Torben Leowald

CRYPTO THESIS

Finance's Future

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"Money is null without a marketplace; it becomes only an entry in a database for resource allocation, in which value ceases to hold meaning. Viewed through the lens of information theory, money today has much in common with an internet connection, which for any recognisable use similarly requires relational context. How best to optimise its technical attributes may in the age of AI become a task of immense philosophical and technical urgency. Quite possibly, the world will need a new type of financial network that balances the traditional functions of money as a consistent store of value and convenient means of exchange."[1]

Introduction – Finance's Future

A. Crypto is the Zeitgeist of Finance

Why does crypto matter? We propose a straightforward answer. Crypto matters because it is the future of finance.

Finance has two main purposes: one is the allocation of capital from entities with surplus units to entities with need for capital, and second the redistribution of risk that comes from the undertaking to create cash flows to the entities more willing to incur this risk. Financial markets, then, have three purposes: they facilitate price discovery to determine how financial resources should be optimally allocated, provide liquidity that enables investors to convert their assets into cash when needed, and reduce transaction costs through efficient mechanisms for searching and evaluating investment opportunities. The assets traded on these markets—financial assets, possessions that have value in an exchange—serve as the vehicles for this transfer. Most assets

[1] Henry A. Kissinger, Eric Schmidt & Daniel Huttenlocher, *Genesis: Artificial Intelligence, Hope, and the Human Spirit* p. (2024).

today are intangible but backed by cash flows from tangible assets (the real economy) representing legal claims to future benefit (like securities); these instruments entitle owners to future cash flows from issuers. A growing part of assets is purely intangible with no tie to the real economy; cryptocurrencies, online gambling and gaming are a few examples.

Financial technology is then the means through which the financial markets are implemented. What started with ledgers on stones, evolved to paper certificates and is now bits. Crypto is the newest paradigm in financial technology and will fundamentally reshape how we achieve the twin aims of finance and how we implement financial markets. Financial technology is going to make its biggest jump since the invention of the financial system itself 500 years ago, over the next ten years. The change will be driven by crypto as technology. Digital tokens, transferred on blockchain-based systems, will be the communication layer for assets. The infrastructure enabling the transfer will be commonly owned and decentralised. The financial system will become global and open, accessible from everywhere with an internet connection. It will no longer be controlled or restricted by nation states and their handlangers. The shift from centralised, monopolised and archaic infrastructure onto public blockchains will be as radical as the transition from the pre-internet to the post-internet era for the information industry. As the internet has broken the monopoly on information, so crypto will break the monopoly of large banks, states and Wall Street over finance. As with the internet, the individual will be able to participate more openly, but she will also be less protected and more exposed to the algorithms and technological tricks of large software companies.

Crypto's value, thus, lies in two points. First, it provides the infrastructure to create an open and global financial system no longer controlled by gatekeepers. And second, to rethink the underlying logic of capital. Bitcoin, for example, is not a currency; it is a monetary protocol. Its 'use case' is existing

as an uncensorable, decentralised store of value, a social agreement upheld by millions of opt-in participants. Similarly, Ethereum's 'use case' is being a global settlement layer for smart contracts, a decentralised computer. That some people use it to trade digital cat pictures is a side effect. It turned out that, in the end, the internet was also not about pet stores. It is an underappreciated fact that a monetary protocol, invented by a pseudonym, is able to be worth a trillion dollars and still exist 17 years after its invention. When we forget the short-term gamble, crime and Ponzi schemes we are so vividly aware of in crypto, it seems obvious that the financial system will be crypto. Not because of any of the gimmicks we have witnessed so far but because it will provide a way to serve the aims of finance: to allocate capital and distribute risk in a global world that is moving away from the society of nation states to one of market states.

Over the long run the main innovation will be the democratisation of capital and opportunities. By opening public markets to individual persons to invest and to receive capital, crypto will spur a new wave of human and machine innovation. It is in a sense the counterpart to the information democratisation through the internet. While the internet enables everyone to research and accumulate information that we need to establish an idea or project, crypto will broaden capital markets to allow these ideas to get easier funding. The possibilities seem endless; one need only look to Silicon Valley, where the understanding of the potential of young nerds has led venture capitalists to disregard age as a limiting factor. This system of pure meritocracy and available capital for everyone with a good idea has given us the largest companies of the last decades. Imagine a world in which every person, not only tech founders, has access to developed capital markets, to raise debt and equity to work on their passion. At the same time, as pension systems fail around the world because of ageing populations and the nation state can no longer ensure graceful ageing for its citizens, crypto enables them to become investors in these ventures, thereby securing their financial well being.

