Drew Armstrong & Trace Mayer Fireside Chat | March 21, 2025

Thomas Pacchia: Very special guest tonight. This is who I sent my father videos when I wanted to get into Bitcoin. I wanted other people to be excited about Bitcoin. I was like, this guy gets it. And it's just like, I also think this guy's, I think both of you are crazy. But it actually did help, but we made some serious headway. This is a very special day. Thank you so much for being here, Trace. And also everybody knows Drew Armstrong. He's gonna be leading the Fireside Chat here. Please remember, this is a tavern chat. So if we use a term of art that you don't quite understand, raise your hand, interject, like, you know, interrupt politely, whatever. But, you know, let's make this a little bit more of a conversation with the room. Tip your bartenders. Thank you so much for being here “Let's kick it off.

Drew Armstrong: Awesome. Well, yeah, thanks. I kind of want, I need to echo what Thomas said because it is a real treat to be able to chat with you, especially because, you know, when I was first getting into Bitcoin, as a self-loathing investment banker working in Times Square, listening to Bitcoin podcasts whenever I could, I remember listening to, you know, you on TFTC. I remember listening to the whole cadre of Bitcoin influencers at the time, talking about the the Mayer multiple and such. And so it's just amazing to have you here. And I think it's going to be really interesting to talk about both the, you know, as we were talking about earlier, the past, present and future of Bitcoin, because, you know, I think there was a time when you were extremely active, you took a little time away. And I think I, for one, would be fascinated to hear your views on some of the really big things that have happened, I think, since you did your last Bitcoin Knowledge podcast episode in 2020. But I guess maybe just to start, for those of you maybe who weren't, you know, “glued to Bitcoin Twitter in 2017, 2018 or earlier, could you just give some background on yourself? And what brought you to Bitcoin?

Trace Mayer: Yeah, so in high school, I played a bunch of the online games. And we had digital currencies like silver coins, the monsters that drop it. And eGold was also kind of a thing. And so, you know, PGV encryption, LimeWire, Kazaa, Napster, like got a bunch of practical experience with like digital currency and information technology. But it's really in law school, where I wrote a scholarly paper on the history of money in American law. And there, I was able to get this political-philosophical foundation of the role of sound money and the importance of that. And it's a 60-page scholarly paper. Then I studied, well, I graduated from school, launched runtogold.com in January 2008, and wrote about sound money, monetary sovereignty, like monetary science. And while I was doing that, studying very intensely the Austrian School of Economics. So Mises, Rothbard, all that stuff. So when I ran into Bitcoin, I had done all the work to then have the foundation to connect the dots of where I could see it going. And so, and you know, I also, when the time was right with my runtogold blog, it was like, well, you know, gold is sound money and a monetary sovereignty instrument. Bitcoin looks like it could become one. Maybe I'll talk about that, too. Specifically, going after two different target markets, the gold bugs, you know, because they're reading my blog, right? And they should understand sound money, but you would, you wouldn't even believe how hard it was to like have rational conversations with the gold bugs. Like it's not tangible. And I actually wrote an article where we looked at the etymology of the word tangible. And it comes from a mathematical term, tangent, which means to kiss, but it's really connotes more reality than corporeality. And so I explained that in the in the article. And next thing you know, like the gold bugs, like kind of get it and it clicks. And then the other group, the Libertarians, they're just kind of crazy. And so, you know, and I'm one of them. So I'll tell those guys. And I was looking at my email actually the other day, like I have an email with Lou Rockwell in 2012. And, you know, it's the same like trying to get it across. It just wasn't happening. So it's nice to see how far it's gone with all of that. And now, you know, I guess to your question about like the last five years, I think it's 2015, I gave an impromptu talk here in New York at a Crypsa event. And the organizer was running around trying to find Andreas Antonopoulos, if you know him, and he couldn't find him. So I was like sitting in the audience waiting to hear Andreas. He's like, can you come say something? I'm like, we can't find Andreas. And I was like, I guess so. So I get up and give an hour long, like impromptu talk about the seven network effects of Bitcoin. And because this is like, I have a different, I just had a different viewpoint of how this industry would grow and develop and where the value might accrete than other people. Like Barry Silbert, you know, we had a discussion of $5 Bitcoin. And, you know, he's thinking we need to invest in all these startup companies. And I'm kind of thinking I want to own the underlying asset and build the startup companies kind of as these network effects grow. Speculation, merchants, consumers, miners, developers, which would include like not just software dev, but legal code and regulators and accountants. And then financialization network effect. And then you get World Reserve Settlement Currency is kind of the seventh. And so, you know, we're 2020, March of 2020, CME launched Bitcoin Options. And that's where this financialization network effect really starts to kick in. Right. And so that's, you know, what I've been focused on the last five years. You know, the the speculation network effect, what I do to build that one, funded Armory, you know, at one point in time, Armory custody at least what we knew from people who came inbound on customer service requests, about half of all the Bitcoin in existence. You know, so it was fundamental custody software for the exchanges. And there we innovated the whole concept of cold storage. We innovated hierarchical deterministic wallets that then later could become seed phrases, you know. So, I mean, before that, your software would just generate 100 random private keys. And it's not like N plus 1, N plus 2, N plus 3. I mean, they're just all random. So, if you're getting a change address, like, you're not backed up after you've gone through 100 of them, right? And, you know, you might be able to mine a whole bunch of stuff, like, every day on your laptop that are going to coinbases. So, you know, I thought it was important, at least for me, if I'm going to speculate on it, I want to have custody software to do that. And then, Pamir, over at Hummingbird, we co-led the Series A for Kraken in, like, into 2013, so help Kraken become a thing. And if you're going to speculate on something, you've got to have an exchange to speculate on it. You know, so we're building out that first network effect. And then, you know, there's an investment into Bitpay, the merchant processor. So merchants, like, thought it was a good idea at the time to help build out this network effect. But, you know, there wasn't a lot of actual activity. And it was just a hard, hard go to try and get merchants to accept it and everything. But they gave it a good shot. And if merchants have it, then consumers will use it because merchants have it. Really, you know, the person who helped build out the merchant and consumer network effects was Ross Albert. So he paid a price for that. I went to, like, all three weeks of this trial here in New York. That was incredibly interesting. And yeah, so we build out, then we get the miners. You know, I did a lot in that kind of in that space that I haven't talked about, but, you know, getting our kind of starting the ASICs wars and stuff, kickstarting that. And then developers and financialization. And so that's really where we're at now. Hey, Jonathan, long time no see. Good to see you. So now we're in this, like, financialization network effect. 2020 March, CME launches Bitcoin Options. And, like, you know, I started trading them. And previously I had been trading on LedgerX, which was CFTC-regulated, physically settled Bitcoin Options. And I think I saw, yeah, saw Juthica here. She founded LedgerX. So she went to battle with the CFTC to get those federal licenses. First company to do that.

Drew Armstrong: Also, I think maybe the most underrated follow on Bitcoin Twitter personally, as maybe one of my top five favorite accounts for the last seven years now. But yeah, definitely LedgerX was way ahead of its time, I think, in that respect.

Trace Mayer: Yeah, the brain part of Pinky and the Brain. Smart as a... sharp as a razor blade. So yeah, we... and we've... as we've seen this financialization network, in fact, get built out, like the derivative markets are a lot deeper. We got... well, first we had futures ETF, then we had... now we have the physical ETFs. We have like BITX, the 2X Bitcoin Volatility Fund. Man, just like all the human capital that's coming in, that's so professional, like we're in town for this digital asset conference or like without the institutional players. And it's just, man, just seeing the players here. It's like Bank of New York, Mellon has a booth, like where these guys come from. They're gonna custody magic internet money. That's gonna be fun. And we actually have solutions for all this stuff. We got $1.75 trillion market cap now. And we're on the cusp of this seventh network effect of like a world reserve, like a treasury reserve asset, like gold. And yeah, and then that's kind of Bitcoin's destiny that I've kind of seen the whole time. You know, since I publicly started talking about it at $0.25, like less than a $2 million market cap, now we're at $1.75 trillion, and it's becoming a real thing, you know, and we got nation states involved, like El Salvador, and China holds a couple hundred thousand, US holds a couple hundred thousand, Germany sold all theirs, you know. Whoops.

Drew Armstrong: Wouldn't be the first bad decision Germany's made.

Trace Mayer: Well, and it makes you wonder, like, I did a conference in Europe with Charlie Shrimp, if you remember Charlie, and we were in Europe, and one of the guys from the Bundesbank was there, this is probably like 2014, and we were making some type of conversation, and I was like, well, we both know why you can't do that. He was like, why? And I was like, because you're occupied. So maybe Germany, maybe BlackRock, like as President Trump, hey, like tell Germany they got to sell their Bitcoin or something. Who knows, right? But but this is, you know, he who has the gold makes the rules, like gold used to be the highest stock to flow asset on the planet. Now Bitcoin is. And so, you know, the Bitcoiners are we're really coming into our own now. And if you think like MAGA is a political movement, like the Bitcoiners are supercharged, a totally different level. And we've been picked on. Operation Choke Point, I funded Custodia Bank, you know, been.

