

Interview: What I See for the Future of Blockchain Technology



Jeff Brown
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My team and I are currently researching our next *Unchained Profits* recommendation. In the meantime, I wanted to share something that I thought readers would find interesting.

Last week, I sat down with my colleague Chris Lowe for a segment on his *Inner Circle* publication.

We discussed the then-upcoming launch of *Unchained Profits* and what I see for the future of blockchain technology.

Chris had some great questions about blockchain technology, digital assets, and non-fungible tokens (NFTs).

It was a great conversation, and I know the topics we covered will be of interest to *Unchained Profits* subscribers.

To catch the full interview, click the video below.

I hope you enjoy the interview. And once again, thank you for being a founding member of *Unchained Profits*. We'll speak again soon.

Regards,

Jeff Brown
Editor, *Unchained Profits*



Q&A With Jeff Brown

Chris Lowe: Hi, Jeff. Thanks for taking the time to talk.

Jeff Brown: Chris, good to connect, as always.

Chris: You're putting the final preparations on your *Click for Crypto* event. Many *Legacy Inner Circle* members will have heard about it, but maybe won't know a lot about it. Can you tell us a bit more about it?

Jeff: That's right. I'm leaving for the airport in a couple hours. I'm flying to Florida [where the Legacy Research HQ is].

This is something I've been waiting to do for more than five years. Most people don't know this, but I've been an angel investor in blockchain and cryptocurrencies since 2014.

I first recommended bitcoin (BTC) at Bonner & Partners back in 2015. Back then, it was trading for just \$235. It rocketed to more than \$60,000 not too long ago.

[Prior to setting up Brownstone Research, Jeff wrote for a number of years for Bonner & Partners (now Rogue Economics), one of the founding companies behind Legacy Research.]

I've been waiting for the crypto industry to mature... and for the infrastructure to be in place for normal investors to safely invest in cryptocurrencies and digital assets and get exposure to this explosive new asset class.

That's why we're launching *Unchained Profits*. I can't tell you how excited I am to get this new advisory off the ground.

Chris: A lot of people have probably heard of blockchain in the context of bitcoin. But I know from talking to subscribers at our conferences that they often confuse the two. They think blockchain is only about bitcoin... or that blockchains are only about currency transactions. What else do blockchains do, besides online currency transactions?

Jeff: The word that you used – “blockchains,” plural – is the most important part. There are many blockchains. It's not just the bitcoin blockchain. One mistake people make is thinking that there is just one.

This means there are many more investment opportunities. Bitcoin was just the first. It's a safe store of value – something you can transfer on a peer-to-peer basis.

And those transfers are immutable. In other words, they can't be changed. That was the revolution of the bitcoin blockchain.

Another blockchain many people have heard of is the Ethereum blockchain. Its digital asset is ether (ETH).

The revolution the Ethereum blockchain brought about was the ability to have “smart contracts.” So for example, you would lend some ETH to someone at a certain interest rate for a certain time. And you can encapsulate all that in a smart contract. It all happens completely automatically. You don't need to do anything about it. When the contract is up, all the money comes back.

Smart contracts – pieces of code that exist on a blockchain – can be used for anything from insurance to lending to gaming. That was a big change.

But there are thousands of blockchains. Each can be used for different kinds of applications. Almost all have their own digital asset – their own cryptocurrency.

We've only just scratched the surface of the industry. Blockchain-based systems will be the next generation of the internet... and the next generation of financial services.

We've seen only 10% of what's going to happen. We have more than 90% to look forward to, as we look out over the course of the next 5 to 10 years.

Chris: It's something I know you've been writing about. You've talked about this idea of Web 3.0, which is an upgrade, if you like, of the current internet.

Most people don't see blockchains in the context of an upgrade to the internet. Maybe you could talk a little bit about how that would work. I know there are already some decentralized internet apps out there. But why are they better? Or why should people care about this new generation of apps for the internet, built on blockchains?

Jeff: Several reasons, but I'll share a couple of the important ones...

The internet was created to be free, open, free of censorship, and free of centralized control. And what happened? Exactly the opposite. We have these monolithic gatekeepers that have banned and censored what we can see online. It's becoming a closed system.

A lot of people, myself included, have a philosophical problem with that. We're not allowed to see real information. Big Tech can even banish published scientific research from the internet.

We're going through this process of disruption as a result. Web 3.0 – the next-gen internet – is an effort to decentralize it and make it free again.

