



BREAKING POWER LAW

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Will Nation-State Adoption Break the Power Law?

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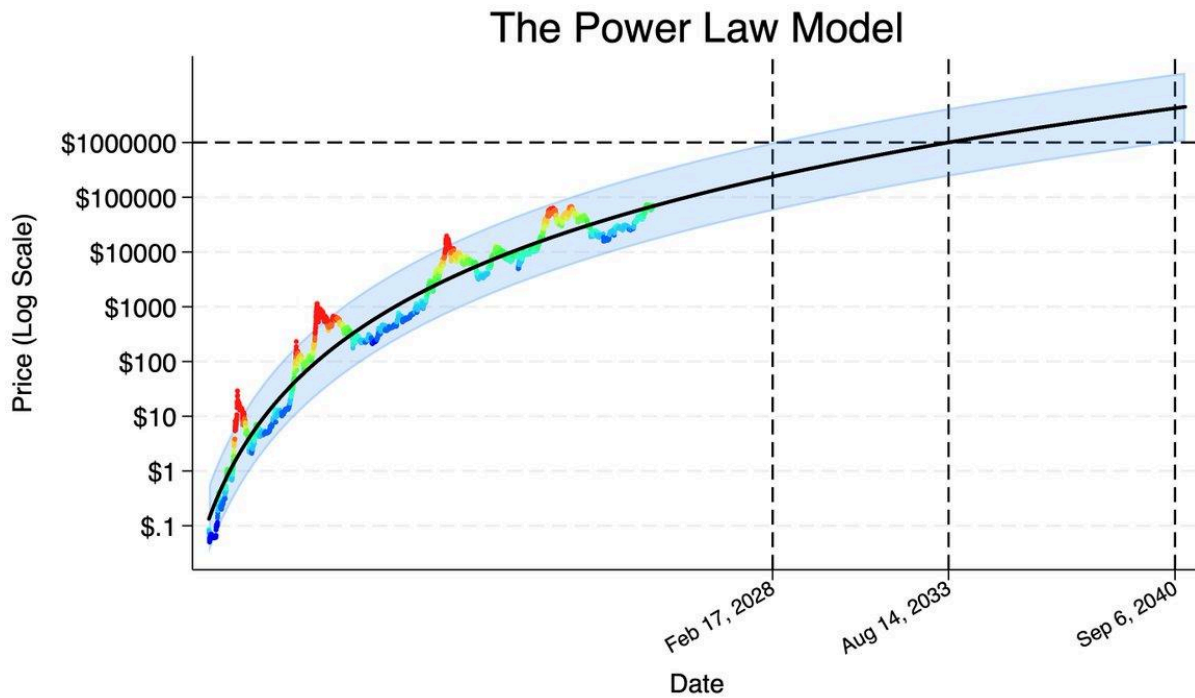
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Will Nation-State Adoption Break the Power Law?

Many people ask me whether the power law (PL) is too bearish and whether a sovereign Bitcoin rush (SBR) or a geopolitical game-theoretic Bitcoin rush will break it to the upside. In this post, I will address what it takes to break the model.



The Power Law Prediction: \$1 Million by 2033

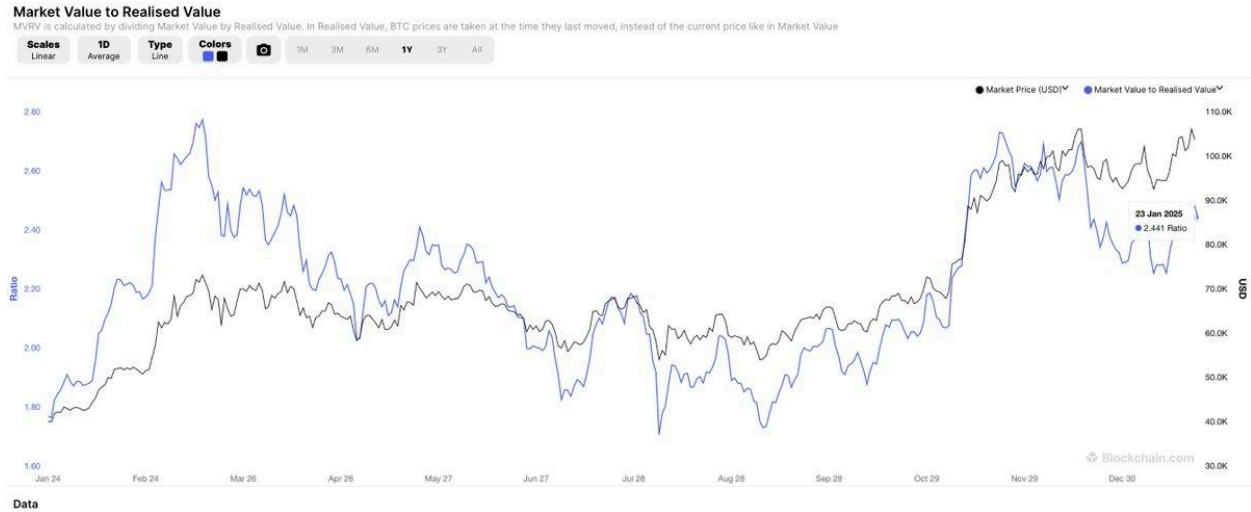
The power law model predicts us getting to \$1M in the next two cycles. The PL average will reach \$1M by 2033. This implies a market cap of \$21 trillion ($21M * \$1M$). For context, the US GDP is currently at \$29 trillion.

Sustaining a \$21 Trillion Market Cap

To sustain a \$21T market cap, we don't need \$21T of new capital. But we do need a portion of that. How much? It depends on the multiplier.

Understanding the Multiplier (MVRV)

The MVRV provides a guide for this. We are at 2.4 right now, meaning the price (or market cap) is only 2.4 times the net real capital that has flowed into the network. So, the grand average of the multiplier across the whole history is 2.4.



Fluctuations in the Multiplier

This multiplier fluctuates during bull and bear cycles and might temporarily go as high as 25. It never reaches the famous 118x BOA estimate. Watch our episode on the calculation of the multiplier for more details:

[Watch the video](#)

Required Capital Injections

Let's assume that the multiplier remains (on average) at 2.4x. Then, to sustain a market cap of \$21T, we need \$8.7T in net new capital injected. For context, this is more than the nominal GDP of Japan and Germany combined, or equivalent to half of China's GDP. Inflation-adjusted, this might be just one Japan economy's worth of new Bitcoin purchases!

Sovereign Adoption and the Power Law

So when people ask whether a sovereign Bitcoin war will derail the power law, the answer is: it depends on how much capital it will bring to the market and how fast.

Staying Within the Power Law Prediction

If, within the next 8 years, we get as much new capital as Japan's economy, we will only stay at the power law prediction. Anything more could break the model, which, as you can imagine, will be very difficult.

Sovereign Adoption as Part of the Story

The moral of the story is sovereign adoption is part of the PL story, not separate from it. It is actually what is needed for the power law prediction to happen, so it is already accounted for. There is always room for deviation to the up or down, but it would take a seismic acceleration of sovereign adoption for PL to break to the upside.