

"It's not about blockchain, it's about the next wave of innovation"

By [Tanya Knowles](#)

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Many well-known experts in their fields have made predictions over the years that have proved to be spectacularly wrong. Be it Charlie Chaplin referring to talking pictures, the President of IBM who, in the 1940's said the world would need no more than five computers or when JK Rowling was told that children have no interest in wizards' magic by a leading publisher. Too often have we let cynicism and disbelief get the better of us when faced with change in our industry.



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Talking about blockchain is a bit like making one of these unsubstantiated predictions. The industry and technology is evolving rapidly, in many different directions and with various use cases that no one can confidently predict what the ultimate outcome will be.

It is one of the most hyped technologies of our time where the mainstream media is patiently waiting for blockchain to materialise at scale beyond Bitcoin. However, one thing is becoming clear - the industry is nearing its tipping point where we will begin to see meaningful applications beyond the hype.

The rise to fame of Bitcoin

For those wanting to understand some of the basics and fundamentals of blockchain technology, it's important to understand its history and 'rise to fame'.

Until recently there has been no way for us to transfer anything of value over the internet without using an intermediary as a trusted party to facilitate the transaction. This was due to something called the "double spend" problem – meaning that a digital record could be easily copied.

In 2009, under the pseudonym of Satoshi Nakamoto, a white paper was published solving this problem with the well-known use case of Bitcoin. It was a new concept that enabled a distributed ledger or database - the blockchain - scattered across thousands of computers, known as nodes, around the world.

No single authority or person is able to control it or verify the authenticity of the data. Instead, the network of computers keeps the ledger up to date. What's more, is that nodes operators are incentivised to keep the data in sync and secure in the form of a payment in Bitcoin.

Bingo! Now one may ask, "So what"?

There are three important things to understand:

- Firstly, blockchain allows people to transact in a peer to peer way with no intermediary. That means that you don't need a bank to send money between people. There is no social media company gathering your data to target advertising to you. There is no credit bureau screening you before you can buy something, and there is no music streaming company filtering which artists you listen to. You get the picture.

Instead, people are interacting directly with each other to exchange value, using technology that brings a different type of trust between them – trust that is built into an algorithm.

- Secondly, this technology is about open source and open access. For the first time, blockchain projects are providing easy access to value and assets for people who have either been excluded from the formal economy or restricted in terms of their geographic location.

Many blockchain projects are providing access to assets in other jurisdictions that can be easily traded and utilized across the world.

- The third part is about building a network or community of users that are incentivised to make things work. No one controls it, it is out in the ether for anyone to access and use on the same terms where collaborating towards a common goal and vision, benefits everyone within that network.

Understanding the basics of Bitcoin

For those wanting to get to grips around the basics of blockchain, it is important to recognise the difference between permissioned/private blockchain projects and those that are completely open for anyone to use and access.

Recent research issued by EY showed that 84% of executives surveyed said they were working on a blockchain initiative or had joined a blockchain consortium with their industry peers.

Many of these projects are in the permissioned blockchain space and are often better described as DLT (distributed ledger technology) projects.

A simple analogy to describe these projects is to compare them building the equivalent of an industry intranet as opposed to the internet.

These types of projects will bring huge benefits and efficiencies to these companies using them, both from an operational perspective and reducing friction. Imagine the trade finance or shipping industry collaborating to move goods around the world in a more cost effective and efficient manner through a shared ledger of information or the insurance industry collaborating to reduce fraudulent claims in market.

We would all benefit. These permissioned DLT projects could be applied to everything from travel to media to healthcare to automotive to government.

But the blockchain purists would argue that the disruption of the world wide web was not built via intranet sites. It was built via an open source public protocol called TCP/IP – in other words, the internet.

And so, blockchain is in the phase of being built as a general purpose technology (just like other technologies in the past such as electricity, and telecommunications) where new types of innovations were built on top of these inventions that ultimately that changed the world.

Blockchain is not only about the technology, but it's also about building a protocol where new business models come to the fore which amalgamate the concepts of computer science, economics, cryptography, game theory, sociology, human behaviour and digitisation into one system. There are thousands, if not hundreds of thousands of people around the world building this next open source protocol in the form of blockchain.

Think of it in the same way that the US Military opened GPS technology to all, which now enables apps like Uber, Google maps, fitness trackers, traffic apps and even PokemonGo!

Research shows that these general purpose technologies take a long time to diffuse through an economy but lead to tremendous exponential growth and gains.

We are at a tipping point of unleashing the next phase of entrepreneurial greatness across the world. So next time you hear someone say “it's not about Bitcoin, it's about blockchain”, remember “it's not about blockchain, it's about innovation that is set to change the world.”

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