

market notes: Lesson from the UAE...never short innovation.

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5/12/23 - Marcel Kasumovich, Deputy CIO, Coinbase Asset Management**

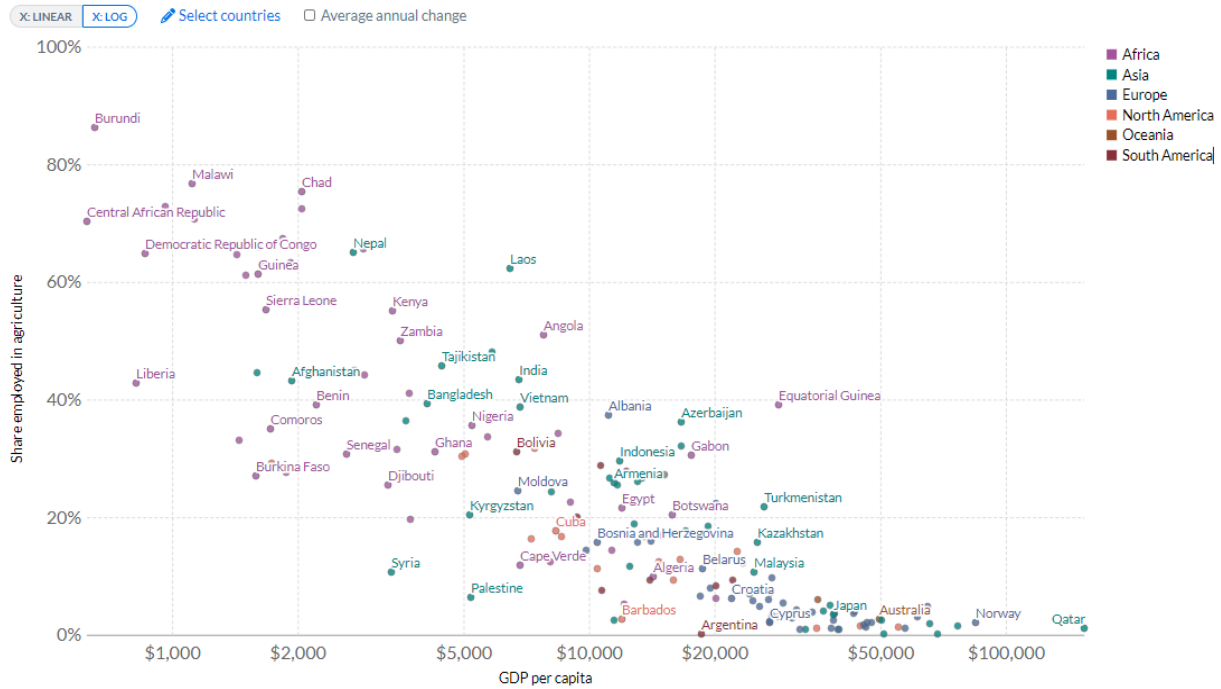
1. Innovation. It's how countries get richer. Doing more with less. This is evident in the simplest statistics. Figure 1 shows the percentage of people working in agriculture against GDP per capita. In richer countries, fewer people make food. Yet, not so long ago, theories on growth were dominated by the idea that we would not be able to feed the world's growing population. Innovation in production, preservation, trade, and transport freed generations from work in agriculture while satisfying the growing need.
2. It is a reminder of the golden rule of investing – never be short innovation. Malthusians saw populations growing exponentially and food expanding linearly during a period of rapidly rising living standards. The extrapolation was unsustainable. The original work, published on June 7, 1798, was from a humble academician who accepted that “more able men” may overcome the challenge, in which case Malthus would “gladly retract his present opinions.” Minds are less open today.
3. Technological advancement simply means doing more with less. In the last 150 years, for instance, working hours in industrialized countries have declined by roughly half. Centralization was at the core of these efficiency gains. There was a rise in concentrated points of production with multiple channels of distribution. Centralization was a symbol of standards, safety, and security. Recent innovative disruption leveraged the existing capital stock more effectively, for example, internet distribution channels. But these improvements are also dominated by centralized players such as Amazon.
4. Digital asset technologies turn the recent history of disruptive advancement on its head – they invite decentralization over centralization. Activities can be conducted point-to-point with no third-party intermediation. Security and verification are accomplished with only the alignment of incentives. This is a profound change. It is uncomfortable to contemplate. But be agnostic to technology, digital assets or otherwise. Decentralization means banking can be done without banks, costs decline, and more people have access to services. It also charts a path to critical infrastructure that is nearly impossible to disable. The change is profound.
5. What's the great advancement of point-to-point intermediation? The marginal cost of financial transactions goes to zero. We are all paying far too much for financial services under the guise of security. Decentralized tools aren't ready yet. Scaling tools and integration into the regulatory mainstream will take time. But the strongest refutes of digital asset technologies come from those with the most to lose – centralists. The arguments are static, tired, and driven by the protective instincts of centralized institutions.
6. There are three simple ways we will see the profound change in action.

7. The first is value in micropayments. It is safe, secure, and economic to send fractions of cents to any individual, anywhere, at any time. The transition to a “gig economy” accelerates in this environment. It is easier to monetize skills when the friction of providing those skills is eliminated. Tools like [Fiverr](#) that promote freelance work already hint at that future.
8. The second is value for distribution. The value of everything from education to advertising will be increasingly scrutinized to the benefit of consumers. Wearing a logo on a hat in the front row of a sporting event may yield more advertising value than a static billboard at a fixed location. That hat is now a non-fungible token. You’ll receive advertising micropayments for wearing it in the right place, at the right time.
9. The third is value in truth. AI photos and interviews are the intersections of fact and fiction. The technology seamlessly blends a real person, like Pope Francis, with a fictional set and setting, such as wearing a fashionably long white winter coat with papal vibes. Photographs [verified](#) as real become an NFT of the original that can be lent to others with appropriate royalties. AI, crypto and blockchain technologies provide the anchor of truth. With unlimited digital synthesis on offer, intellectual property rights depend on that anchor.
10. It’s one thing to talk about innovation in the abstract. The practical reality is that you need to build the tools. [Onebridge](#) is a tool built to bridge traditional, digital, and regulatory communities into a single platform on public blockchain rails. It’s attractive to countries proactively seeking strategic diversification toward emerging technologies. I was struck by the vision and rigor of the UAE across [regulators](#), incubators, and investors during our week-long visit. From the world’s first AI Ministry to the integration of crypto assets into the regulatory mainstream, there’s a bedrock foundation to support innovation.

Figure 1: Richer Countries Don't Work in Agriculture

Share of workers employed in agriculture vs. GDP per capita, 2018

Agriculture includes the cultivation of crops and livestock production, as well as forestry, hunting, and fishing.



Source: Our World in Data based on International Labor Organization at the World Bank and historical sources; Maddison Project Database 2020 by Bolt and van Zanden.

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COINBASE ASSET MANAGEMENT

2200 Atlantic Street, Suite 320, Stamford, CT 06902, NFA ID: 0535413

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