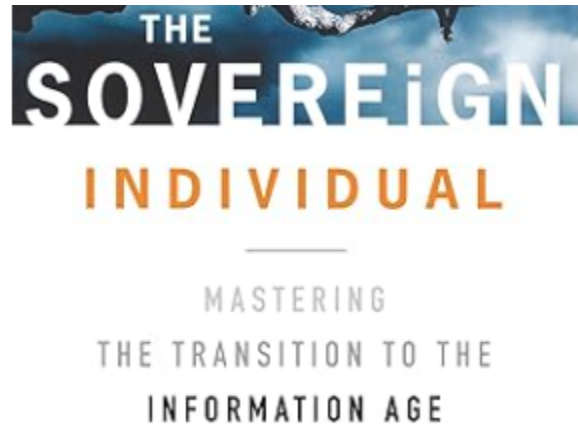


LISTEDRESERVE

# MoneyBits

## The State

I have referenced this book a lot, admittedly to mixed feedback. Some of you loved it, plenty of you DNF.



Personally, I think it's aging well on multiple levels. One of which came to mind this week following a tumultuous period in the United Kingdom. One of the tenets of the book is that the Nation State is losing its power. That is happening for all sorts of reasons, not least that they no longer have any money. More importantly, because the 'returns to violence are falling to zero'.

A very simple example of this would be a few hundred years ago it would have been trivial for a Nation State to seize the assets of a citizen, since they most likely encompassed three hens and a sheep. The return to violence in that case was near 100%. These days it is harder, the established rule of law makes it harder first of all but ultimately, encryption makes it very difficult indeed because whatever happens, the government cannot guess private keys. As wealth goes cryptographic, so goes state power.

Your messages (which are your property) are incredibly hard to access as are any of your assets that benefit from encryption. This is likely the basis of the arguments for 'backdoors' to encryption. It is not that the government wants to read your messages; it is that they understand the risk to the Nation State that the technology presents.

Back to the UK then.

## Tech giants will be forced to ban fake news under Labour plans

Firms could be required to suppress posts even if they are not illegal

"Forced", "Even if they are not illegal". Obviously it has not been a terrific few weeks over there but putting aside all the drama, something stands out. First of all, the Tech Giants are not based in the United Kingdom. For a long time controlling the press in the UK has been fairly straightforward stuff. The old school phone call from Downing Street to the newspapers, maybe a [D notice](#) and it was 99% job done and you could squash any leakage.

That does not appear to work anymore.

In the context of the last week perhaps that is not a good thing but the point is not whether it is good or bad; the point is that the State controls so much less than it used to. It might force 'Tech Giant's' to do stuff, but they might equally say 'get lost'. Then what? Fines? OK, are you actually going to fly to America and extract them? Absolutely not and that is an entirely different position from 50 years ago where the government could pretty much force any person or company to do anything, since they were all local and had physical presence the state could access. Today enforcement works over local subsidiaries and directors but it is not going to work over the parent companies who are better resourced legally than most national governments.

The British government employs 2,000 people in the Government Legal Department. Google alone has 900 lawyers on its staff, not counting all the law firms it has on retainer. It's a fair match and not at all clear whose resources would run out first.

The tech companies will actually do this calculus. Should we pay them or just drop business in whichever jurisdiction altogether because it is no longer worth it? This day draws nearer and nearer.

When we are looking into the future then, the trend seems to be weakening state power. Naturally that trend will cause their money to weaken also. It has to follow, because fiat money is backed by force but the force does not work as well as it used to. More than that, it will continue to weaken in its effectiveness because technological improvements work against fiat, not for it.

Nation States themselves are only really a few hundred years old.

Systems change all the time, mostly because of technology. As a trend I like this one because every day we see advertisements for weakening state power. This week was the UK's turn but soon it will be someone else.

So from a long term investing perspective it's pretty much this:

- nation states don't survive
- their money doesn't survive
- technology continues to advance and change the world, in the main, for the better.

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### The walled garden

## Apple to open up tap-to-pay technology to other developers

NFC chip that powers Pay and Wallet apps will be accessible — for a fee — after regulators expressed concerns

This was rather unexpected. Apple will open its wallet technology to developers in the new version of iOS. In practical terms this will mean they can use NFC (contactless payments). The 'regulatory concerns' were largely based on the fact that the only apps that can use the technology at present.....belong to Apple. For example the Apple Wallet. A casually gigantic payments monopoly.

From our perspective this will enable cryptocurrency wallets to at least attempt to integrate themselves into the Apple Wallet. There are hurdles to cross and they must accept Apple's terms and conditions and share revenue and all the other wonderful things you have to do to get in the Apple store. Governments might have knocked on the door too because their very own CBDCs will need Apple distribution if they are to be successful.

The question is often asked "how do you actually use this stuff" (meaning cryptocurrency). As with all things, it doesn't matter how good the product is, you still have to make it easy for people to use if you want them to adopt it.

Given how bad UX is in our sector this announcement should help a lot.

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### On the subject of phones

It's a big month for mobile phones. Google dropped their new Pixel 9 yesterday. As a prisoner in the Apple ecosystem for over a decade I had never used one until I bought a Pixel 8 recently. It is an excellent phone which caused me to muse on the new one. Two things are particularly striking in the announcement.

The Pixel 9 Pro costs \$999 / £999, and comes with only 128GB of storage for that price, which is shameful. You can upgrade the storage up to 1TB, and surely Google and others will have periodic deals that give you more storage for the same price. Every model comes with 16GB of RAM.