Drew Armstrong: Shout out Caitlin Long.

Trace Mayer: Yeah, been been Caitlin's mentor since like 2013. You know, they ran her out of Morgan Stanley. And I was yesterday, I was at like Morgan Stanley's headquarters, and they're like treating us to lunch and trying to get us to bring business. And, you know, wow, how times have changed. Like we used to be persona non grata, like Operation Choke Point, and like, you know, now it's kind of completely flipped. So, you know, if we're if we're able to just like build without being persecuted, like just leave us alone and let us do our thing, like imagine what we can accomplish. And then it's like actually like pouring additional fuel onto onto us with, you know, positive remarks like Trump. Trump decided he's going to talk at this institutional conference tomorrow at 1040. He's going to like virtually come in, give a little talk. Why? Probably because he's thrown our industry a bone. We were half of all the political donations in 2024. So like he feels he's got to throw us a bone. And it's 84K, not 109K. So better go give him a bone or something. So, I mean, this is I guess becoming a real thing now on the global stage.

Drew Armstrong: No, absolutely. It does feel like we've entered a completely new phase in the chat where we are talking, it's normal and well within the Overton window for any nation state to talk about having a Bitcoin strategy or buying Bitcoin. And this is something I personally would scarcely have imagined when I was first getting into Bitcoin listening to you on podcast, listening to I think actually it was American HODL was the first person I heard relaying the seven network effects of Bitcoin on a podcast. But I guess, but before we get too much into sort of the present and future, this is a really basic question, but I feel like it is important for many people in the room like myself who weren't involved or even really aware of Bitcoin when it was 25 cents. You know, one, what was Bitcoin like in those early nascent days? And then two, it might also be interesting to hear you talk about like the exact moment where it really clicked for you, because many of the gold bugs understandably are really drawn to the allure and the mysticism of gold. They're really kind of gold mystics in a way. They love some of these, you know, chemical properties that it has. The fact that it is, you know, has been used by so many different civilizations over the course of human history around the world. I guess, yeah, what was really the turning point moment for you? How quickly did you come to it? And then just what was that entire ecosystem like at that early stage?

Trace Mayer: Yeah, I mean, gold's definitely got metaphysical properties to it. You start holding something in your hand, and, ooh, I like that stuff.

Drew Armstrong: And then even though there's some of the historical lore about, you know, generals dropping gold coins into cups of water for some of its disinfectant properties, it certainly, I mean, many of the properties do seem, perhaps, divinely endowed.

Trace Mayer: Well, it's the sweat of the sun, right? The ancient medal of kings. And wow, I mean, and most people, like, haven't necessarily even held any of it. But like, you know, and there's one thing holding, like, one coin, but like, you know, hold, like, 20 pounds of it in your hand. See how that feels? It's really heavy. And so, like, gold is gold is this mean of gargantuan size. I mean, like, six times the market cap of Bitcoin, 20 times the daily emission. You know, so, like, Bitcoin is to gold, what Dogecoin is to Bitcoin. I mean, the sheer size of the economic mass of it, right? And, you know, we'll read about these HODL waves, and it's like, oh, long-term Bitcoin holders, like, 155 days. I mean, it's like, how about 1,500 days? Like, you know, I mean, you got, you start talking about some of the holders of gold, it's like decades. You start counting into decades. I mean, US government, you know, like, do we still have the gold in Fort Knox that was put there 50 years ago? Like, how long of those UTXOs not moved? And then you've got, you know, so with, you know, it comes out of that experience, you know, I'm sending the digital currency, these silver coins, like in this game, and I'm trying to get like a check from Australia or wherever the people are at that are playing the game with me. And so, you know, I'm learning, like I learned all these lessons there. I learned lessons with inflation. I learned lessons with scarcity, how human action worked, like what people began to value is like the inflation happened. You know, they started seeking the rare collectibles in the game or whatever. And so, you know, with Bitcoin, it became like it almost clicked instantly for me. Like it just like I had to refine my thinking, you know, because I because I knew like, oh man, this is like this is really cool. I can transfer value so quickly. I had to refine my thinking as I thought about it, you know, how how this is going to unfold, you know, in terms of kind of the strategic and the theoretical way. And we haven't, this is the first time in human history we've found something like this. You know, we like gold, gold had to evolve to become the most saleable good. And then, you know, it had that liquidity to transfer value over time or distance. And usually there's always two commodities that are doing that, salt and cattle or gold and silver or whatever. But like Bitcoin, you know, it's cash with wings, you're transferring it over the communications channel. And it's also the first time where the transmission of it is also intimately linked with the unit itself. You know, like we have wire transfers because, you know, we're using the telecommunications innovations to perform this, like transfer the value over distance, right? With like wired telegraphs and like that's where that all came from. And before that, it was like notes and gold certificates and things. So, but with Bitcoin, like the transmission is how the unit itself is like melted down and recast into new UTXOs. And like, I mean, 10 years ago, well, 10 years ago, I did the week with Adam Back. I did the week with Safedy and probably like 6 years ago. And we talked in there, we talked about how basically your cost to run a full node is drastically lower with Bitcoin as opposed to with gold. So, you know, I had all this experience with GATA, the Gold Antitrust Action Committee, been a consultant with them, helped them accept Bitcoin in like 2011, 2008, you know, they re-publishing some of my work on gold stuff. I had honed in on their beacon, you know, well earlier than that, a couple years earlier, like 2006 probably. And they're, you know, they're basically like exposing and bringing all the evidence of the gold price suppression scheme being run by central banks. And Alan Greenspan testified twice before Congress that central banks, plural, stand ready to lease gold in increasing quantities should the price rise.

So they're clearing gold in the vault and gold out on loan is the same line item and, in effect, they're reporting cash and cash for accounts receivable is the same thing. We know that they're not the same thing. You either have the gold coin in your hand or you have a piece of paper that says that somebody owes you a gold coin, but they're not the same thing. And, you know, when they when they've drained their physical gold and sold it in the market and then it's been like bought by the housewife in India and turned into jewelry, like you're not getting that gold back at the same price, you know. So now, and yet a lot of this activity is able to take place because like it's so expensive to run a gold full note. Like you got to have a refinery that's like LBMA, like in the LBMA chain and everything, and you got to mount down the bar and recast, or you got to ultrasound test it to make sure it's not tungsten or something, like it's just very costly. We do it for 75 cents with Bitcoin. I think we kind of take it for granted. We're assaying the quantity and the quality of the asset to 100% confidence certainty for 75 cents, and we're transmitting it across distance. Like that, and we get to do that on a laptop with open-source software, a general purpose laptop, open-source software, where we hold the keys of the custody of it if we want for 75 cents. Like just what that does in terms of lowering the cost of acquiring monetary sovereignty is huge, right? And yet, gold was how we acquired monetary sovereignty before. Like that was the best option to do that, and had the highest stock-to-flow ratio. That's why it acquired that monetary premium. And so now with Bitcoin, we're able to acquire it just as much lower cost. And that, I think, coupled with the lessons we learned from GATA, we're going to see how the financial system attacked gold, and how they're going to be able to try and attack it in this sixth network effect. And that's, we should be on guard to that and understand what they're going to be doing and their tactics and just anticipate it and take advantage of it. They're like, okay, you guys are going to do that? Okay, well, this is our counter move.

Drew Armstrong: No, absolutely, and I think it's one, just as an aside, it's interesting here talking about, when you spoke with, say, Adam Back over a decade ago, talking about Saifedean, the fact that, I mean, Adam Back was around at this point, but folks like Saifedean or Pierre Richard, who's done a lot of great research, particularly around how maybe some other crypto currencies do not have the same ability to, say, verify the money supplier, verify the quality asset in the same way that you can with Bitcoin, with just any Raspberry Pi or general purpose hardware. It's interesting that a lot of these real leaders in Bitcoin and people who have onboarded, many of the folks in this room, like myself included, they were not around, there was not the same amount of literature when you were first getting into to Bitcoin, there weren't a dozen or several hundred too many Bitcoin podcasts to go listen to back then.

Trace Mayer: Look, somebody had to create the literature.Someone had to create the literature. You're looking at him.

Drew Armstrong: Exactly, correct.

Trace Mayer: And so many people have built on that work of yours in that time since. And that's how we progress. We stand on the shoulders of giants. I mean, I'm standing on the shoulders of Isaac Newton and Guta and Swedenborg and these monetary scientists that, Isaac Newton developed the gold standard. And then Swedenborg was in the royal court and he wrote a paper on inflation. And he talked about how it has to do with the very highest things with which we are entrusted. When it comes to organizing society in the civil plane, like the money is the very highest thing with which we're entrusted. Then you have Guta writing about the negative effects of society when you corrupt the monetary system. And then all the work that the GATA guys did. And then Diffie Hellman and all the work that went into creating Bitcoin. I mean, this is civilization, right? Like we all are sharing and benefiting and hopefully contributing something to the world in a positive way.