Last, the crypto revolution is inherently connected to the revolution happening with the move to artificial general and superintelligence and the creation of the market state as new constitutional structure. Finance is connected to the economy and the larger interplay of constitutional change in the world. The nation state of the last 70 years was defined through an economic unit, its own currency, and the ability to defend its citizens, as well as censoring, regulating and taxing them. We are witnessing a deterioration of the values that forged the nation state, driven by its increasing inability to fulfil its aims. Global capital markets and constitutional order stand in a reciprocal relationship to each other. The change in the financial system will contribute to the change of our constitutional order and the change in our constitutional order will contribute to the change in our financial system. Crypto gives every person on the planet the tools to gain access to a stable currency independent of its government and nation. Second, and equally important, is the redefinition of capital markets in the age of AI. AGI as culmination of the age of computing is going to rewire the world and its capital markets in unpredictable ways. It seems clear, especially noticing the lack of expertise and interest of the average person in financial matters, that the main participants and users of financial technology, markets, insurance products, and assets, will be AI agents and supercomputers. Crypto is a counterbalance against AI. Crypto promises decentralisation, where AGI promises centralised genius. It is an important guardrail in the race to not lose control of powerful models, particularly in how an AI will struggle to achieve tangible change if it cannot get its "hands" on capital. As such, the most important contribution of crypto to the future is the counterbalance a decentralised financial system can provide to a centralised superintelligence. Additionally, because crypto allows finance to become pure software, it enables us to redefine capital movement and works for the next age in which money and capital will lose their traditional foundations. Both consumer finance as well as macro capital allocation will be changed forever by the

creation of AI systems that are much more advanced than humans. The age of AI will lead us to reconsider what not only money but finance in general is. However, we lack a theoretical framework to contextualise these changes. We are still missing a comprehensive thesis and analysis of why crypto matters and how to make sense of it. This series of essays establishes such a theory. It then continues to predict the future of financial markets in relation to the change in the constitutional order more broadly as well as the rise of AI.

B. Crypto is Eating Finance

We want to begin our observation by clarifying a key position and outlining the structure of the remaining argument for the rest of these essays.

Crypto's only meaningful use case is finance, and these essays will therefore not discuss other applications. Much has been said about the myriad of potential use cases for crypto—science, logistics, decentralised compute for AIs, and so forth—all of which are derivative use cases because crypto will dominate the financial system and thereby determine how we allocate capital. And the allocation of capital will simply impact all areas of our lives. The internet has touched every aspect of life because it fundamentally reshaped information, and information touches every aspect of our lives. The car changed transportation and thereby also how we buy groceries, but no one would say that the car's *use case* was the transformation of grocery shopping.

Crypto is, was, and will be about finance. It will change the mechanisms by which we distribute capital and, through these means, affect many other aspects of our lives.

Before we delve into the future, we first must explain—since it has never been done with clarity before—why crypto is so disruptive for financial markets. The reason is to be found in both the nature of the financial system and the nature of crypto. Today's financial system is a result of decades of de-

velopment. However, because of potential harm to the systems users, states have regulated financial markets heavily. These regulations have been targeted at information asymmetries and principal-agent conflicts, along with the moral hazard that comes with them. Regulation introduced centralised choke points and compliance regimes to mitigate these issues. As the financial system grew, regulation grew. And as in every industry where regulation grows, innovation decreases. It becomes harder to break monopolies, it becomes harder to innovate.

Public blockchains give us the means to arrive at the same ends that regulation has aimed at since 1933[2], but through technology rather than through complex oversight and intermediaries. The traditional root causes of regulation can be mitigated technologically. This is fundamentally the regulatory arbitrage that crypto products provide. Because of its decentralised nature, the ends for which traditional means were thought up are no longer needed, creating the unregulated space necessary for radical technological advancement.

The second factor in crypto's rise is the emergence of protocols and token. Protocols inherit trustless transactability from public blockchains, enabling fundamentally superior products by virtue of being global, independent, and technologically advanced. Protocols are the practical implementation of regulatory arbitrage. The protocol's important twin is the token, which enables rapid network effects by allowing users to participate in value creation of protocols.

The last ingredient is the creation of AGI. While humans struggle with crypto's seemingly complex architecture and user experience, AIs do not. Indeed, for an AI it is the inverse. Humans find it difficult to parse hashes; for machines, it is trivial. Traditional financial markets burdened by legacy

[2] *See* Securities Act of 1933, Pub. L. No. 73-22, 48 Stat. 74 (1933) (codified as amended at 15 U.S.C. §§77a–77aa).

tech and complex regulation pose insurmountable barriers for AI-based systems. Crypto, on the other hand, provides an instantly accessible, global environment for them.

At present, crypto and traditional capital markets exist as two disconnected systems. Crypto is still largely disconnected from the real economy, even as it becomes ever more entrenched in the online one. One of the main hypotheses of these essays is that crypto and finance will converge, creating a world that fuses the best of both.

This series of essays will continue by laying out in greater detail the three arguments for why crypto is eating finance, before describing the impact on financial markets and the organisations that are going to dominate it.

C. Three Main Drivers of Crypto – Regulatory Arbitrage, Protocols and Token, AGI

Regulatory Arbitrage

The first hypothesis we propose is that the primary advantage and defining use case of crypto is *regulatory arbitrage*—not lower fees, not faster transaction times, not necessarily a better user experience. These may follow downstream, but the main enabler and key to understanding crypto's disruptive potential is regulatory arbitrage. Traditional capital markets have long been constrained by regulation—well-intentioned rules that inevitably inhibit technological progress. Regulatory arbitrage is the critical lever that allows us to move from "zero to one" in financial technology for the first time in decades. It supplies the blank canvas upon which we can paint a new financial system.

