

SmartCityStates.io

A Blockchain of Smart City States

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10 years on the blockchain: a new frontier

The blockchain is the motor-generator of network effect – the phenomenon of a network gaining additional value as more people use it: as more nodes are added to the blockchain network, the security, value, utility, and potential for innovation of the whole is strengthened. With the advent of the bitcoin blockchain 10 years ago today with the publication of the *Bitcoin Whitepaper*¹, for the first time we are living in the Age of Recorded History – recorded not by the winners, but secured by a global democratic union of electors of sufficiently divergent interests that they cannot cartel together to corrupt an immutable ledger which records the truth – in the case of bitcoin the geometric truth of peer-to-peer cash transactions. The project for the next 10 years is to record all human truth and value in the blockchain network which at *The New Athens & Associates* we see as using democracy to replicate an analogue of DNA for Civilisation.

Making a virtue of necessity

For its first decade of life the blockchain cannot be said to have been located anywhere else but *in* the internet itself. The unprecedented antifragility of the blockchain ratcheting up during its infancy as the network effect takes hold – its resilience in the face of shocks – is partly *due* to that distributed geographical nature – making a virtue of necessity. Unlike other disruptive financial innovations of the period the blockchain did not have a contiguous geographical territory like an Iraq or a Libya to be branded a rogue state, demonised, and eliminated, out of sight, out of mind of western electorates. The blockchain has been located *in* global cities and has formed a network of value inside and between existing polities on the platform of the internet – the *Internet of Value*. The Top Level Domain *du jour* for blockchain entities starting ICOs has become *.io* – not because, as the common misnomer goes, it represents “Input/Output” (i/o) and serves as an in-joke for coders, but a hack of international jurisprudence for solid practical reasons of which almost all of the participants in the fast growing blockchain industry are unaware.

.io represents the British Indian Ocean Territory as a geographical TLD. This is beneficial as a legal hedge in contractual disputes, especially as oncoming generations of blockchain tech incorporate greater *smart contract* functionality to govern relationships cross-border in the way that bitcoin governs transactions. Legacy contracts specify choice of law and choice of venue, as to which courts will serve as a forum for a dispute to be heard. Law is enforced in a jurisdiction, a jurisdiction is located in a territory, *on land*, and the Indian Ocean is the most isolated region with the least land area on Earth (in a literal sense, isolated, deriving from the Latin *insula* meaning “island”). If an entity is registered at *Companies House* or in Delaware these serve as evidence of choice of law and choice of venue when jurisdiction is disputed, but if the entity is only based on the high seas, as evidenced by the TLD of its website – which is its only point of contact, as an entity *in* the internet, with the legacy legal system – then it will default to British Maritime law decided at the Admiralty Court in the Strand; hence *.io*. There is no truly international jurisdiction but in falling through the cracks the blockchain is creating one.

¹ Satoshi Nakamoto: *Bitcoin: A Peer-to-Peer Electronic Cash System* (31.10.08)

A Place of Greater Safety

Malta has recently announced on the world stage at the *UN General Assembly* that it is open for business as “Blockchain Island” (27.09.18) – the first jurisdiction worldwide to provide an incubatory environment for the blockchain to be nurtured and flourish, which previously existed in a legal vacuum, in the words of Prime Minister, Joseph Muscat. *The New Athens & Associates* was already supporting the Maltese government’s pioneering initiative to provide the blockchain with A Place of Greater Safety in advance of this launch in an advisory capacity with regard to blockchain regulation, and we are currently preparing for the next phase of that growth with our *Smart City States* programme.

As we can see, that vacuum did create something ex nihilo and the hostility of its primordial underground environment honed the blockchain and forced it quickly to evolve many of its bugs into features. We know from the truth of aesthetics that the iterative speed of human creativity is compounded by formal restrictions and the rise of the blockchain has reconfirmed it. It is our task at *The New Athens* to build smart, resilient blockchain infrastructure which leverages the new opportunities that A Place of Greater Safety will open up for growth while not stifling that initial creative energy which emerged from the architecture of the blockchain itself; hence our focus on regulation and infrastructure.

We know that the blockchain itself survived because it lacked a single point of failure to attack – the weak link in the chain. Conversely, when this blockchain heuristic has not been followed it has led directly to the hacks and failures that have often dominated headlines about crypto, including the *DAO* hack which lost \$50m. This centralisation is what makes systems fragile. To scale the blockchain its distributed network of nodes must be replicated across levels of analysis. Where the temptation is to centralise, the action must be to decentralise. Where the structure of legacy institutions is to rely on trusted third parties, the architecture of the blockchain creates a peer-to-peer union and a regulator as two sides of the same coin. All these principles have to be embodied in the infrastructure we build. The most important lesson of the blockchain network effect is the distributed power of direct democracy to transform our lives and preserve our information. Hence, Malta must not stand alone.

from “Blockchain Island” to a Blockchain of Islands

For the blockchain to remain antifragile and resistant to shocks Malta cannot stand alone in providing A Place of Greater Safety. Agile governance structures of islands around the world provide the ideal host to adopt blockchain infrastructure at this *proof of concept* stage, and in that spirit *The New Athens & Associates* presents its *Smart City States* model to masterplan, fund, and link *Smart City States*, a global network of blockchain nodes. *The New Athens* leverages its experience in the fast growing smart cities industry in New York and London which, working with *Smart Cities Industries* in 2017 unclogged the P3 bottleneck of infrastructure finance for smart cities projects with an institutionally backed financial model and one which *SUI Generis* is adapting to be blockchain-native from the foundation up.

Laurenzo W. Mefsut

Founder

The New Athens & Associates

+447795530065

laurenzo@mefsut.org

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