Drew Armstrong: No, absolutely. And the people that I feel like in particular maybe come out to you, I think about some of the Nakamoto Institute literature, which is just again, canonical. And especially keeping in mind that sort of like sound money perspective, because I think, you know, and moving into maybe some of the more recent developments, which would be great to hear your opinion and takes on. But it seems like there was certainly a time where Bitcoin felt very much dominated by sort of like an Austrian school, libertarian, a sound money focus. And I think, you know, we've certainly seen new narratives come into the forefront. Perhaps could be summed up as just sort of number go up maxis, maybe as opposed to, in some respects, you know, true sound money advocates and folks who really think that, see the cultural importance of sound money as well and how it affects all of society. I think maybe one of the biggest developments, which was talked about at least for over a decade, and when the first, I think the Winklevi first came out with the proposed Bitcoin ETF. But obviously, you know, we saw the Bitcoin ETF finally come to fruition last year, and you know, we quickly went from Bitcoin ETF, you know, the boomerang to all of a sudden having, you know, nation state or the United States government, even talking about buying Bitcoin themselves, which is something, you know, I had always assumed that there would be perhaps a more adversarial relationship between, you know, the government and Bitcoin once Bitcoin got to this scale. But it's very interesting to see that that quick turn. So I guess maybe just to toss it back to you, seeing the Bitcoin ETF, you know, what was your reaction when you, you know, you saw the Bitcoin ETF? What are your thoughts now thinking about strategic Bitcoin reserve? You know, how do you think about these most recent developments in line of, you know, that real value you see of Bitcoin is sort of a sound money that can help maybe fix the world in some respects.

Trace Mayer: Yeah, so it's, you know, the, the fourth turning that we're in, like we're going through a great gate in history and like there, there were two totally different timelines between Trump and Harris, you know, and, and anybody who's dealt with the Harris administration and Operation Chokepoint 2.0, like, I mean, it's been brutal, absolutely brutal to deal with that. And so, you know, but politics changed, you know, and, and how many governments and fiat currencies that are in the fiat currency graveyard, like gold's outlasted them all. Like gold's been around a long time and it's never become worthless because it's equity based. And so, you know, individuals, we, we live in this like day and month timeline, right? But there are institutions that live on the like, the the year and the decade timeline, and maybe even the decade and the century timeline. Like look at the Catholic Church, 2,000 years old, right? Like they have seen a whole bunch of change. And I mean, the US government's stepping into this new era of legitimacy with the 250 year anniversary, like to be around 250 years, like that's a and still be a thing, right? Like, I mean, that's like a new era of legitimacy. And so we're going through this new great gate in history. And, you know, Bitcoin's 16 years old. Like, that's that's nothing. I mean, I have gold UTXOs that are older than that. I mean, when you think about it, it's like it's crazy. Like, 100 years out, 200 years out. You know, where is America going to be at 500 year anniversary? And, you know, if we've got monetary premia and stock to flow and like liquidity and the network effects and strategic Bitcoin reserve, like, you know, I mean, like, who knows, like, maybe, and maybe Bitcoin will outlast Europe or the European Union, or maybe it will outlast, like, the Chinese Communist Party, or maybe it will outlast, like, the US government. I mean, it's equity-based, it's nobody's liability, it's pure proof of work. Like, you know, like, we have such a myopic view, probably because a lot of us don't study history in that type of a way. I mean, studying the law, that's all you're doing. You're just studying history, and you're studying stories where people have disputes. And like, one of my, one of the cases in property law, that like, they're chasing this fox in 1804, and this other guy, like, jumps out at the last minute and kills the fox. So it's Pearson v. Post. Well, you know, that gets analogized to, like, oil and gas and mineral rights. And next thing you know, 200 years later, like, we just have a different way of viewing the law than, like, Kuwait does, and then Iraq does. And, you know, Iraq thinks that they can just deal, drill diagonally underground and, like, get the oil, or Kuwait does, and, like, it upsets Iraq, because the oil is under Iraq's ground. But, like, our case law, from this case about the fox, says that whoever, like, brings the oil under its dominion or control owns it. You know, so we're, you know, we, it's, we have such a short time horizon on stuff. Like, where’s our time preference? Especially as an industry. You know, we want this number to go up, like, tomorrow. It's like, it's going to get there. Like, in a lot of ways, it might already be a foregone conclusion. Like, like we might have already won. And so then it's like, okay, it's going to get there. And, and yeah, we have things to do on our way, but it's just a mopping up operation. And so then it's like, well, what are, like, what are we going to do individually as a result of our new kind of station in life? Because think about, think about who had the UTX, the gold UTXOs, when it was the hardest asset on the planet. And what was the ethos kind of embedded in gold as a result of who held those UTXOs? And we can kind of look at Bitcoin a similar way, like who holds the Bitcoin UTXOs? And what type of an ethos is kind of imbued into Bitcoin as a result of that? Like what are the values of those holders? And then what are they going to actualize into the world as a result of now being like in that station? Because it’s like, well, how many of the UTXOs? And you kind of look at the planet and your rank, like who's got the sound money and how much of it? And like, you know, we got crabs and dolphins and whales, you know, and like all the different kinds of ranks. And it's, you know, Duke, Prince or whatever, like, and what are you going to do with it? You know, and he has the gold makes the rules, but gold is not the hardest asset anymore, like Bitcoin is. So what are we going to make out of the world as a result of this? It's kind of the question, you know, and so when we look at the future of Bitcoin and we look at the future of the planet, in a lot of ways, it's what, like, the Bitcoin holders want to make out of it. Like, that's what the future is going to be.

Drew Armstrong: Well, I think it's so important that you brought up, I think, time preference as a concept, because I think that is something that, you know, it could just be what the slop that the algo is serving most people these days on Twitter, or various other platforms. But I think time preference is something that you don't hear about as much, I think, in the Bitcoin discourse, as you did back in, you know, certainly like the pre-COVID era. And I think this time preference in particular, thinking about some of these recent developments, would say the ETF, people were quite upset or quite surprised, why is Bitcoin, why are we not at 100K immediately? You know, because we have the ETF now. I thought Larry Fink was going to buy it all and it was going to go up. And then, you know, much in the same way, similar reaction to, you know, some of these strategic Bitcoin reserve announcements. You know, Alex Thorne was talking upstairs about how there was, you know, a lot of froth just like anticipating these announcements. Now the announcements are here, and sort of, you know, and now what moment? But I think you are right that there is sort of a, there is, maybe I don't want to go so far as to say an ethical imperative, but, you know, if Bitcoin continues to go up, there is sort of the question of like, you know, and then what? Because if it was, as you were talking about with Thomas earlier upstairs, if it really was just about, you know, making a fuck ton of money and getting quite rich, then perhaps once you hit to that point, there won't be a very satisfying outcome for you personally. But, and not to, I don't bring this next question up to juxtapose to this discussion of ethics and Bitcoin and the good life. But comparing to maybe one of the other really shocking, or not maybe shocking developments, maybe it was an inevitable development. In 2020 when Michael Saylor decided to buy Bitcoin with some of the cash that he had on balance sheet, I think that's been another really dominant narrative for these last few years, especially in the last year where we've seen many a copycat come in and try to implement similar strategies, whether that's a meta planet, which is a publicly traded company out in Japan that was actually the best performing equity in the world last year, or you're seeing companies like Similar Scientific, many companies just raising capital to buy Bitcoin. What is your take or a view on this whole new development, whether MSTR in particular, or this Bitcoin accumulation strategy for corporates in general?

