



# Entropy

The Long-Term Cadence

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# Entropy, The Long-Term Cadence

Twelve years ago, as the Great Financial Crisis wound down, I looked at the world that emerged and saw two opposing forces competing for dominance.

On the one hand, I saw a status-quo working hard to centralize power.

For decades, the trend in government around the globe had been towards more centralization and control. We publicly engaged in a liberal versus conservative policy dialectic on the surface. But the results, regardless of which side prevailed, all tended towards more power residing in the hands of the government.

Along this path, free market principles such as individual rights, property rights and objective law (*all of which set the conditions of prosperity*), got sacrificed. And to increase centralization further the status quo had no choice but to engage in more deficit spending, currency debasement, and force.

Well, twelve years on and deficit spending has been taken to surreal levels to maintain existing promises, make new promises, and ensure the road to utopia has few bumps. The Federal Reserve has debased the currency through direct monetization of treasury debt to support those deficits. And the executive branch has relied increasingly on a growing list of orders and mandates to force the will of a few onto the lives of many.

But through all these efforts at greater centralization I saw **Social Entropy**.

And this gave me hope.

## Disorder = Freedom

Now, entropy is a term usually reserved for thermodynamics discussions or information theory.

Basically, you can think of entropy as a measure of the amount of disorder in a system. As entropy increases, so does disorder. And Social Entropy provided a way of thinking about the amount of order in human society.

Though disorder invokes a negative connotation, I use it here to refer to a migration towards more localized decisions and authority. It means a rise in the competing principles, morality, or priorities that people hold. More decentralization motivates an increase in Social Entropy.

Alternatively, centralization demands fewer principles, morality, or priorities.

Twelve years ago, I saw signs that the pent-up forces of entropy were building. The European Union was under pressure to break up. Russia and China were exercising greater geopolitical assertiveness. And issues such as “States Rights” and “Nullification” in the United States provided more evidence of this trend.

And the Social Entropy of the last ten years is rapidly bringing us into a new era.

## **The Decentralized Era**

The old era was centralized.

Political power, informational power, economic power — all increased as you approached the centers of politics, finance, defense, energy, pharma, or big data.

But smaller, more distributed pools of power are emerging. Ways to compete economically, and ultimately politically, without relying on permission from the centralized system have emerged. And those ways are paved with open source, permissionless, cryptographically secure blockchains.

Since the Great Financial Crisis, people have grown increasingly fed up with the status quo.

Since 2010, we’ve seen major political movements in both Greece and Italy to exit the Eurozone. Britain pulled it off. Populist movements such as the Tea Party, Occupy Wall Street, Black Lives Matter, the Rise of Trump, the January 6<sup>th</sup> election riots, Covid lock-down protests, and trucker convoys all demonstrated how people were grasping to reclaim power ceded to the political hierarchy.

People are affiliating with smaller and smaller groups of like-minded people. And intolerance to other values, even if not contradictory, has hit exceedingly high levels. We now have to navigate a world of polarized pockets of power protected from the influence of other pockets by intolerance. And the manipulation of centralized big data by social media companies have only hardened these pockets of polarized power.

Heck, even cannabis got legalized across the country not by Federal mandate, but by bottom-up power from the people — ballot initiatives at the state level.

Now, Bitcoin didn’t start this decentralization trend. This trend would have progressed with or without Bitcoin. But like throwing a gas can on a bonfire, Bitcoin was born, the cryptoverse emerged, and the decentralization of power shifted into high gear.

But this massive shift, accelerated by crypto, means the centralizers' hold on power has slipped and continues to slip. They must put even more energy, which means more money, into the system to maintain centralization.

Just as thermal entropy dissipates heat, social entropy dissipates political and economic power.

Heat increases the entropy of an ice cube — moving it from a highly ordered frozen state to a less ordered liquid state. Decentralized power increases the political and economic entropy — moving it from a highly ordered centralized state to a less ordered decentralized state. And both the ice cube and the status quo need more energy to counteract the effects of heat and decentralization, respectively.

But fighting entropy on a scale of all humanity is a losing battle. The spiraling cost of maintaining order under the centralized status quo is unsustainable.

Consider the multi-trillion-dollar price tags of bailing out the U.S. economy from the Great Financial Crisis and COVID-19 pandemic. Consider the trillions spent on a 20-year war in Afghanistan, wars in Iraq, Libya, Syria — I've lost count — to maintain U.S. hegemony in the Middle East.

The Federal government now directly subsidizes multiple Covid-19 vaccinations per year. Concepts like Modern Monetary Theory, Universal Basic Income, and direct stimulus payments to Americans are now openly discussed. Biden even tried to nominate a full-blown, card-carrying commie to run banking regulation in the U.S. (*The nominee wanted to dissolve all private banks and make everyone bank with the Federal Reserve*).

Talk about an expensive power grab...

And now we're in it with Russia, (*nukes are part of the conversation*), all to make sure that regional power across Eurasia shifts westward.

Social Entropy is rising along with the costs to counteract it. But the resulting chaos also creates a massive opportunity for decentralized systems to emerge as a channel for future prosperity.

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