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## Episode 107: Talking with Tim Draper: Crypto Legend and Bitcoin's Biggest Fan

Kelley: Welcome to Crypto Token Talk, a crypto 101 podcast exploring how blockchain technology applications like bitcoin, ethereum, and other crypto assets could change the world. Learn from blockchain experts, thought leaders and founders of some of the most innovative companies and world changing ideas of our time. I'm your host Kelley Weaver, CEO of Melrose PR, a leading blockchain communications agency. Thanks for joining us today.

Kelley: So today I'm here with Tim Draper, super honored to be here sitting with you at the Bitcoin Super Conference in Dallas. Thank you so much.

How did you first get into bitcoin in the first place, how did this come across your desk?

Tim: Well it's a long story. It started when I met an entrepreneur in Korea who said that everyone's playing this game in Korea, half the population of Korea is playing this game and he said in fact, everybody's in it so much that I actually had to hire somebody to, when I go to work, I have to hire somebody to be my avatar to keep it going. And then he said, and then I bought a sword for my son, it cost me \$40. And I said well, why does that make sense? And he said, no, no, it's a virtual sword, it's on the screen and he started saying, this looks like it's going to be trouble for me, it's gonna cost me a lot of money.

And I started to think, whoa, virtual world and people are actually living in that virtual world. They're keeping a whole avatar alive in a virtual world. And I thought okay, so we're going to have a virtual piece to our life and a real piece. And the virtual piece-

Kelley: When was this [crosstalk 00:06:17]

Tim: Oh, it was like 1999 or 2005, in that range somewhere. And so I had this virtual world in my head, like we are going to have two worlds, one's going to be very interesting and virtual and one's going to be less interesting and real. And so I watched and I saw that suddenly people were paying- he paid fiat money for virtual goods. Eventually people were having virtual money in their game, in game virtual money in these massively multiplayer games. But nobody took one set of virtual money and traded it for another set of virtual money until bitcoin came and bitcoin suddenly was this distributed virtual currency that could be used anywhere, in game, out of game, in world, out of world. And its global, borders don't exist, it's open and remarkably it was started by somebody who decided to stay anonymous, Satoshi Nakamoto.

And that has really changed the world economy and I got very excited about it when I first heard about it and jumped in, invested in a company, also invested, gave money to

# CRYPTO TOKEN

# TALK

a guy to go mine me some coins. And he mined me the coins and they went to this place called Mt. Gox and that's where they were stored and the mining was a little tricky. He used some of the money to create an ASIC and the people who built the ASIC actually used the ASIC before they shipped it to him so they could do the mining in front of him. And during that time bitcoin went from \$4 to \$36, so we didn't make very much on that.

And then Mt. Gox disappeared the money and we- and I thought that was the end of bitcoin. I thought, well forget it. It was a great experiment, I was just, too bad. But bitcoin only dropped in value that day about 15%.

Mt. Gox was the biggest trading system for bitcoin. And it completely disappeared the money and they still had a market for bitcoin. And I thought wow, people really need this and then I did some research and I realized well, there's un-banked everywhere. Half of the world economy is un-banked and nobody wants to bank them because they have this big problem that the banker pays about \$200 per account just to keep up with all the stupid regulations they have to keep up with. And so they don't want these smaller accounts and so they keep a guaranteed population in poverty because they can't participate in the world economy.

Well bitcoin offers those people the opportunity to play in this world economy. And so we are now getting the creativity of another three or 4 billion people who were previously un-banked and couldn't be a part of the world economy. And so that, I jumped in, this is a huge thing, I realized that sure I lost all that bitcoin but I've got an opportunity to continue to participate, so I invested in a whole bunch of interesting companies. Eventually, we invested in Coinbase and Ledger and a lot of these trading companies around the world and then we started investing- and then I bought a bunch of bitcoin in the auction when the Silk Road guys got busted.

It's interesting, criminals should beware, because the blockchain is a permanent record and maybe you don't get caught as the money comes in but as soon as the money goes out you're gone. And so my guess is that this is gonna be a much safer way to operate and criminals are going to be easier to catch. So this is really changing everything. I got excited about that and then people started to talk about Ethereum and some of these other possible ICO's and I jumped into Tezo's and Bancor, right off the bat. And they were enormously successful because there was so much pent up demand for an alternative.

Kelley: Alternative to bitcoin?

Tim: Yeah, because bitcoin was for so long, it was the only game in town and now there are many others. Long term, I think bitcoin will be the standard, they've had a five year lead, they will incorporate all the features and it'll be the first one we use to buy coffee at Starbucks.

Kelley: You're saying bitcoin will?