Trace Mayer: Yeah, that's a complicated one. And I think there's two sides of the case that I think I could make. Like one side of the case is, you know, dollars were reserved currency, gold is probably number two, like what's number three? And when you look at like search engine results, if you're the first result, you get like 55% of the market, right? And like the second result gets 25%, the third result gets, you know, and then the rest of all the results through like page 10,000, get like 5% of all the clicks. Well, Bitcoin is the only thing that is kind of maybe number three in that. And then maybe you got the euro and the yuan, but they don't have like a real long-term like global reserve currency type of, I mean, Europe is in a real mess and China is just not feasible. If anybody could go to like a gold backed or like a gold standard, it would be Russia because of their balance sheet, but like they're in demographic decline and nobody likes them because they're running around starting bushfires. So, you know, if we've got the world reserve currency as America and then we have all the physical gold and we have a bunch of Bitcoin with our citizens and it's seeded out on balance sheets, you know, through this Bitcoin strategy idea, like we're on the top three search results. There's 85% of the traffic or 90% of the traffic. So, you know, it's just a way to dominate, like any of the potential monetary paths that the world could take. So that's one side of the case, right? It's like, oh, well, you know, it's great to get Bitcoin seeded into all these areas, whether it's like, you know, BlackRock putting it into model portfolios, $150 billion, 1 to 2 percent. They made that announcement, whether it's seeding it on with things like MicroStrategy. Now, the other side of the case would be, like, I think Saylor and I just take a different approach to capital allocation. I look at the investing force, and there's a light side of the force, and there's a dark side of the force. The light side of the force would be equity-based, cash-flow-based, no leverage. You know, it's very slow, it’s very boring. Dark side of the force. You're perhaps taking on debt. You're banking on a capital gain, as opposed to just kind of cash flow that's coming in. You're applying leverage. You know, you're, like, zero down on the house or whatever. Like, you can accomplish a lot in a very short period of time with the dark side of the force, but you can take your light saver and, like, lop off your arms and legs and not even realize that you just got margin called on everything, right? Like, it's very hard to get yourself margined. When you're operating purely on light side of the force principles, it's, like, you can stay solvent longer than the market can stay irrational because you can never get margin called because you own the thing because it's equity based, right? And then there'd be, like, negative cash flow. And that's one of the great things with Bitcoin. Like, even with gold, you might have to pay storage fees on stuff. But with Bitcoin, you can just custody yourself. And so you don't even have storage fees to hold this asset. So it's like, I can just hold this thing as long as I want. And so these are just two different philosophies towards approaching capital allocation. Now, I kind of like these kind of principles of the provident living, you know, with Shakespeare told us, neither borrower nor lender be. So I don't want to borrow any money from anybody. And I don't want to really lend it to anybody. And if I lend it, maybe I'll lend it overnight and have super good parental guarantees with like the parent companies or whatever, which is nice. You know, we can we can win Bitcoin and make a few percent or whatever. But there's always a risk that they're not going to give it back to you. And then, you know, there might be other yield strategies in the financialization, like selling covered calls or selling puts. Or like you could sell naked calls. There's a bunch of dark side of the force to operate on. And so, you know, but so I personally, I like, you know, I generate yield on some of my on some of my position by selling vol both puts and calls, you know, because you accumulate the USD and that kind of gets to this speculation network effect, like there's always going to be exchange ratios between Bitcoin and other assets. And when we have those exchange ratios, like sometimes Bitcoin is going to be overvalued, and sometimes it's going to be undervalued. And so how do you like assess that? And for me, I like to use the Mayer Multiple, which takes the current price divided by the 200 day moving average. And so that weeds out the dollar sign, and you just get a relative price. And then I can plot that over time and come up with standard deviation bands. And so I could look and see like, oh, Bitcoin relative to Apple stock, like the Apple stock is in the third standard deviation on the ultra cheap side. And so then, oh, I take the USD that I've earned from repo or earned from selling covered calls, and I'd sell Apple puts. And they'd probably expire worthless, and then I have more USD, right? Because Apple is probably going to go back up if it's at that very outside band on the relative price. So these are things that we have to do. And so, yeah, you might have a fundamental thesis that you want to acquire this scarcest asset, and you might even be right on the thesis that it's going to go to this particular place. But just like any other asset, it may be overvalued, it might be undervalued. And what can you do with like what type of productive capacity does it have? Or are you buying it simply for capital gains purposes, which is dark side of the force? You buy a piece of farmland, and I have some farmland, and I get a rent check like every year from the farmland. It's tripling at least to the farmer, and I'll get that rent check indefinitely. Now, does that mean that the farmland relative to the Bitcoin, like, yeah, the Bitcoin might outperform the farmland? It depends when you buy it, because you make money when you buy, and so not when you sell. So you like, and this is where I think Saylor might find himself in an interesting quandary. Well, okay, now he's got a big giant stack of Bitcoin, but he can't really generate any type of yield off it without completely smashing the market, because you bring that type of supply. I mean, like we have 25,000 Bitcoins in any given option expiry. So he could sell options on 5% of his stack, and his investors would probably be upset if he gets called out on them. So he can't, like when you own an underlying, you also own volatility on the underlying. And that volatility is an asset in and of itself that is infinitely renewable, because you always get more vol and you always get more theta. You always get more days. And so, like, you know, if you're... As we move further into the financialization network effect, we're getting more savvy economic actors trading in Bitcoin. And so some of that, some of what may have gone into capital gains due to immaturity in the market and like all these kind of things that like prevented like price discovery in this more sophisticated way, like it might be, you know, cash flow might be where a lot of the gain is going to be like extracted. Right. And so, so as it becomes, we'll still have store value and it'll, it'll grind its way up. But in a lot of ways, we might be, you know, might be kind of like trench warfare as opposed to, you know, being able to have these like 48X returns in a cycle, right?

Drew Armstrong: Yeah, the sheet coin returns. Yeah.

Trace Mayer: Yeah. And, and, and that, and that all is because it's becoming a much more economically substantive asset, you know? And so 2020, it was 120 vol asset. Now it's a 50 vol asset and gold's an 18 vol asset. Like gold's not going anywhere. Like haven't gone anywhere. You know, that's part of what makes it so economically substantive and that ball comes down. And we have so many ways to like trade around with gold. You know, we got all these gold leases and swaps and puts and calls and it's integrated with financial system and the nation states hold it and the individuals hold it. And like, there's so many economic actors with it, right? And Bitcoin, like it was such an immature market at less than $2 million market cap. And there's no way to trade it. Like you're sending cash and envelopes around based on like Web of Trust and stuff. I mean, it's like crazy. And it runs to $1,300 in 2013 or whatever. Like you probably couldn't sell it even if you wanted to, because if you sold it and like move the money into your bank account, like your bank account is going to get closed. And that didn't stop until like Trump kind of came in, right? So like there's just been such an immaturity in the market. Now the market is just maturing in so many different ways. And one of those ways is like Bitcoiners have to figure out, what am I going to do with this asset of vol that's around my Bitcoin? And Saylor doesn't seem to really, seems to be just too large of a player to be able to monetize that in any type of a way, which makes me kind of think, is there just like an over, is it kind of like an over building of supply, like in a housing market bubble? Like is he just over built his supply? Like you got a bunch of supply and he can't rent any of it.

Drew Armstrong: Yeah, he's got way too much vol to know what to do with basically. And I guess-

Trace Mayer: Yeah, and the market can't really, the market is not really in a support coming in and he could come in with 5% of his stack and he would double the amount of options. And if he comes in with that type of a size, like the market makers are going to be looking at their chops. You know, so it's a, I like this very organic light side of the force way of growing and methodically like taking additional territory in a very incremental way, in almost a glacial way. But when that territory gets taken, like it never gets given back.

Drew Armstrong: Yeah, I think this is very much like an Austrian perspective on capital allocation, it seems. And you know, thinking about some of the folks who maybe tried to kind of reinvigorate some of these ideas in the current sort of fiat financial system. I think about Mark Spitznagel with his like Dao of Capital, which again, is all based on sort of these like Austrian, you know, economic views of sort of, you know, kind of growing gradually, you know, having time be on your side as opposed to taking on things like that that could cause risk of ruin. But it's interesting, your point around how MSTR, maybe the way they're approaching this implies some decay in their basically, their Bitcoin holdings, just because of, you know, say, whether it's an 8% or $8 coupon on a pref or things like this, it is interesting because at the same time, they are being valued at, you know, a NAV premium, which basically implies that the investors perhaps, if they really are focused on metrics that are now in style like Sats per share or things like this or Bitcoin holdings per share, which certainly is a new concept, I think, in the last few years. It seems people are betting that MSTR is going to acquire even more Bitcoin somehow and that this will sort of keep on going on forever. So I guess, you know, not to beat the dead horse too much, but like, what do you think when you're seeing kind of this weird synthesis of this like high time preference fiat financial system kind of being applied to Bitcoin as a whole? Does it make you even maybe more cautious about Bitcoin in more the short to medium term? Or how do you as a capital allocator really even consider dealing with those strange incentives coming into Bitcoin?

Trace Mayer: Yeah, I had the same problem in 2008, you know, like, so I actually, like with my financial statements, I had it in dollars, but also in gold ounces. Like, I've used that as a numeraire for, you know, 17 years now. And then as I get into Bitcoin, it's like, oh, I've now added a third numeraire for like the presentation currency of the financial statements. So there's dollars, there's gold, and there's bitcoins. And so, like, I want to be increasing, you know, net worth in all three of those. Like, numeraires. And this is where, you know, we're in this transition between fiat currency and whatever comes next. Is it gold? Is it bitcoin? Like, we don't necessarily know. But, like, you know, if those are the three things on the on the search results, I want to be increasing in all three of those. You know, otherwise, like, what are we doing? So, and we, you know, we don't really have, I don't think many people are looking at it that way. You know, sometimes, in Bitcoin, we look at it, well, one Bitcoin is one Bitcoin, and that's true. And one ounce of gold is one ounce of gold, and that's true. And, you know, in one dollar, there's no definition for that thing. But, you know, you still need more of them in order to pay taxes or whatever, right? So, like, it's a pragmatic, practical illusion that we're all kind of suffering under, and maybe it'll, but it seems to have been going on a lot longer than I thought it was going to go. But because of this kind of light side of the force approach or investment allocation philosophy, like, I don't have any problem with it, you know, because I just move along and I'm always acquiring all three of these and I'm not taking on any debt and I'm not going to get margin called. You know, if I'm selling like 10 delta, 45 DTE covered call option on Bitcoin and like it actually runs to that strike price, like, man, we're like well outside, like, probably a second standard deviation now. I can either roll that up and out so that if I do physically settle anything, it's going to be in, like, in a third standard deviation. But like, you know, the vast majority of the time, I mean, I'm like when I sell a call, you know, maybe three out of 50 are going to get in the money. And then when I roll them up and out, you know, it's maybe going to be one out of 20 that, that I'm going to physically settle without, you know, I roll it up and out and then it's going to expire worthless, because I sell puts too on the other side. So, you know, if they get so, but Saylor, from what I understand, he's not doing any of this. And so has he overbuilt like the Bitcoin stockpile on his balance sheet, especially if you have debt on there too. But, you know, he's got a good market to market gain on it. But I'm interested in stuff that you're able to just hold indefinitely. And that, you know, you can go to Hawaii for three weeks and not check anything and you don’t have to worry about anything.