Remember, the people who built the original protocols – or agreed sets of rules – the internet is based on made them free to use. Take TCP/IP. This suite of protocols specifies how data should be packaged, addressed, transmitted, routed, and received.

Big Tech giants such as Google (GOOG), Facebook (FB), and Twitter (TWTR) were built on top of these free protocols. And guess who made all the money? They did.

Not only did they make all the money, but also, these Big Tech giants extracted our data and our content for their profit. We didn't get a penny.

But the tables have turned. What's amazing is we have these built-in, economic incentives in blockchain technology that allow normal investors to invest in the protocols of the next generation of the internet by owning the digital assets associated with blockchains.

We couldn't do that in the last generation of the Web. We could only pick individual companies. Here, we can actually own the protocol, via a cryptocurrency. That's why investing in blockchain tech is such an extraordinary opportunity.

Chris: Jeff, I know there's a project called Aave [pronounced "ah-veh"]. It's a blockchain-based version of Twitter. But it wouldn't have a CEO to censor what goes out on the platform. As many of our readers will know, censorship is a huge problem right now.

For instance, in February of last year, financial markets website ZeroHedge tweeted about the theory that COVID-19 was leaked from the Wuhan Institute of Virology. Twitter banned ZeroHedge for that tweet. And it turns out that the lab-leak theory is a reasonable scientific theory of the origin of COVID-19.

So what is it about a blockchain that makes it censor-resistant? Why couldn't there be, in this new world, someone like a Jack Dorsey [the CEO of Twitter] to say, "Oh, I'm not letting that through on my platform."

Jeff: This is one of the most visceral examples of why blockchain technology is so important. These are restrictions of our basic freedoms – to be able to read our own research and to form our own opinions.

Fortunately, Twitter and Facebook are in the process of being replaced by platforms that aren't controlled by a single company.

But to your question, blockchains are built on tens of thousands of nodes. And the decision making happens by consensus among the different nodes. It's a distributed system. No single executive... or corporation... has the ability to tamper with what happens on the network.

Even if one country were to censor or ban all blockchain technology, all the other countries would still be up and running.

I don't want to stray too far into the weeds. Suffice it to say that blockchains are highly resilient. They're distributed. And they're designed to avoid a centralized organization – a company, individual, or a government – having the ability to censor or ban content.

Chris: One of the most salient developments around blockchain is the rise of NFTs, or non-fungible tokens. Folks might have heard about the digital painting by a guy called Beeple out of South Carolina. It sold at auction in March for \$68 million. And we have the National Basketball Association (NBA) getting involved in NFTs.

I wrote earlier this week in *The Daily Cut* about Lionel Messi, the legendary soccer player. He's come out with a series of NFT sports trading cards that are selling for \$1 million and up.

A lot of people are going to be looking at NFTs and saying, "What the heck is going on? This seems like totally wacky stuff." But you're bullish about the underlying technology and how that could affect the art and collectibles world. Could you just talk a little bit about that?

Jeff: This is one of my favorite topics. What's happening with NFTs right now is extraordinary. It's the essence of exponential growth. And it's not just about art and collectibles.

NFTs are smart contracts. So not only do they represent, for example, a digital piece of art or a digital sports trading card, they can also confer specific benefits to their owners.

People who are passionate about their sports teams or players can buy a limited-edition NFT. It will give them not only the digital token – which could be something as simple as a short video clip of a game-winning score – but also other perks. For example, a dinner with their favorite sports star. Or access to a private party that sports star is going to be at.

There's another concept I'm very excited about. Some have referred to it as "digiphizzy," which stands for digital to physical. These NFTs give you rights to a physical object.

Let's stick with the example of sports fans. If you buy a diggyfizzy NFT, you might be sent an autographed football as part of the rights ownership of that NFT confers on you.

The applications for NFTs in the gaming community, as well, are pretty extraordinary.

There's an Ethereum blockchain-based NFT game called *Axie Infinity*. It's the first NFT game to have surpassed \$1 billion in sales. About \$750 million of that happened in the last four weeks.

NFTs are going viral. But they're not a fad. They're the next generation of art and collectibles. They're the next generation of fan clubs. They're the next generation of gaming.

Last year alone, the NFT market did about \$250 million in sales. This year, sales will top \$10 billion. That's how quickly this market is growing. And 2022 will be even bigger. We'll see tens of billions of dollars in sales.

