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What if Raoul Pal Is Dead Wrong?

Raoul Pal's debt argument — that governments manage excessive debt by devaluing fiat over time — is not new. Investors have hedged that dynamic for decades through gold, commodities, and other non-sovereign stores of value. His more specific claim is that crypto is the superior hedge because certain tokens appreciate as the value of their underlying networks grows.

Stripped to its core, the thesis is this: **financial markets will migrate transaction flow to blockchains for settlement-speed advantages, and "Network Cryptos" (ETH, SOL, SUI, etc.) will appreciate as that flow moves on-chain.** Cathie Wood, Chris Burniske, Kyle Samani, Olaf Carlson-Wee, Dan Morehead, Santiago Roel Santos, and Joel Monegro all share versions of this view.

He cites a **$100T total addressable market (TAM)** for on-chain settlement and argues we are **3% of the way there**, implying a **3,233% growth trajectory**. That is the claim worth interrogating.

BTC vs. Network Cryptos

Bitcoin can be valued as a form of money that enables final atomic settlement. Some real capital can rationally sit in BTC for that reason alone, while also benefiting from its appreciation.

Network cryptos are different. They are being valued on two dimensions simultaneously:

1. **as assets that can participate in atomic settlement**, and
2. **as productive network tokens whose value is tied to demand for blockspace and transaction fees.**

In effect, they are being treated as both money and productive assets — a dual valuation framework that responds to conflicting economic drivers.

The $100T Question

The real issue is not fee mechanics; those are speculative. The real issue is **whether the next $97T of transaction flow will ever migrate on-chain**.

Traditional capital markets are extraordinarily efficient because they use **netting**. Netting preserves liquidity by offsetting trades before settlement. The move to **T+1** has increased capital efficiency even further.

By contrast, blockchain settlement is **T+0**, or real-time gross settlement (RTGS). RTGS requires **prefunding**, which traps capital. The liquidity benefit of instant settlement — receiving sale proceeds immediately — is overwhelmed by the capital that must be committed upfront. Even if capital is released more quickly after settlement, more capital must be posted to get there. The system is less efficient overall.

The key question is simple: **Is atomic settlement more or less capital-efficient than netting?** The answer is equally simple: **netting is exponentially more capital-efficient than atomic settlement** (see appendix).

Markets will figure this out. They always do.

Even if some portion of the $97T migrates to blockchains, the real addressable value is far smaller. The strongest case is **collateral mobility in derivatives**, where only a small fraction of gross notional needs to move because traditional markets already net exposures aggressively.

Consensus, Safety, and Differentiation

Consensus is not a substitute for netting, and it is not the primary driver of Network Crypto value. Its role is narrower: it provides the trust layer that replaces regulated intermediaries in an open system. It validates ownership, sequences transactions, and secures finality — but it cannot compress offsetting obligations.

A blockchain may remove intermediaries, but if it settles on a gross, prefunded basis, it remains an RTGS system.

This matters because Network Crypto blockchains differentiate **within** that RTGS design space, not outside it. Their advantages are variations on the trust and performance layer:

- **privacy or controlled disclosure**, improving safety and institutional usability,
- **speed or throughput**, improving execution and finality,
- **fee structure**, affecting the cost of using the network.

Ethereum is the largest and most institutionally established example. Canton emphasizes safety and controlled participation. Solana emphasizes speed and throughput. But all three remain forms of gross settlement. None alters the capital burden imposed by atomic settlement. They improve the user experience of RTGS, but they do not change the economics of RTGS.

The Real Disruptor: RTN Blockchains

The real disruptor is **real-time netting (RTN)** infrastructure on blockchain rails — the ability to achieve atomic settlement without surrendering the capital efficiency of netting.

And the implications run deeper:

- **If such a system requires no consensus**,
- **if it eliminates Network Crypto fees entirely**, and
- **if its tokens are legally classified as securities operating fully within existing securities law**,

then the functions often cited as advantages of Network Crypto blockchains — coupon payments, interest distributions, corporate actions, and other forms of programmability — simply become automated expressions of existing legal rights. In that setting, "composability" is not a novel economic advantage. It is just the automation of business rules inside the regulatory perimeter.

This creates a risk to Pal's thesis that is not yet visible in the market. If traditional finance adopts RTN infrastructure that preserves the capital-efficiency advantages of netting, the remaining case for public Network Crypto fee capture weakens dramatically. Even the reduced on-chain migration case may prove overstated.

If that happens, **very little of the projected $100T would move to Network Crypto blockchains**. At most, some collateral may move outward to support DeFi activity, but that represents only a fraction of the growth Pal's thesis requires.

Appendix:

The appendix formalizes the central economic point: as markets thicken, netting compresses the capital required to support volume, while atomic settlement continues to require capital on a gross basis.

$$C_n = \kappa_n \cdot V_n \ll P_n = V_n$$

- V_n = total gross trade volume over n trades
- C_n = capital required with multilateral netting
- P_n = capital required with prefunded atomic settlement
- κ_n = the **netting compression factor**, which shrinks as the network thickens

$$\frac{P_n}{C_n} = \frac{1}{\kappa_n} \gg 1$$

In Pal's framework, network growth increases token value. In this framework, network growth increases netting efficiency — reducing the capital needed to support volume in traditional markets. As the network thickens, the economic case for gross atomic settlement weakens rather than strengthens. It is **Metcalfe's Law inverted**. Here is a breakdown of the accuracy and logical flow of the proof: <next page>

Author: Bill McCahey
+1 551-449-0343
bill@ledger4securities.us

1. The Variable Logic (C_n *vs.* P_n)

The definition of $P_n = V_n$ is the "Technical Truth" of a pre-funded RTGS market. In an atomic system, there is no *t+1* to look forward to; therefore, in a pure atomic system, there is no balance-sheet mechanism equivalent to multilateral netting, so there is no meaningful room for *K*-style compression.

2. The Netting Compression Factor (K)

K_n "collapses as the network thickens".

- **In a thin market:** Netting is less effective because there are fewer offsetting trades.
- **In an industrial market:** The probability of offsetting trades increases. In a "Bi-polar" system (Assets + Liabilities), the clearinghouse can use a tiny amount of capital to settle a massive amount of volume.
- **The Result:** C_n scales sub-linearly relative to volume, while Pn scales linearly. This creates the "Exponential Gap" you mentioned.

3. The Ratio: P_n / C_n = 1/K_n

This ratio is the "Solvency Warning."

- If a clearinghouse nets 98% of volume, κ_n is $0.02.
- The ratio becomes $1 / 0.02 = 50.
- **The Narrative:** This means the "Atomic" system requires **50 times more liquidity** to support the same volume as the grounded he netted balance-sheet system used in traditional finance. As the market grows, this ratio doesn't just stay high—it explodes.

4. Function of the Formula:

The formula $C_n = \kappa_n \cdot V_n \ll P_n = V_n$ is mathematically accurate for expressing the disparity. It explicitly shows that:

1. **Atomic Settlement** is a 1:1 capital-to-volume trap.
2. **Netting** is a leveraged efficiency system.

Author: Bill McCahey
+1 551-449-0343
bill@ledger4securities.us