Drew Armstrong: No, it's very true. No, certainly no margin calls. The thinking, looking forward then, kind of given what you're sort of discussing in terms of this new approach that many, it's not really new, I guess, you know, sort of folks taking on leverage or embracing the dark side of the force is sort of a tale as old as time in financial markets. But thinking about this, you know, financialization of Bitcoin, talking about, you know, BNY Mellon, having a booth at this conference, you know, that you were at today, thinking about the age of sort of sovereign wealth funds, you know, I'm sorry, strategic Bitcoin stockpiles, sovereign Bitcoin stockpiles. How do you see the next, call it 20 to 50 years for sort of the global reserve currency landscape shifting? Like, I mean, obviously, presumably, you think it's logical for nation states to hold Bitcoin and potentially treat that as a true reserve currency where they're perhaps settling transactions between central banks or any large transaction being settled in Bitcoin. But how do you sort of view this medium term outlook that we have really around just the dollar hegemony and Bitcoin is this new emerging asset that might compete with that?

Trace Mayer: Yeah, and so you're talking like 20 to 40 year time frame.

Drew Armstrong: 20 to 40 year, we're talking like sci-fi, you're retired at this point, so you won't be held accountable for these predictions.

Trace Mayer: I work harder than I ever have, but I find it intrinsically fulfilling and it's incredibly invigorating. So, our love is our life itself, and so our actions reflect what we really love, and so do our thoughts. And so, you know, if we're not engaged in some type of productive useful activities like that, you're going to have trouble, you're going to have a mid-life crisis or something. But yeah, so this 20 to 40 year outlook, I think the Trump win has been like a pivotal change in that. And, you know, with the ETFs seeding Bitcoin, with Trump apparently calling back all the physical gold, like draining Europe of their physical gold, you know, we could see, you know, another 20 years, 20, 30 years extension into the US dollars, the World Reserve Settlement Currency, maybe even longer because like freedom and the dignity of the individual and due process and like individual rights, these things that have made America great as a massive superpower, like, you know, it seems Europe might be turning away from some of that. And China, you know, never really had it. And so, you know, you have to have this freedom of speech and this freedom of the individual in order to be engaged in economic calculation. Otherwise, how are you going to allocate resources other than profit and loss? I mean, you're going to have to use some other system. And that means you're going to have violence injected in there somewhere, whether it's politically or with regulation or what not. And that's going to the voluntary transactions are going to decrease. People are going to have to find workarounds. It's going to basically result in a waste of capital. This is the economic calculation problem and why socialism fails. And so, you know, with. If America is turning towards, you know, freedom, that means they're going to be able to be a lot more economically productive and look at the GDP between Europe and the US over the last 20 years. Like, Europe is the same and America has grown, like, you know, now twice the size of the EU. So, you know, you play that out and we start, instead of subsidizing these poor choices. And what I mean by poor is these choices that lead to people becoming poor because they're not able to be engaged in the economic calculation, instead of subsidizing Europe's poor choices, instead we just slap tariffs on all their crap. And that just drives them further into like paying the cost of the consequences of their choices instead of Americans paying the cost of the consequences of their choices. I mean, my grandpas were at D-Day and Battle of the Bulge. Like, you know, they're free currently because they're free riding off of like my grandpa's like blood, sweat, and tears, right? And I don't think Americans are going to go save these Europeans this time around. Doesn't seem to be, you know, part of the Trump agenda. So and, you know, US is probably isn't going to go liberate the Chinese people from the Communist Party either. So but if we have that freedom, we're going to be this economic engine that's just generating huge amounts of wealth and and keeping it for, you know, the benefit of the American people. So I think that's, you know, and that's going to help strengthen our, you know, the dollar is going to have much longer term reign because of that. And then also, you know, if we're fostering the economic and the monetary innovation as opposed to engaging in the monetary repression, and that gives an alternative to like EU people, for example, using US dollar based stable coins. I mean, the EU is already squawking about it.

Oh, you're infringing, these stable coins, you're infringing on EU monetary sovereignty. Well, yeah, I mean, it's really nice to be able to have seniorage, especially seniorage of other people's, like other institutions people, right? So if we can be seeding US dollar stable coins into South America and into Europe and into like Chinese hands that are evading the Great Firewall, like because they're using Starlink or whatever, like this only helps strengthen the dollar. And if we have the productive capacity in the US because we have the economic and the freedom of speech and these other principles that enable that, like we own those top three search results. And so the dollar gets to have an extension in its life as the world reserve settlement currency, and any competitors, like they bump up against our two bodyguards of gold and Bitcoin. Gold because we're draining all the physical gold. So we have that ball work. We put that mode around our world reserve settlement currency, and then we put the Bitcoin mode around the gold mode. And so by seeding it into the hands of the individuals and onto the balance sheets of our companies and into portfolios like BlackRock is doing. So now it's, man, it's like, yeah, that US dollar could have a much longer life to it than if we are not engaged in the monetary innovation and we allow this like $36 trillion to continue snowballing. We don't cut the spinning and like the debt gets out of control and the interest, you know, like the dollar could have a much shorter time horizon. But you know, Trump's getting in, Trump's like just a totally different timeline than what we saw with the Harris regime.

Drew Armstrong: Totally. And I think before this Trump timeline, it seemed like we're heading very much into a world as described in The Sovereign Individual, where perhaps we were talking about individual city states in a return to sort of like medieval Europe in many respects from like a geopolitical standpoint. But you're right, it is a totally different landscape now. And I think one of the other interesting ironies that really has developed in the last like six years, obviously, Tether had been around for much longer, but it's perhaps, you know, really the two key innovations here, or the two biggest use cases and two biggest sources of product market fit are sort of Bitcoin as a store of value, and then stable coins basically dollarizing the world and exporting dollars to even more people that might have otherwise never really had access to it in the same way. I guess thinking about, just in particular with the potential 20 to 40 years of US dollar hegemony continuing, and given this new timeline, with Trump, are there any interesting tensions you think about kind of coming at this originally from like a libertarian point of view? Do you find there to be any tension with sort of this new timeline that we're on? And obviously this could be very good for the American people, could be very good for the world to continue to maintain the stability of like a dollar sort of global reserve currency system. Do you think there is any tension really that keeps you thinking between that and your libertarian background?

Trace Mayer: I mean, it's like the struggle for monetary sovereignty, which is essential for protection of property rights, which are our agency in the past, and then habeas corpus, our agency in the present, and our life interest, agency in the future. Like, yeah, you know, it's like there are things that we would like to have actualized in that tool. But, you know, sometimes we have to be pragmatic, and like I agree with Adam Back, you know, there are things that would be good to change, but like it's a really hard problem to solve. And so, and it might have been path dependent on how we got here. So, you know, some of those things probably aren't going to be realized. However, you know, what is encouraging is, you know, we've lived in this socialized, one-product, monetary repression regime where our latest innovation was like the debit card. 32 million altcoins with a green light coming from the president-elect on the day before inauguration by launching Trump coin. Look, I don't want to own any Trump coin, but I do want to live in a world where we can have 320 million altcoins if we want. You know, like that type of world is a much better one than where we only have the dollar or we only have the euro. And even worse, it's like turned into a CVC that's like tied to a digital ID and a credit score. You know, like, if we can have an environment where we are able to foster innovation and everything, I think that's a positive thing. Why? Well, by analogy, you know, let's look at Columbus discovering the trade winds that enabled the monetization of the American continent. Gold is like London and Bitcoin is like New York. You know, and all the altcoins kind of have flown through New York, right? It would have flown through Bitcoin. And maybe Chicago is like Ethereum and maybe St. Louis is like Monero on the edge of the Wild West. But we don't know what this entire continent looks like. We haven't mapped it yet. Why? We haven't mapped it because there will be innovations. Like, you know, if we believe in humanity and this freedom of speech and our ability to like think new ideas, like we're going to think new ideas and come up with new innovations. So there might be a Seattle, there might be a San Francisco, like somewhere in the future that we're going to discover. And, you know, if we're in an environment where we're going to have 320 million altcoins, I mean, think of how many little towns and villages we have on the American continent. Some of them only have five people in them. And, you know, like we can't expect Bitcoin to be all things to all people all the time. But we can expect it to be this world reserve settlement currency like moat around gold, which is in around the dollar. And, you know, if we're looking at like, if we're looking at that, then the US is like, I mean, it's a superpower that's really beginning under Trump to act like a superpower. Greenland, we want that. Canada, come on over. Why? Or the Panama Canal. And what was the joke like? And maybe it's true, like one of the destroyers, like US destroyers got there and they're like, we need to go through the Panama Canal. And they're like, well, you need to pay the fee. They're like, no, we don't. Now what are you going to do? I mean, maybe we'll just take the Panama Canal. I mean, like we've just kind of gotten used to the US being kind of nice and like not exerting its force, right? Like, why do we need to negotiate with Denmark? We can just go take Greenland if we want. Like, what are they going to do? We could just take the Panama Canal. We could just take Canada. You know, we already subjugate Germany. They're occupied. So, you know, I mean, if the US wants to act like a superpower, like it can act like a superpower now. And it's starting to. I think, you know, I think that's part of, and maybe it's a little bit of bombastic rhetoric from Trump, like, you know, we're just going to take the Panama Canal, but maybe he's being serious, you know, because he doesn't like Panama having China operating this choke point, you know, or, you know, look at what happened to the Houthis, you know, that were sending these missiles around. Like, there are three aircraft carriers headed to the over there right now, like drug cartels. Well, you don't want to be one of those guys like they're going to get hunted down and exterminated. Like, the surveillance planes have already been flying around Mexico and stuff. So, you know, having a superpower that begins to act like a superpower and for the benefit of its individuals, like, you know, this is going to be a big change, I think, from like American policy over the last 40 years.