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# TALK

Tim: Oh, absolutely. I mean, if you're going to create a credit card right now, you'd create it on bitcoin first. And so all of the infrastructure is built around bitcoin and so I think that'll be the center one and then there will be the other ones who have specialties and alternative coins that are better for one thing or another. So I think they're going to do very well too and some of them will do extraordinarily well and some will merge out or just dissolve.

So this is a really exciting time, the world needs it, somehow all of these governments have controlled us with the currencies and we didn't even know it and now we actually have a currency that's global and can move with us.

I met a guy and he said, my family's fortune has disappeared three times in my lifetime and I'm only 30. And he's Argentinian.

Kelley: Is that Wences Casares?

Tim: No, no. It's Sebastian and he runs Ripio now. And he said it just disappears and it disappeared three times and I'm only 30 years old, well [inaudible 00:12:54] says he's a little older.

Kelley: I thought so, when you said that earlier, I thought it was Wences and I was like, oh, he's younger than I thought.

Tim: Right, and so anyway, he said so we don't care if there is a little volatility in the currency, we know the Argentinian peso is going to fall. So we know that's going away, so if there's any currency that looks like it's going to have some volatility, it's fine as long as generally it's flat or up and so bitcoin, now, I've got this new way of looking at bitcoin as the- when people say isn't it a really volatile currency, I think, no, it is the future currency. All of the other currencies are volatile as they fall away. As people decide they're not going to use those, they're going to use bitcoin and so they are volatile against bitcoin. And I got this spam that came to me and all the prices were in bitcoin and you couldn't even convert, and I thought wow, that is really, that's the beginning of something.

Kelley: Yeah, do you think that one day will use, you know, how we use the US dollar as a unit of measurement against other currencies, do you think that one day that will be bitcoin or another crypto asset?

Tim: Well, it's the way I'm looking at it now. I look at bitcoin against all the other currencies and I'm actually looking at fiat currency as stuff that in five years we're not even going to value.

So I think, bitcoin will continue to be valued more and more and more as time goes on, as the network of bitcoin users grows, as the acceptance in retail grows, it's just going to

# CRYPTO TOKEN

# TALK

get more valuable, while these fiat currencies are going to sort of fall off in usage and in value.

Kelley: Bitcoins had some scaling issues as of late, but you mentioned a couple of key historical events like Mt. Gox and then Silk Road and bitcoin did survive, is that sort of your feeling for the future, like bitcoin's going to continue to-

Tim: Yeah, whenever there is a new technology bitcoin will bring it in. It won't happen immediately and there will be winners of coins that come and do something new, but then bitcoin can bring that technology in. Sort of the way Microsoft did way back when, they knew software would come up, there would be a new WordPerfect package, then they created Word. There was a Lotus 123 and then they created Excel. They brought them all in to Microsoft and that was how it worked. Well, now you've got bitcoin, it's kind of the Microsoft. And as these new technologies evolve they will be brought in to be a part of bitcoin. There's a lightning network now and that speeding up bitcoin and now it makes it so that you can make really fast trades in bitcoin. And so that problem was solved and so there will be other problems and they will be solved by some entrepreneur or within the chain, within the bitcoin blockchain, and then they'll be added to it.

And so that's my expectation for how we evolve. The big change though is going to happen in governments because governments have to compete for us and that is going to change everything. They now realize, they don't have this stranglehold over us because they own the currency and so now they've got to think in terms of how do I serve my people.

Government service is a word we haven't really heard for many, many years, but 20 years ago I remember hearing bureaucrats saying how can I improve your life, how do I improve your business, how do I make your household better, how to improve your children's education, what can I do for you? That's what local governments used to do for us. Now it doesn't feel that way, it feels like they come to us and they say, have you filled out the form, have you gone through TSA, have you ... All these things that make you feel like you're at the mercy, like you're a prisoner of this government.

And as I mentioned recently, free governments create prosperity and wealth, so they create wealthy countries. The US has been free for many, many years and has become the wealthiest country in the world, whereas controlling governments, those that have too many regulations, who beat down their citizens, they become poor.

Kelley: That's a good point.

Tim: And we have a country in the US that is trying to delicately balance the fact that they've got too much bureaucracy, too much regulation, but they're trying to encourage innovation and eventually they're going to have to realize hey, where in competition, we got a deregulate, we've got to make it more free here. Because they're going to watch

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# TALK

as China, who came down very hard on bitcoin, lost all their best bitcoin entrepreneurs. They all went to Japan or Hong Kong or to the US or somewhere else.

