Mega Crypto Theses** where they claim that, “Open, distributed ledgers and permissionless, censorship-resistant, trust-minimized computation are going to reshape massive sectors of the global economy.”

These qualities are thought to stem from decentralization, which makes preserving decentralization and preventing “centralization” paramount. It is thought that centralization destroys the value of these networks because it removes trustlessness and censorship resistance, and that centralization poses extreme security risks through attack vectors like a 51% attack. For this reason, severe limits to scale have been imposed on BTC and most other blockchain projects in order to minimize the risk of centralization.

SCALE > TRUSTLESSNESS AND CENSORSHIP RESISTANCE

At Unbounded Capital, we think Bitcoin’s value is not derived from trustlessness or censorship resistance. Rather, Bitcoin’s value comes from its efficiency, and that efficiency is maximized through scale. We have come to these alternate conclusions because we have fundamentally different views on the value of trustlessness and censorship resistance and on why Bitcoin works. We don’t believe that Bitcoin or other blockchains are actually trustless. Instead, we contend they shift trust from traditional counterparties onto autonomous code – a counterparty that has not always proven to be trustworthy. We see the censorship resistance described by the crypto consensus more accurately described as extralegality, or existence outside of law. We believe that access to law is a huge net benefit to Bitcoin and that this security layer should not be so casually abandoned.

Decentralization is thought to be a necessary part of Bitcoin and other blockchains because it is necessary for security and for achieving some level of trustlessness and censorship resistance. We believe that Bitcoin's security comes from it being public, not from being decentralized. This, combined with our pessimism on the value of trustlessness and censorship resistance, leads us to the conclusion that no limitations should be placed on Bitcoin for the goal of preserving decentralization.

Throughout its history, severe limitations have been imposed on Bitcoin by the developers who maintain it for the goal of preserving decentralization. The key limitation is BTC's arbitrary 1 mb block size cap, which limits the total amount of data that the network can process to this small amount of 1 mb every ten minutes. These limitations persist in BTC but have been removed from BSV. These limitations severely stunted the development and adoption of Bitcoin. Further, they have created space for a myth to emerge that Bitcoin simply cannot scale. However, with BSV now able to scale to meet an ever-increasing demand, the theory that Bitcoin cannot scale has begun to be put to the test. Thus far, the theory hasn't held up as BSV continues to exceed what was thought to be possible.

In the coming pages, we hope to make abundantly clear why we disagree with the assumptions of the crypto consensus. We will also expand on our views of why BSV works, what Bitcoin can be, and why BSV's scale is unbounded. We will contrast the crypto consensus pursuit of limited goals such as Web3 and DeFi (decentralize finance) with how we envision the vast potential of BSV applications that leverage a scaled version of Bitcoin. Ultimately, we want to be clear that the crypto consensus may be diversified, but that diversification is hitched to bet on a single horse. For anyone invested in consensus funds, the question becomes: is this a horse you think can win?