Drew Armstrong: Yeah, which could perhaps be typified as someone smiling at you and talking out of both sides of their mouth at the same time. You know, kind of preaching this sort of, you know, wanting to create democracies in all these countries at the same time. Drone strikes to civilians. But I think that is, that's a fascinating point. I think also is an interesting shift that we've seen too. I think again, a lot of Bitcoin used to be really, most of it was much, had a very strong libertarian sort of agenda. Certainly, it's seen back in the day. As someone who came from sort of a libertarian background myself, it is interesting that now, yeah, the timeline has sort of completely shifted. And I think in many respects, the next 20 to 40, 50 years, the range of outcomes has expanded substantially in these last couple of years.

Trace Mayer: And I think part of the point here, I did an interview with Max Kaiser in I think like 2014. And I talked about like, you know, there might be a little country that decides to like pick up Bitcoin as a geopolitical tool, you know, whether a weapon or a shield. Yeah, and I talked about, you know, kind of some of the potential consequences of that. What I haven't really talked about is like, what happens if the United States picks up Bitcoin and decides to like start like, like using it as a geopolitical tool and leverage as a superpower for the interest of America, as opposed to like globalism? And that's, you know, that's a whole different, that's a whole different game.

Drew Armstrong: A whole different game, perhaps the timeline we're embarking on.

Trace Mayer: Yeah, I mean, what, China, China gonna issue a China coin? Like Russia gonna, like, no, like, I mean, they've already issued their CBDC, but like, you know, the Chinese are, if they want to escape, where are they gonna go? They're gonna go into Bitcoin or they're gonna go into like Tether, right?

Drew Armstrong: And I, yeah, I at the risk, I don't, I want to exhibit some self-control and not just continue to sort of pepper you with questions here. I'm aware, does anyone in the audience have any questions that they'd like to ask? Yes. Audience Question : Yeah, I do. Hi, this is Emre Aydin. So Trace, my question is about the gold. So do you think in the future, especially, I don't know how far we go, but do you think in the future, is there any place for gold to be still used as a monetary sovereign asset compared to digital Bitcoin or other assets that are, especially Bitcoin, I mean, compared to Bitcoin, do you think it has a new life within the future? And if it is, how would you imagine it to be used?

Trace Mayer: Yeah, I mean, like, especially this 20 to 40 year time frame, for sure. I mean, and we talked about it, just the sheer difference in economic size between the two. You know, so it's like, maybe Trump will pick up the gold and use it to bludgeon, like, all the geostrategic and geopolitical, like, allies or enemies, right? Like, I mean, that's what you use gold for. Like, you demand it as the final means of payment, and that's how you, like, wage monetary war and crash, like, a sovereign's bond markets. You make them, like, deliver some gold. So, I mean, like, yeah, there's, yeah, it looks like that might be what's happening. I mean, Europe's getting drained of their gold. Like, how long can you continue, like, fighting with Russia or whatever? We saw it happen with the UK gilts, right? Like, the British superpower empire, like, it didn't die with a big explosion or anything. It's just a cowardly whimper because it didn't have the credit rating anymore. It didn't have the gold. Audience Question : And one more question, if I may. Since you have been for a long time a Bitcoiner, what was the biggest threat for Bitcoin within the last all of its lifetime? And what do you think might be the biggest threat within the upcoming 10 to 15, at least 20 years? Or I think 10 years is for Bitcoin. What do you think? What was it before? And what do you think it's going to be? I know we had a lot of threats, but what was the biggest that we had to go through?

Trace Mayer: I mean, when it was so small, the community was just so tiny. And we had no idea. Like, Greg Maxwell put a bunch of money into a lawyer's client trust account in case he needed to defend himself in some type of criminal prosecution. But that would have get drained super quick, like if the institution of the state decided to wage war on you. So, you know, those first early years, I think that's really where the threat was. Like, you know, you just get rid of all the people doing the thing and throw them in jail. That's what the state can do, right? And they can, and then, but then it grew and it got big enough that you couldn't do that. So, you know, we had Operation Choke Point, but, you know, that only, I think, strengthened the industry. It, like, galvanized us together politically, got us organized. You know, we, like, Senator Sherrod Brown, 20-year Democrat incumbent in Ohio, chair of the Senate Banking Committee, gone. Like, $40 million into that race, but gone. So, you know, like, Bitcoin doesn't really, like, I don't think we really have any threats anymore. I mean, it's just such a massive industry. It's just politically untenable to try and ban it or something. And with the US as a sole superpower on the planet, like, embracing it, I mean, it's just, like, there are, like, no threats to this thing. Like, you exclude yourself from it. You know, if you're Bolivia or something, you're just going to stay poor. So, I mean, like, I don't really think Bitcoin has any threats anymore. I mean, you might, as an individual holding Bitcoin or something, you might have a threat in a particular jurisdiction. But then we have lots of, you know, we're not doing the one world government thing. Like, Trump kind of has made that clear. So that means we're going to have competition of jurisdictions. And that's going to remain. So you can go somewhere else. And Bitcoin becomes that potential escape valve that people can use to, you know, store capital in a safe store value with a high stock to flow ratio. Audience Question : One more question. Do I have time? I don't know. And also, what do you think about what makes different? What makes it really special for the people who really understand or follow Bitcoin? And I'm going to come to where the American people were actually, they were, as you mentioned, that they were the searchers of the freedom. I mean, they came here for the liberty and fought for their freedom and so forth. And is it a luck or coincidence that now as a superpower or as a big nation, it also, as a nation, backs Bitcoin at this stage of the time with the will of the power, with the power of the power, the power of the people, or is it just, is it a coincidence or is it something that actually the people who came here for their freedom are actually following their monetary sovereignty to follow? And the question is actually, what do you think makes them so special? Is it genetics or is it more evolutionary or is it socioeconomic environment that they live in? Or is it something that you think is a way different reason why they get it? Because as a Bitcoiner, I also tried to go into a lot of people and I found it really hard for, I would say 95% to understand what I'm talking about. And that was really frustrating. And I'm trying to understand why sometimes it's really hard, even if they're so good friends or family members, it's really sometimes really hard to get them to the point. So what do you think? What are your thoughts about? What makes them special? Why it's happening?

Trace Mayer: Yeah, I mean, as Bitcoiners, we're living on the frontier, right? And so like Americans, this is the only country that's like created and founded based on an idea. And then people left where they were to come here. So they left what was familiar and comfortable and they had this entrepreneurial, this pioneering spirit to come here. And then, you know, go west, young man. So we just spread across the continent. And that took a certain type of mentality, a certain type of thinking. It took certain type of values that were different from people who just stayed put in something that was comfortable. And so, you know, I do think there's something that's perhaps inherited, whether it's genetic or personality disposition or, I mean, epigenetics can transfer trauma down through generation. So it might be something similar to that, that like gives an evolutionary advantage to, through these kind of entrepreneurial genes or epigenetic stuff. And you know, just because we're not physically going west, like we're going into the unknown, right? And so different, different people have a different risk tolerance for that. You know, like my, my ninth great-grandfather was the captain of the Mayflower. You know, you got to have a certain tolerance to like go get on the ship and like go sail off to who knows where, right? Like instead of staying and like taking care of the crops or something. So there's like, I think there's, there's this, this advantage that, you know, I think a lot of the Bitcoiners there, whether they know it or not or can trace it back there. There's something there that is, that gives them that evolutionary advantage to go into the unknown and take the risk and be the pioneer and like be the entrepreneur and homestead the land and build something new. Like there, there's something in the personality and like how it got into the personality. Yeah, I think, I think it does get transferred down through the genetics. But that's probably not the only way, you know, but that'd be my, my assessment of it.