Regulatory arbitrage hinges on the fundamental principle of *decentralisa-*

tion. Because crypto networks are decentralised, traditional capital market rules—written for centralised systems—cannot be applied in the same manner. Capital market law, largely shaped by the Securities Act of 1933 and the Securities Exchange Act of 1934,[3] aimed to minimise information asymmetries and restrain centralised market structures to protect investors. But these laws, originally envisioned for an era of paper certificates and telegraphs, have become an immense regulatory web. Though well-intentioned, they can stifle innovation.

Regulatory arbitrage as defined above allows us to rethink capital market from first principles. In crypto, one of the largest differences from the traditional system is that everything is built on the same (or interoperable) infrastructure. Thus, the greatest distinction between decentralised finance and traditional finance is optionality: instant, automated, and peer-to-peer interaction all on a single layer.

Crypto networks were designed for an economy demanding global access and 24/7 immediacy. They have little to do with time structures of legacy markets, relying instead on a cadence of block creation, where miners or validators insert batches of transactions into an immutable ledger. This new design owes itself to the fact that these networks came about recently, leveraging widespread access to computers and the internet from their inception. Hence, they lack of "tech debt" dating to the analogue era. Many existing payment and settlement systems remain tethered to outdated structures, whether due to cost, political friction, or entrenched revenue models. Upgrading them is more than a technical project—it is institutional and political. Crypto's value lies in recreating financial technology from the ground up rather than merely upgrading existing systems. Omni-asset capability in crypto networks allows us to conceive of financial products on a scale previously unimaginable.

[3] *See* Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (1934) (codified as amended at 15 U.S.C. §§78a–78qq).

At the heart of the financial revolution lies then crypto's ability to enable reinvention through what the preceding lines describe as regulatory arbitrage.

Protocols and Tokens

Protocols are the implementation of regulatory arbitrage into products. Tokens are the means by which these decentralised protocols achieve network effects: they invite users to collectively own and build the ecosystem, and they enable capital raising on a global scale. In legacy finance, an opaque web of intermediaries and procedures often results in enormous friction. Crypto replaces this system with protocols—self-executing financial services on public blockchains—and tokens—programmable ownership claims (and revenue shares). By including users in value creation, tokens help new protocols overcome the entrenched network effects enjoyed by large financial incumbents. Tokens also allow entrepreneurs to raise capital for the significant resources necessary to build these systems. The protocol itself, once deployed, offers permissionless access to financial services in a global, automated manner.

Much confusion arises because the word "token" is used loosely. For the purposes of true economic transformation, we can distinguish one category as decentralised network tokens. Network tokens facilitate the rapid scaling of decentralised networks through economic incentives. Perhaps most fundamentally, network tokens serve as economic units that secure a protocol. If a token is not essential to the underlying logic of the protocol, its nature fundamentally changes.

Simultaneously, there is another category of tokens representing financial assets (for example, stablecoins for fiat currency, tokenised securities, or stakes in a protocol). This second category leverages the core benefits of blockchain—transferability, programmability, and verifiability—without fun-

damentally redefining "ownership." These tokens will represent all existing financial assets in the foreseeable future.

AGI Leads to a Crypto-Based Financial System

Third, we claim that crypto's dominance will not arise by convincing every retail user in the human-centric financial system. Rather, crypto's unstoppable momentum comes from its functional superiority for machine finance—i.e., the demands of advanced AI and AGI for a different financial system.

Traditional finance is hobbled by a patchwork of incompatible systems, labyrinthine regulations, and dated technology. Crypto's global, programmable, always-on infrastructure is exactly what autonomous AI agents require: seamless data access, deterministic rulesets, and frictionless value movement. Blockchains are not built for human intuition; they are built for algorithmic precision.

Humans find private keys and gas fees cumbersome, but AI does not. In fact, for AI, dealing with archaic legacy finance is the greater obstacle. AI systems can navigate Ethereum smart contracts more easily than they can navigate the compliance, offline paperwork, and interbank settlement lags of traditional finance. Thus, adoption will not rely on small investors. Instead, it will come from institutions seeking to harness AI's predictive and management capabilities in markets that are always available, always global, and natively digital.

Human-centric finance is legacy code. As the global economy becomes more digital—further accelerated by AI—crypto becomes the natural choice for financial transactions. Even the question of needing to bridge back to traditional systems becomes less pressing once the majority of economic activity occurs online, from software as a service to digital assets to marketing and social networking. The physical economy will matter, but so much intangi-

ble capital will exist natively in these blockchain-based markets that crypto effectively becomes the new rails.

AGI and superintelligence lead us to a world in which nation-states may become less central to capital allocation. Global-scale AIs, market states, and corporate structures that transcend borders need robust, programmatic, trust-minimised financial infrastructure. That infrastructure is being built on crypto.