

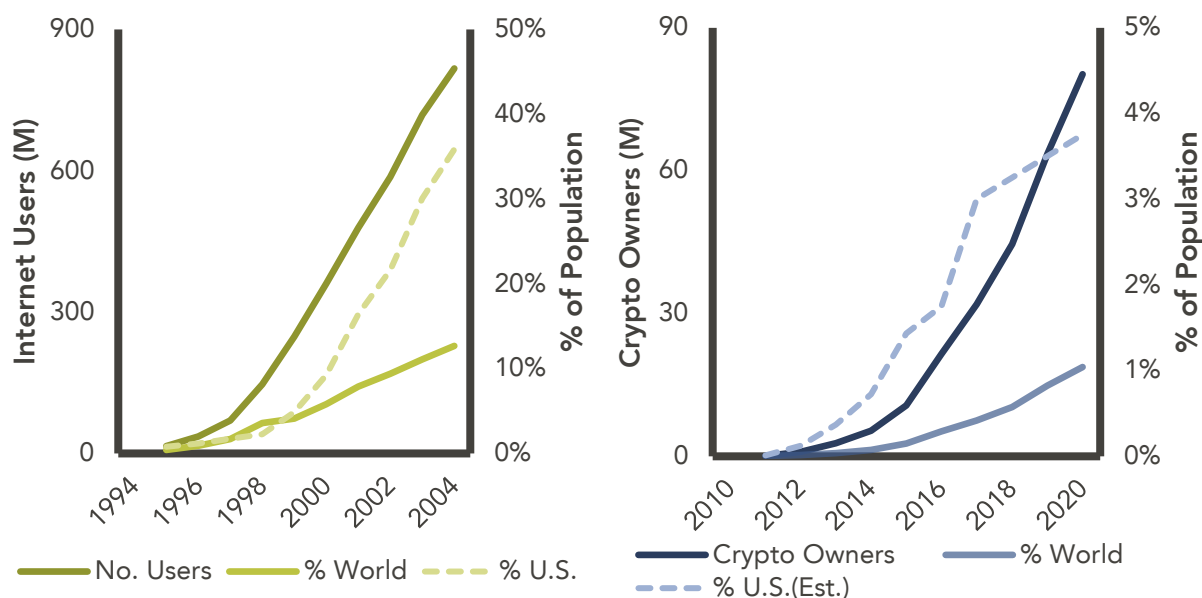
Chart of the Week

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What Do the Internet and Cryptocurrencies Have in Common?

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First ten years of adoption by Internet Users (L) and Crypto Owners (R)



Sources: The World Bank - World Development Indicators; TripleA - Cryptocurrency across the world; Coinbase; Blockchain.com, and Binance reports.

Discussions surrounding cryptocurrencies and digital assets have become more common in recent months as investors seek opportunities for future growth amidst high headline inflation and mounting recession concerns. While the narratives regarding digital assets vary widely, one of the more intriguing dialogues to emerge is the broad adoption comparison between the internet and crypto.

Illustrated in green on the left is global internet adoption in its first 10 years; measured as the total number of internet users, global internet users as a percent of world population, and U.S. internet users as a percent of the U.S. population. Similarly, illustrated in blue on the right is global crypto adoption in its first 10 years; measured as total crypto owners, global crypto owners as a percent of world population, and an estimate of U.S. crypto owners as a percent of the U.S. population. At first glance, the commonality between the trends is hard to miss. However, there are some notable nuances.

First, as the U.S. led the digital revolution through the 1990s and into the 2000s, internet users and users as % of the U.S. population grew in tandem. Certainly, U.S. crypto adoption is increasing. However, the fluctuations in U.S. crypto adoption — notably from 2016 through 2020 — seems to imply that U.S. adoption has been

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less influential in crypto than it was with the internet. Global adoption appears to be a more consistent and prominent growth driver for crypto.

Second, the scale of internet adoption in its first decade was almost ten times greater than that realized by crypto. Although there are numerous explanations for this difference that extend beyond the scope of this causal analysis, the difference itself indicates that crypto has not realized the same breadth of adoption in its first decade as that experienced by the internet.

Naturally, no internet-crypto comparison would be complete without referencing the Dot-Com Bubble and the volatility in crypto markets. The third and final observation is the pattern of both internet and crypto adoption during market drawdowns. Despite the Dot-Com Bubble bursting in 2000, global internet adoption appears to have proceeded unphased. Similarly, when the crypto ICO (initial coin offering) bubble burst in 2018, global adoption seems to have steadily increased. In the context of adoption, this may suggest that both the excesses in secondary markets creating a bubble and the ramifications of a bubble bursting may be overplayed or overstated.

Much remains to be seen and there are many variables at play beyond the scope of this comparison. While the first 10 years of crypto adoption appears more modest than that of the internet, it can be said that crypto has steadily advanced on a trajectory comparable to the internet. History may not repeat itself, but it could rhyme. Past performance does not guarantee future results, but nonetheless, we are fascinated to watch this dynamic play out in the coming years. ■

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