Drew Armstrong: Yeah, no, actually one of the point too, related to the the attack you mentioned. One, we had, this bar is known, I think we had a particularly famous orange politician come in a couple months ago to buy a burger with Bitcoin. But we actually had a democratic congressman here last night and he is pro crypto. And one of the interesting things that he mentioned is that he sees it mostly as being a generational divide among the politicians who, as you said, maybe would have tried to throw all the Bitcoiners in jail in 2011-2012. So it will also be quite interesting to see if that thesis is true, then as the octogenarian class in congress graduates onto the next phase, we'll basically have younger, just even more constructive people that will make it harder and harder for a regulatory attack such as that. Thanks. Audience Question : Hey Trace. Thanks. Just to echo what Drew was saying in the beginning, you were literally everything for me in the beginning with Mayor Multiple and all the podcasts I listened to. Then one day, I watched you and Caitlin Long doing what you did in Wyoming with the banks. Maybe that would be my question later, like why do you think that failed in Wyoming?

Trace Mayer: But it didn't fail. We're up on a pill with the Fed. But it didn't pass the first one, right?

Trace Mayer: We're suing the Fed. And we have standing. Like it's hard to get standing to sue the Fed. Audience Question : Well, I think it was...

Trace Mayer: And we're bringing constitutional issues. Audience Question : Okay.

Trace Mayer: Yeah, Custodia. We have standing, we're bringing a constitutional issue that they're acting as a superior officer under the Constitution. Audience Question : Okay. Well, no, I was more less...

Trace Mayer: They're going to have a big problem if they are. Audience Question : I was more less talking about how they tried to get the reserve there and they voted that down, like we're passing...

Trace Mayer: Oh, like the strategic reserve? Audience Question : I was kind of expecting, I think a lot of people were expecting that to go first time. But anyway, one day you just kind of disappeared. And I just wanted to say like…

Trace Mayer: Well, I stopped publishing my podcast and disappeared. Audience Question : I couldn't find you anywhere. And I'm just happy that you're back. Your voice...It's been missed

Trace Mayer: Oh, thank you. Yeah. No, I mean, it's like, it's like, you know, creating the content and all this stuff, like there's a cost to doing that, you know, and like all the content that I've created in this, like I haven't, like I don't have ads, like I'm not a research analyst for like a crypto hedge fund to write like the content. You know what I'm saying? Like it's like, some of the articles on Run to Gold, I mean, it'd take me a week to write them, you know, 4,00 or 5,000 page articles, like intense thought there. And so with the podcast, like, you know, the way I do the interviews, well, how it even started was, you know, someone asked me like, hey, when you're like having drinks with somebody, like, man, it'd just be nice to be a fly on the wall. So, you know, I'd go out to a conference, do like 12 interviews at the conference, very efficient, you know, that'd be like one a week for, so we get three months of content. So when COVID happened and they, all the travel restrictions and shut down the conferences, like, you know, now the cost in order to get like new episodes created just too expensive in terms of time and effort and like all this stuff. So, but now I actually got someone hired on board to create content. So maybe I'll bring the podcast back. Like maybe, I think it'd be fun. And the Bitcoin ethos, you know, we've got so many new people in over the last five years. Like we need to strengthen this like monetary sovereignty ethos. Like the why of why we're here. Like number go up is fun, but like we're here for like a more important purpose. You know, if we can subjugate that like number go up, purpose to like a like a monetary sovereignty purpose, I think we can create a stronger HODLer of last resort base for our Bitcoin UTXOs, you know. And that's so, you know, it's really kind of more just a pragmatic, practical thing. Like, and I, I don't really, we made the joke up there when I was recording this space is like Twitter caused mental illness. So, I mean, it's like another thing, I think, you know, are we really striving to improve ourselves? You know, like, how many pages have you read in the last year? And what were the quality of those books? And so, I mean, I read, like, very dense, turgid, like, tomes, I'm always trying to add more stuff into the mind space so that I can, like, be useful in the marketplace of ideas. And so, and that takes time and effort, too. And as life gets more complicated and there are more things to do, like, you know, just stuff moves down on the to-do list. So, I missed the podcast and maybe we'll bring it back if I can do it in a way that it doesn't have too high of like this kind of administrative burden to it. Audience Question : The last thing I want to just mention was your perspective on Michael Saylor, the light and the dark side. I think you kind of show that maybe the Emperor wears no clothes. Is that what that would be? I mean, that was the way I kind of took it. Like, he may be getting over his head. And I speak for myself when I'm personally I'm tired of him. And I don't know if he's really good for Bitcoin, but that's just my opinion.

Trace Mayer: Yeah, I mean, I just, I like not having debt. Well, you talked about before, I haven't heard anybody talk like that before. And now that you've come and you're public and you're here, maybe Michael Sellar, maybe he's got somebody to contend with now, because I think everyone's just been loving it a little too much.

Trace Mayer: It's just a different approach to the capital allocation. And his average acquisition cost is like $66,000 or whatever. You're talking about 18% dividend now. Yeah, and that's kind of... Now you're dealing with negative cash flow. That's also on the dark side of the forest. So it's like we're leveraging up a lot on this dark side of the forest. I saw something about there was a $500 million short position taken out on Bitcoin and Twitter started trying to hunt the stops on it or something. Like, you know, like if sailors starts running into trouble and ask themselves, Bitcoin is like, you know, there will be someone there to buy them, you know, and then they'll move to stronger HODLer hands and Bitcoin will continue going on.

Drew Armstrong: Also, I definitely have three more questions we want to get to. Is that all right with you?

Trace Mayer: Yeah, perfect. Audience Question : Really appreciate you doing this. Thank you. Question I have is on the topic of gold. Heard an interview as part of the All In Pod that got released earlier today with Treasury Secretary Besant. And just as part of that conversation, he made a comment that, oh yeah, we're not going to revalue the golden reserves. And I was curious if you had any theories or perspectives of why they would make a statement to have a stance like that, especially in light of the fact that if they were looking for a revenue neutral way, that's obviously been touted as one of the approaches for the government to acquire more Bitcoin. So I don't know if there's concerns about the actual validity of how much gold reserves the US has and the audit aspect of it, or there's something else. But I'm just curious if you consider it as a material outcome for longer term Bitcoin adoption by the US government.

Trace Mayer: Yes, I'm not sure what the actual legal mechanics would be. It looks like Senator Lemus' bill is what has the revaluation of gold certificates in it. So maybe it's a separation of powers thing. Maybe the Secretary of the Senate is like, well, we at Treasury are not going to revalue the gold, but what he's leaving out is because we don't have the legal authority to. That's a Congress and Senate thing that needs to be signed by the President. I mean, I'm not sure what the exact legal mechanics would be on it. The other part of it is like, why pay more for an acquisition than you have to? Like if they can buy Bitcoin at $82,000, like it's better than buying it at $500,000. So, and part of that would be why put information into the market that's going to create even more confidence in the asset you're trying to buy. You want to buy it cheap, not expensive. So, you know, there's, you kind of have to, like when it comes to politics and statecraft, like what's on the face of it isn't always what's like, really trying to be accomplished. Audience Question : Regarding Bitcoin's price, how much do you think is held up by hash rate, and particularly the miners, simply because if you really look at miners, say mining companies, in order to be competitive and profitable, they're creating their own electricity, they're making their own electricity, they're building hydroelectric dams and hydropower. And at some point on their balance sheet, they got to look and say, what's more profitable today? The price of Bitcoin sucks. These miners aren't efficient. It's more profitable to sell that electricity to the electric companies, or the Bitcoin price is greater. We know it's going to go up soon, so we're just going to keep hashing away. But that force keeps the price, you know, pulled to some point. Like right now, I think it's around 100k, but they're still mining at 80, because they know it's going to go up. But if it was going down, if we were in the middle of a bearish, I think a lot of miners would just say, I'm going to turn off those older units, sell my power, and that just forces the price down, regardless of how much we're buying and selling over here.