It's such an exciting space within the blockchain industry. It's growing so fast and has so many practical applications, many of which are really just fun. Things that people are passionate about. This is what makes what's happening in the NFT market right now so exciting.

Chris: I didn't know you could represent ownership of physical-world objects with NFTs. I also didn't know you could build in this programmable stuff into an NFT, like the dinner or other perks. That sounds very powerful.

There are also more mundane, but also powerful, applications of blockchain tech. You wrote about a patent registered by Amazon.com (AMZN) that allows the company to track the provenance of the goods it sells on its platform.

Jeff: This is another great example of blockchain technology. It's part of a larger trend – environmental, social, and governance (ESG). It's a group of non-financial factors folks are increasingly looking at before they invest in a company.

They're concerned about where goods are coming from... whether or not they're real... whether they're counterfeit... whether they're from conflict areas. And they want to be able to track those goods through their entire supply chains.

That's precisely what blockchain technology is meant to do. Remember, blockchains are censorship-resistant. Records on blockchains are also immutable. So we can trust them because there's no one party that controls that individual blockchain.

My background, as you know, is in corporate high-tech. I was an executive at high-tech companies for 25 years. So these practical enterprise applications, that solve real-world problems, are particularly exciting for me. They're things I personally experienced as an executive when I was working for large technology corporations.

Chris: From what you're saying, blockchains seem to have a wide range of applications. And they're going to affect multiple industries, a bit like how the internet has affected multiple industries. Is that how you see it?

Jeff: Absolutely. One of the hottest trends in the blockchain industry today is decentralized finance, or DeFi. Pretty much any financial transaction is ripe for disruption by blockchain tech.

A good example is a decentralized exchange. Instead of there being a company such as Coinbase (COIN) in the middle of exchanges, with a decentralized exchange, there are no intermediaries. Instead, you can just do peer-to-peer exchanges – say bitcoin to another cryptocurrency – without the need for a middleman.

Derivatives markets are also popping up. These allow investors or institutions to hedge their portfolios, speculate on future directions of digital assets, or get leverage on their investments. That's another hot trend right now.

Then there's decentralized lending. It's still in the early stages. People who hold digital assets such as bitcoin can lend them out. They then get paid attractive yields for providing that liquidity.

Why is this attractive? Well, go to your bank, and see what interest rate they're going to give you for your savings. It's a fraction of a percent.

But with digital assets, you can see yields above 10% for folks willing to lend them out. It's just remarkable. You'll see yields that are more than 200 times larger than what we can get from a bank on your dollars, euro, or yen.

These are developments every investor should know about. The DeFi market has matured now to the stage where it's safe. There are well-established, highly respected, regulatory-compliant platforms out there, that normal investors can feel comfortable working with.

This is why now is the right time for me to launch *Unchained Profits*, my new blockchain-focused investment advisory.

Chris: You've put together a set of specific recommendations for charter members of *Unchained Profits*. I'm not asking you to reveal those here. But I know you've recommended ether (ETH) to readers of your flagship tech investing advisory, *The Near Future Report*. And it's up about 640% since then [at time of recording].

For *Legacy Inner Circle* members ready to take their first steps toward becoming blockchain investors, is that a good place to start?

Jeff: It is. BTC and ETH are the on-ramps of the cryptocurrency ecosystem. Usually, we have to buy one or the other before we can buy other digital assets. So it's a great place to start.

With my *Near Future Report* recommendation, I did something different. I structured what I called a Cryptocurrency IRA.

I knew the direction these assets were headed. And I saw a Roth IRA as the perfect vehicle for investing in a small basket of cryptocurrencies – including ETH.

You fund a Roth IRA retirement account with after-tax earnings. But it offers tax-free growth and tax-free withdrawals in retirement. That makes it a great way to invest in digital assets.

The upside potential is in the thousands of percent. So not having to pay taxes on those gains is a big deal. When you get to retirement age, you can cash in your gains – tax-free. That's the beauty of a Roth IRA.

Subscribers who acted on my recommendation are setting themselves up for a great retirement. And the best gains are still ahead.

Chris: That's great, Jeff. It's been a fascinating insight into the opportunities in blockchain tech right now.

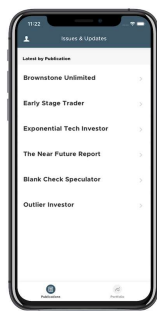
Jeff: Thank you, Chris. I'm extremely excited about this opportunity. And I hope your readers are, too.

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