And Japan by saying hey, bitcoin's a national currency, attracted all those people. So they became a magnet for the best and brightest entrepreneurs of the world. And in these little countries, Gibraltar, Estonia and Singapore and Cayman, they're all saying, hey, here's an interesting opportunity. We'll make bitcoin a part of our world. Puerto Rico, I'm not sure if it's a country or state or whatever it is, occupied territory-

Kelley: It's a good place to have a lot of crypto wealth because of taxation reasons.

Tim: Right. So they're all saying hey, come to us. We will do a better job for you. And I think the US has to do that and I think China, if they don't want- they're going to start backsliding, this is going to look really bad. They have a huge debt, they have an economy that's counting on an incredibly large growth rate. And their growth rates going to just stop, I mean, this is the biggest growth engine. Bitcoin, the blockchain is the biggest growth engine we've got in the world today. We had the Internet and that increased our world in incredible ways. The US benefited hugely by going hands-off on the Internet and they would benefit hugely if they continue to stay hands-off on bitcoin and the ICO's in the blockchain.

And China's blocking it off and they're basically taking a growth, a major growth engine, and they're cutting it off. Big mistake.

Kelley: My last questions going to be around the market today. I heard you say about this time last year that we are experiencing this major shift where everything's moving to tokenization and you were dead on, in terms of the rise of ICO's, which I personally did not see coming, in terms of these infinite growth that was happening, you know Bancor was last, I think May, and then Tezos was this summer and you also had it, some early investments in some key infrastructure plays like Coinbase and Ledger. Now, what is it that you look for or what advice would you give to people who are like, oh my goodness, there's all of these ICO's, what do I do, where do I look, what should I be looking for. I know, obviously, as a venture capitalist there's probably certain things that you have been looking for for many years but what is it that you would give advice to to sort of anybody who was curious how to enter the market. Would it be-

Tim: Well, I think entering the market, the best way to enter the market is probably just start-set up a Coin Base account, buy some bitcoin, just see how it goes. And then maybe, if you run into a coin where you say that's a movement I want to get behind, let's say you're into the woman's movement and suddenly there is a woman's coin. You say, hey, that's of movement I want to get behind and it will be a big economy, maybe you should start that one.

It'll be a big economy and it'll be a movement and that will be a network of great power, so then we say well, that's one I want to get behind. I wouldn't do it based on oh, this is

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# TALK

a cool name or hey, this is a- I would do it based on if you, well if you get a chance, to meet the entrepreneurs behind it. That's really valuable. We get the benefit of that, we see 30 of these a week.

And then-

Kelley: 30 a week that you take meetings with but probably 100's more that are trying to-

Tim: Oh yeah, a lot more that come, right. Well no, not quite that many that we meet with, I think 30 a week that have real plans with real white paper and the whole- but I think if you're going to get involved then the two things you need are, you need a Coin Base account and it's tied to your bank account and then you can buy and sell and do whatever you want. And then for the smaller crypto currencies you need a ledger, you need one of these little USB ports that keeps your currency safe. And then you put that into a safe place. It's interesting, your ledger, my ledger is much safer than the money I've got in a bank account. And my Coin Base money is much safer than the money I've got in a bank account.

Because the banks are getting hacked like crazy right now. And they're doing everything they can to try to keep back, it's whack a mole for them. And so they're doing what they can to make sure it's a stable economy going through them. But it's a lot more stable in the bitcoin economy because that has not been hacked, knock on wood, and it is the best and most secure way to store your money. For store of value there is no better system than bitcoin. I guess you could buy a bunch of gold and try to keep it in some vat somewhere safe, I don't know what you do with gold. But with bitcoin you can keep it all in a ledger or on in a coinbase account or wherever and it's secure.

Kelley: Well, Coinbase, I wouldn't necessarily recommend leaving large amounts on their, like it's better to move it from there to, in case-

Tim: Well, they have a vault.

Kelley: Right, that's right. I think they insure-

Tim: The vault is dead secure.

Kelley: They insure up to \$200,000 or something like that.

Tim: Oh, it's a dead secure vault, yeah.

Kelley: Yeah, good point. Well thank you so much for having this conversation I have a million more questions I could ask so I really appreciate picking your brain.

Tim: Yeah, I think you got one or two in there edgewise.

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Kelley: Thank you so much, I really appreciate it.

Tim: Thank you, okay.

Kelley: That's all for today's episode of Crypto Token Talk. To learn more about blockchain and keep up to date with this fast-paced industry, subscribe at [CryptoTokenTalk.io](https://cryptotokentalk.io), where you can also find today's show notes. If you have suggestions for topics or guests that you'd like to hear from, please drop me a line on Twitter [@CryptoKelley](https://twitter.com/CryptoKelley). If you enjoyed the show, please rate and review it on iTunes and share it with family, friends, and colleagues who want to stay up-to-date on how blockchain technology is changing the world. Thanks for listening.

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