Trace Mayer: Yeah, we always have the miners coming and going, right? Like it's just like we have with gold miners. And gold miners will mine the highest grade of ore usually, and they'll hold back like different grades of ore for when the production cost goes like up or down based on the price of oil. So you know, we got AI chips now. We're using a lot of the stranded energy in the mining industry. Some of the miners are getting into this speculative game by issuing the like the 0% convertible bonds like Marathon. You know, this is all just part of the speculation network effect. It's all part of the entrepreneurial challenge. You got to be correct and you'll have gains. If you're incorrect, you'll have losses. And you know, so it's, I think it's all positive. I don't think any of it poses any type of a threat to Bitcoin itself. The miners are just in so many ways, just hired help for the HODLers and they're expendable. So, you know, like, and as we get more publicly traded miners, and we have vol around “the miners' stock and all this stuff, like, this is all very positive, I think, for determining the, just the overall network effect of this financialization. If there is an issue, you know, it's like that we have so much hash power. And like, if we get one confirmation on a block, like, everybody accepts that is just fine. So we, like, what we don't have is we don't really have a way for the market to express, like, time spectrum variability on their subject evaluation of how much security they want. Because, like, buyers and HODLers have different security profiles, and we don't really have a way to express that in, like, pricing terms because we have so much security on the blockchain. And in Deep Space 9, there's a great... Cork is explaining, like, the economics of war, and like, I think that argument applies, like, to kind of our hash rate. It's like, well, how much hash rate do we want? Well, as much as we can get. But really, you want to pay the least amount for hash rate to get the amount of security that doesn't result in a reorg. So, and this is like a larger question, like, are we just overpaying? Are we overpaying for hash rate security as HODLers or as like users of Bitcoin? Well, we have more cumulative proof of work on top of our UTXOs. So yes, we have more security on top of them. But like, at what point is there like diminishing returns on the amount of security that we're adding on top? And, you know, in early Bitcoin holders, like they paid a tremendous price for this. And we've never really like faced any type of a serious reorg on the blockchain at all, like in our history. I mean, we kind of 2013, I think we had to go back and fix, like it got six blocks off or something. But we never faced any type of serious reorg. But a lot of this stuff could be handled through indemnification agreements and just more confirmations and, right? So like, we don't really have a way to price this. And the cost to new Bitcoin holders, well, Bitcoin buyers, like if you bought Bitcoin in 2011, like, you know, by 2021, so over that 10 year period, because of the stock-to-flow ratio, your ratio, your percentage of like the number of coins decreased by 60 percent. So like, your one Bitcoin became point for Bitcoin, but it went up in dollar terms. But like, you paid a serious cost because of like the low stock-to-flow ratio that came up because you were subsidizing this security budget. But now that we have a much higher stock-to-flow ratio, like, you know, new buyers of Bitcoin that remain HODLers, they, you know, they're not going to be kind of inflated very much. So like, I don't know that there's much of a, a problem with this at all. Like, does that make sense? It's like, yeah, we've got tons of cumulative proof of work and it keeps getting added. But, but, but we have no idea how much we need. And maybe we're going to learn how much we need, you know, as you know, we get two more difficulty adjustments that happen and that stock-to-flow ratio continues going up. And, and hopefully we get, you know, more transaction volume and fees, you know, to help subsidize because then, because then we're shifting the incentives from the HODLers to the, to the users of it through the transaction fees. And I, I kind of hope that we would have already made more of that transition by now. Yeah. But, you know, I think we easily still have another two adjustments to be making that transition.

Drew Armstrong: Which we have another question here, but it does also bring to mind maybe another deeper conversation around, with the, in this future of Bitcoin, you know, what will self-custody look like on the individual level? And, you know, is there a potential risk of that being sort of priced out of the average, you know? Audience Question : Thank you. I actually wanted to follow up on the very first question, which had to do with the potential future risks of Bitcoin. You sort of didn't, you didn't touch on that much. But I want to just pose to and then just ask your opinion, which would be the potential of a 60102 attack by the government going after the ETFs or something like that, and also the potential of a bifurcation in the network where the economic actors wanted to take the network in one direction, and the average clubs didn't. So does the Michael Saylor's and the Black Rocks of the world decide to have tail emissions or something like that and the rest of us don't want to go along with that? That's just two potential risks.

Trace Mayer: Yeah, so the 60102 attacks, I think we already see it with capital gains tax, right? And who knows, maybe they'll let us pay taxes without triggering capital gains. We get to pay it at fair market value like when we donate it to a charity. So I think it would, in a lot of ways, just destroy the whole value proposition of it. So it'd be a way for them to try and destroy the whole thing. But I don't know that they're going to economically benefit from like season. Everybody's going, I mean, maybe one jurisdiction might like Ecuador or something. But like if the US tried it, it would, I think it backfired tremendously. And then the other question was the economic… Yeah, the bifurcate, like, yeah, so this is, we learned a lot of this in the fork wars, you know, it's not necessarily how many nodes you're running. It's the economically, economically substantive nodes. So it's like people are actually using it for substantive economic transaction. And that, you know, I do think that that's problematic. You know, we're centralizing so many of the keys into micro strategy, into Black Rock CTF, into different custodians. Personally, I don't like that. I think it's important for people to flex their monetary sovereignty muscles on a regular basis, which is why I created like Proof of Keys Day on January 3rd. Like, you know, let's just like withdraw all of our coins from any third parties on January 3rd as an industry. You know, that can like force some discipline. It's kind of based on Rothbard's Anti-Banking League idea. You know, let's like cause the stress testing to these institutions. But at the end of the day, users are going to have to like decide how much monetary sovereignty they want and enforce it. And so, yeah, if we centralize too much of it into third parties, like, you know, everybody kind of becomes weak and flabby from their lack of exercising of their monetary sovereignty muscles.

Drew Armstrong: Which may be just one last question for me. And then we've been going for about an hour and a half. So, after, especially after doing an hour up with Thomas upstairs, you probably...

Trace Mayer: And an hour with Pete Rizzo this morning.

Drew Armstrong: Yeah, you deserve a break.

Trace Mayer: Energizer Bunny.

Drew Armstrong: You deserve a break, a bite to eat. Yeah, so this does kind of raise a question, though, with sort of maybe this tension between transaction fees and the accessibility of, you know, on-chain UTXOs. How do you think about that tension there, where, you know, there are certainly many, we've had many debates here on this very stage, talking about the risk that this, you know, nation-state adoption imposes for individuals to possess UTXOs and for self-custody to be accessible. How do you think about that current trade-off? Do you have any concerns about that looking forward?

Trace Mayer: Yeah, so in the 2008 GATA speech by Dr. Viera, at the conclusion, he talks about, you know, gold and silver to really fulfill their true role as the monetary metals, as these checks and balances in the political machinery, they need to be used in this ordinary daily transaction commerce. And, you know, this is a scalability issue, right? Like, you know, in order to have monetary sovereignty, we need greater scalability and greater applications of that. And how I look at it personally is like, I want tons of transactions in the queue. And the higher the price is to get a transaction in the block space, the better. Why? Because that's showing that there are a bunch of people bidding to use the product, which means that, like, you know, we got a big, nice security budget for that. So that's my general view towards it. But, yeah, that makes it less likely to be used in the ordinary daily transactions. But everything else being equal, I'd prefer like $10 transaction fees with, you know, hundreds of thousands of transactions in the Mimple that are, you know, $10,000 and below. I mean, $10 and below. So they're not getting in, but we got a huge backlog, you know. So it's, you know, that's my general feeling towards it. But I want them to be economically substantive transactions, not just miners that are like, you know, yield optimizing block space, kind of like airlines yield optimize seats.

Drew Armstrong: I guess we didn't even talk, speaking of useful economic transactions, we didn't even talk about ordinals today. It's been so long though. I think related to your point, if one is of sufficiently low time preference and they want non-chain UTXO, they're happy to wait. And, you know, if you're talking about moving your, call it, you know, your net worth, your personal HODL stack, perhaps you can wait a year and it's not the end of the world for the transaction to go through.

Trace Mayer: Wait a couple hours or something, but it's, I mean, I pay $15 for wire transfers or whatever it is, you know, but, but that, you know, that does erode our, that those second and third network effects don't really get super deep roots because of the cost, especially compared to the alternative substitute goods, whether it's credit cards or whatever. So, yeah, I mean, ultimately, what would be ideal and perfect is holding our own keys, running our own full nodes, like on a mobile device, using it in ordinary daily transactions for all the things. You know, that would, that'd be ideal, but we have to make trade-offs.

Drew Armstrong: We might finally get to buy our coffee with Bitcoin.

Trace Mayer: Yeah, and, and, you know, now we got these VTOLs and drones, right? Like, well, why didn't, why didn't Orville and Wilbur, why didn't they make their airplane out of carbon fiber? I mean, carbon fiber is superior to, like, the cloth stuff they were using. And all the guys that find, like, Spitfires and World War II, like, why did they make it out of aluminum? Like, what's wrong with these people? Why didn't they use carbon fiber? And it's because the carbon fiber hadn't been invented yet. So, you know, maybe we'll find some solution, like, in the future that can help. And that's part of, you know, 320 million altcoins, right? Like, maybe something productive can come out of it besides dog coins and cat pictures and, like, I mean, it's terrible.

Drew Armstrong: No, I think that's well said. And I guess, do you have any parting thoughts you'd like to leave us with before we wrap up here? Because this has been, I think, a fantastic conversation. It's amazing to be able to hear you kind of speak and talk about what's going on again.

Trace Mayer: Yeah, thanks so much. Yeah, it's just, it's great to be with other people that are, you know, that have a love of monetary sovereignty, of what that means for the human condition, are willing to take action and be of usefulness to other people in that area. You know, it's in so many ways, freedom and all these things, it's a team sport. And so like, hey, let's play as a team. Everybody needs to get on the field. You know, we can't free ride. If we've learned anything over the last few years, we can't be free riding off of, you know, these sacrifices to maintain our freedom and dignity of the individual and all these things. And we have a very bright future, in my opinion. So, cheers.

Drew Armstrong: It certainly seems so. Thank you so much. Thank you so much. That was great, everyone.