



**Haym Salomon** @SalomonCrypto

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(1/17) [@ethereum](#) Endgame: The Internet Economy

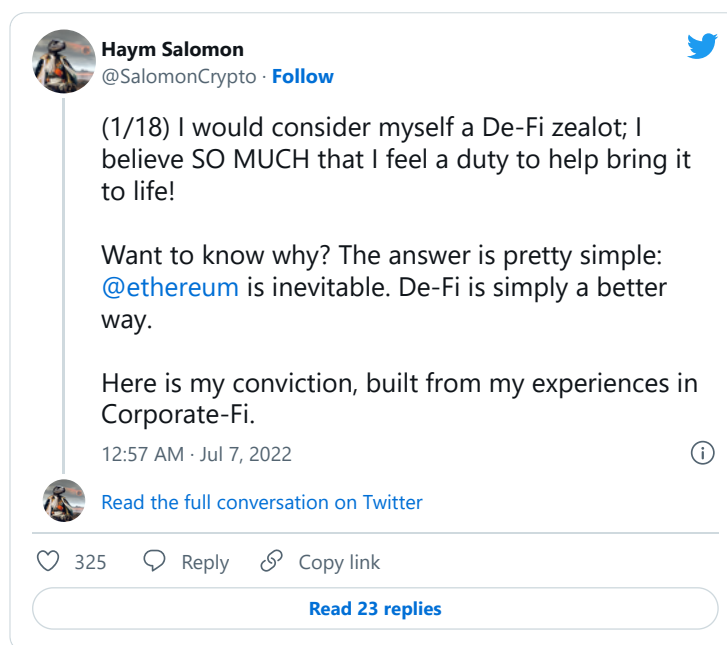
Trying to understand crypto, Ethereum and De-Fi in the context of history?

Read on to learn how I think the world is changing.

(2/17) A couple days ago we spoke about [@ethereum](#) as The World Computer and the promise of programmable money.

Since then, I've gotten a lot of versions of the same question: "so what does this look like in 50+ years? Does crypto eat the world?"

Real talk? I don't think so.



(3/17) The modern system is built out of two economies: the real economy and the financial economy.

Real economy - production, transportation and consumption of goods and services.

Financial economy - allocation and deployment of resources across space and time.

(4/17) The real economy concerns things that individual humans need to survive and/or live a high quality life.

The financial economy is responsible for ensuring the all the necessary resources are in the right place at the right time to make the real economy possible.

(5/17) Buying a burger? No problem, no financial economy needed.

Buying a house? Most people don't have enough cash... but most people will earn enough over their life to afford a house. A loan is a tool that allows you to pull forward your future earnings and spend it today.

(6/17) At its best, the financial economy is magic. It allows people and businesses to manipulate value across time and space.

When capital is needed, finance can manifest it before your eyes. When it's not, finance can whisk it away and use it for something else productive.

(7/17) Unfortunately, things are not at their best. Over time, the financial economy has grown from a supporting role to the main act.

According to [@McKinsey](#), the two are roughly equal in size.

<https://www.mckinsey.com/industries/financial-services/our-insights/the-rise-and-rise-of-the-global-balance-sheet-how-productively-are-we-using-our-wealth>

(8/17) The problem? As [@McKinsey](#) put it "At the global level, real assets constitute net worth, while aggregate financial assets and liabilities net to zero."

Put another way, the more capital that gets tied up in the financial economy, the less is available for the real economy

At the global or closed economy level, however, all financial assets are matched by corresponding liabilities. The equities that account for roughly half of the household sector's wealth are liabilities for the issuing corporations. Similarly, a mortgage is a liability for a household but an asset for a financial institution. While the gross volume of financial assets is enormous, after subtracting corresponding financial liabilities, the net aggregate value is zero.

Net worth is what is left after all financial assets and liabilities net out and so is equivalent to the value of real, nonfinancial assets. In this way, financial assets represent wealth to sectors, institutions, households, and countries but, on the consolidated global balance sheet, do not add to net worth, nor do financial liabilities subtract from it.

(9/17) Along with climate change, the growing disconnect between the financial and the real economy is the crisis of our generation.

But this isn't a story of our parents our grandparents. This is the story of the millennia; you can trace it back to ~1490.



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(2/25) The Verge

I cannot recommend this enough!

Thesis: "The West' was created by the development of modern finance." In 1490-1530 all these historical factors converged and into finance and supercharged The West into global hegemony (for now?).



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(10/17) The rise of The West is the story of the development of modern finance.

The invention of the printing press by Gutenberg, the concentration of wealth by Fugger, the intensely expensive wars of The Catholic Monarchs.

This was the crucible that gave us finance.

(11/17) For 500 years, mankind have been developing off of those fundamental principles.

And then about 30 year ago, we had our Gutenberg moment. In October 1994, Jim Clark and [@pmarca](#) released Netscape.

The world has never been the same since.

(12/17) I'm not going to try to describe the impact of the internet, partially because we're all living it but mostly because we have barely seen anything yet.

The printing press threw Europe into chaos for centuries and reshaped the planet.

The internet is 30 years old.

(13/17) 16 years ago, I was lazy in World of Warcraft and I asked my parents if I could "buy gold." They thought I was being groomed.

10 years ago I went on a tour of [@riotgames](#). My dad turned to me and said "can you believe this? All from selling NOTHING"

We are so early.



(14/17) The modern system is built out of two economies: the real economy and the financial economy

The future system will be built out of three economies: the real economy, the financial economy and the internet economy

[@ethereum](#) is the computer that runs the internet economy

(15/17) Just like the real/financial economies today, the real/financial/internet economies will be distinct entities that are seamlessly integrated.

You might deposit your savings at a bank, they might issue loans on [@AaveAave](#), someone might take an Aave loan to buy a house.

(16/17) History is funny sometimes, the same time it destroys the old way it provides the path forward

The printing press split Christianity, remade Europe, gave us the scientific method and so much more

The printing press didn't cause any of this, but it did catalyze all of it

(17/17) Take a look at the world around you. Things are falling apart.

But history is funny sometimes.

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