First, the pricing is quite an arb. Same in USD as it is in pounds? Clearly google doesn't think too much of its UK customers given the official exchange rate is \$1.28/£. The massive overcharge tells us something about Google's view on the pound too. Pretty much that they believe its journey towards dollar parity will continue.

Second, you can have 1TB of storage, which is an awful lot for a phone. Why would you need that? One thing that springs to mind is we finally have a phone that could run a fully indexed Bitcoin Core node (about 700Mb).

A technical and boring point? No. The entire ecosystem of bitcoin relies specifically and entirely on as many users as possible being able to run it and host it on their own. Ideally you would always validate transactions against a node you yourself own and run. That is not convenient though; your computer is very rarely near you when you need it. This phone now has the capacity to do it.

During the 2017 Fork Wars, the key talking point was about the size of Bitcoin Blocks. The Big Blockers wanted big blocks for more transactions; small blockers wanted no change to ensure decentralization. The bigger the blocks, the bigger the blockchain. For better or worse, I consider myself a small blocker because the lynch pin of the system is not how many transactions it can do per second. The critical point is that it is sufficiently small that people can run it at home. Now, we finally approach a time when people can run it on their phones.

This technological leap is essentially opening the door to you being able to walk around with the entire bitcoin monetary history of the world on it. Like having the Federal Reserve in your pocket.

Next month we get the iPhone16. The Apple software is much less open source and will likely lag behind Android devices in their adoption of full nodes. Even so, the phone itself will be capable of doing it, indeed the fanciest iPhone15 already has 1TB of storage.

Technology makes bitcoin stronger. That is very rarely true of monetary instruments. I consider it one of the more powerful and less well understood features of the asset.

### An unlikely buyer

627 Institutional Holders  
88,626,450 Total Shares Held

Owner Name	Date	Shares Held	Change (Shares)	Change (%)	Value (In 1,000s)
Norges Bank	12/31/2023	1,123,930	1,116,940	15979.113%	\$152,158
Charles Schwab Investment Management Inc	6/30/2024	966,330	-274,720	-22.136%	\$130,822
Price T Rowe Associates Inc /Md/	3/31/2024	887,620	108,350	13.904%	\$120,166
Imc-Chicago, Llc	6/30/2024	770,440	-232,270	-23.164%	\$104,302
Capital World Investors	6/30/2024	710,200	3,840	0.544%	\$96,147
Citadel Advisors Llc	3/31/2024	688,060	688,060	New	\$93,150
Jpmorgan Chase & Co	6/30/2024	587,120	-8,270	-1.389%	\$79,484
Bank Of New York Mellon Corp	6/30/2024	562,570	-23,870	-4.07%	\$76,161
Lpl Financial Llc	6/30/2024	495,590	51,720	11.652%	\$67,093
Swiss National Bank	6/30/2024	466,000	174,000	59.589%	\$63,087

Quarterly disclosures reveal that both the Norwegian and Swiss National Banks are registered shareholders of Microstrategy. Microstrategy as a stock is the ultimate leveraged bitcoin play, since they have borrowed so much money to buy bitcoin.

It's quite a nice way to get the exposure without saying you own any Bitcoin. A visit to the [Microstrategy](#) website will prove it. They are a data company. However if Bitcoin doubles in price Microstrategy does 4x or more; if it halves microstrategy will drop 75%. So yeah, on the face of it its a data company, and Central Banks and Sovereign Wealth funds can buy it if they want to.

### Euro-Trash

Brussels slaps down Thierry Breton over 'harmful content' letter to Elon Musk

Oh dear. Our chief Euro-botherer Thierry Breton overstepped the mark this week. Just prior to the Elon-Trump interview, Thierry took it upon himself to write an open letter to Elon reminding him of his obligations under the Digital Markets Act.

The man just seems to know no bounds, given that the interview was taking place between Americans, in America on an American platform. Somehow, Thierry thinks he has reach over it.

*"As the relevant content is accessible to EU users and being amplified also in our jurisdiction, we cannot exclude potential spillovers in the EU. Therefore, we are monitoring the potential risks in the EU associated with the dissemination of content that may incite violence, hate and racism in conjunction with major political - or societal - events around the world, including debates and interviews in the context of elections."*

It's pretty remarkable stuff. Quite directly threatening Musk for interviewing an American political candidate. Would he have done so had it not been Donald Trump? I very much doubt it and yet his letter insists that Musk pursue impartiality and plurality. The full [letter](#) is completely wild and left Americans complaining about election interference from a European, which one would have to say is completely justified.

24 hours later the EU was back pedalling hard. The President of the EU Commission claimed that the letter was sent without consultation or approval. Given what was in it, that is not hard to believe.

*"The EU is not in the business of electoral interference," said one of those officials. "DSA implementation is too important to be misused by an attention-seeking politician in search of his next big job."*

The Americans were much less kind.

*Linda Yaccarino, CEO of X, [called Breton's letter](#) "an unprecedented attempt to stretch a law intended to apply in Europe to political activities in the US."*

and

*“The European Union is attempting to meddle in the US Election,” Chris LaCivita, who is part of Trump’s presidential campaign, “They can go to hell.”*

It’s the next level in the battle between the EU and Big Tech. I think we have to award this round to Elon simply because Thierry is way out of line. So much so, that it is rather doubtful now whether his term will be renewed.