



# ICO: Dream or Nightmare?

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The rise of digital currencies, including Bitcoin, causes us to predict the arrival of a new era. This is because the technology of blockchain, which constitutes the foundation of many digital currencies, is likely to prompt the emergence of completely new systems for investments and settlements of capital.

However, it is undeniable that many of these systems still involve problems. Particularly alarming is capital procurement known as Initial Coin Offering (ICO), which uses the function of digital currencies called Ethereum.

I will not provide a detailed explanation of what ICO is. But suppose that there is an imaginary ledger that is shared on the Internet using blockchain technology, and that the relationships of many rights and contract items are described there. Suppose that the rights corresponding to currencies are written there. In this situation, it would be possible to automatically move currency-based values in accordance with the contract items that are described in the ledger. ICO is one of the systems that enable this.

ICO appears to have been derived from Initial Public Offering (IPO), which means the first sale of stocks by a private company to the public, but what it actually means is quite different. It is not only incorporated companies that conduct ICO. In addition, there are even ambiguous projects suggesting a lack of integrity as organizations and decision-making systems and capital procurements that do not set purposes as projects. Did these become receptacles for investments or speculation that lost the targets amid a surplus of money? Their popularity began to rise rapidly in Western countries and China at the beginning of last year, and some people even succeeded in procuring capital of more than 10 billion yen in just a few hours.

However, criticizing ICO solely for these reasons is an overly simplified way of thinking. Today's incorporated companies originated from the Dutch East India Company, which was established in 1602. In the nineteenth century, the system of the principle of stockholders' limited liability, which was introduced by the company, became the norm worldwide. The system of the principle of stockholders' limited liability is asymmetrical in that if a company



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yields profits, they belong to its stockholders, but if a company yields losses and causes problems, its stockholders are not responsible. It took many years and experiences of failure until this was understood by people. In the process of incorporated companies and their capital procurements becoming stable, there is a list of numerous speculation bubbles, including the Mississippi Bubble in France and the South Sea Bubble in Great Britain.

I will now get back to ICO. I do not intend to stand by the opinions that ICO should not exist because it is unclear whether it is stocks or bonds, or that it should be regulated because governments do not protect investors.

However, it should be remembered that the motility in the world that we take for granted is supported by not only visible systems, such as particular laws and contracts, but also the systems of people's understanding or agreements behind those laws and contracts, whose existences people are usually unaware of. Such foundations are called "social capital" in sociological terms. If a contract written on paper is brought to an Internet record system and its execution is automated, it does not mean that the world begins to revolve.

I want to repeat that it is not the correct way of thinking to deny ICO just because it goes beyond the framework of current system theories. This is because ICO also shows a new methodology of changing people's "connections," which cannot be organized by the system of incorporated companies, to motility that spreads beyond national borders. But we should not forget the historical lesson that the dream of the bubble solely in pursuit of capital gains can easily change into a nightmare.

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