



757btc Meetup

Bitcoin education based
on the open-source
content from My First
Bitcoin



Bitcoin Diploma

Financial Education for the Bitcoin Era

Chapters 1-3

757btc.org

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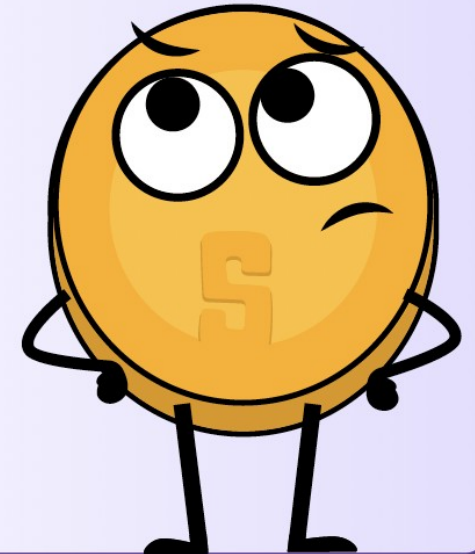
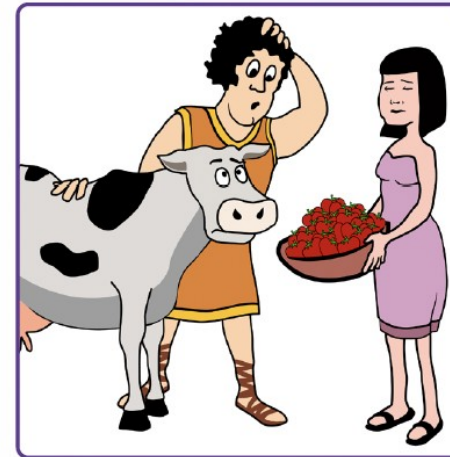
What is Money?

- Money is a way to exchange goods and services. It represents the value of these items in a form that can easily be traded
 - Facilitates trade
 - Allows us to measure the value and make comparisons between goods and services
 - Acts as a universal language that allows trade between people all around the world

Without money,
how easy or
feasible would this
trade be?

Would you trade
one cow for
1,000,000
strawberries?

Or 600,000
strawberries?
How about
50,000?





Functions of Money

Medium of exchange

- You can use money to buy and sell anything you want without having to find someone who wants exactly what you have to trade



\$29.00



\$129.00



Unit of account

- Provides a universal standard of value that allows people to express and compare the price of different goods and services

Store of value

- Money should maintain its value over time, making it useful as a way to save and invest the value of human labor

	 BTC (USD)	 Gold (USD)	 USD (EUR)
March 14, 2019	\$3,846	\$1,293	€0.8817
March 14, 2020	\$5,258	\$1,529	€0.90056
Gain/Loss	+36.71%	+18.25%	+2.14%



Time Preference and Saving

Today Choice

NOW

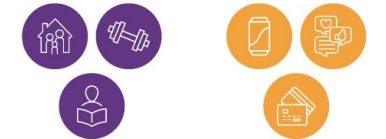
LATER



Time preference refers to the idea that people generally prefer to have something NOW rather than later.

LOW

HIGH



Buying a \$7 strawberry smoothie

Spending \$7 another way

Benefiting from regularly saving \$7

You are offered a choice:

You get one piece of candy now

OR

Two pieces of candy tomorrow

Which choice is high time preference, and which one is low?

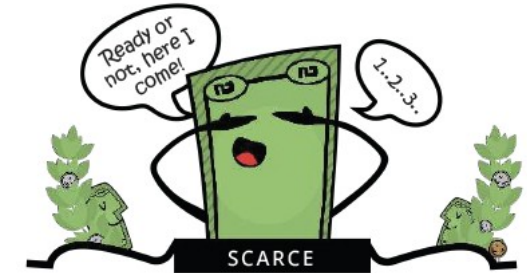


Characteristics of Money

Durability – ability to resist physical deterioration & last over time



Scarcity – limited supply of money, helping to maintain its value

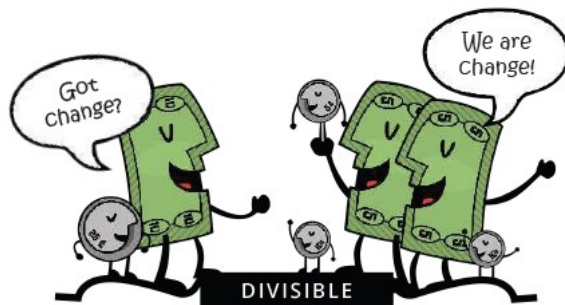


Portability – ease with which money can be transported & carried around

Acceptable – widespread acceptance as a form of payment



Fungibility – interchangeability of money, one unit is equivalent to another unit of the same value



Divisible – ability to be divided into smaller units





Types of Money

Money can be divided into two main categories: physical and digital

Physical money includes:

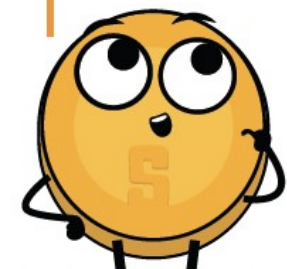
- Fiat money
 - Paper bills & coins issued by governments
- Representative money
 - Represents a claim on a physical commodity
- Commodity money
 - Physical object that has intrinsic value ie gold & silver

Digital money includes:

- CBDCs
 - Digital version of a country's fiat currency
- Stablecoins
 - Cryptocurrencies designed to maintain a stable value relative to an asset
- Bitcoin
 - A permissionless, decentralized peer-to-peer electronic cash system

Not all money is the same!

Currencies that operate without intermediaries (like bitcoin) are more efficient and beneficial for society, as they prevent a few individuals from controlling the money supply and concentrating their power





Barter Economies

In barter economies, people trade with each other based on the relative value of the goods and services that they have to offer.

A situation known as the double coincidence of wants is necessary in any bartering system since people must always find someone who has what they want but also wants what they have to offer at the

Why Money was Invented



Using a common unit of account makes trade and commerce much more efficient

S



I'll give you shoes for your wheat.



I don't need shoes. I need clothes.



I want shoes but I don't have wheat.



From Commodities to I.O.U.s

As communities became more involved in trade and commerce, they realized the limitations of using bartering and other forms of non-monetary exchange

Metal coins became popular as a form of money. Valuable materials like gold and silver were used and acted as a medium of exchange and unit of account

Eventually, metal coins as money experienced some drawbacks. They are heavy and inconvenient to carry in large transactions. Some took advantage of the system by melting coins and mixing them with cheaper metals

Paper receipts for metal coins were created to address some of these issues. These receipts allowed money to be more portable

Banks began holding metal coins and issued the receipts. But then it they started issuing more receipts than they had coins in storage...

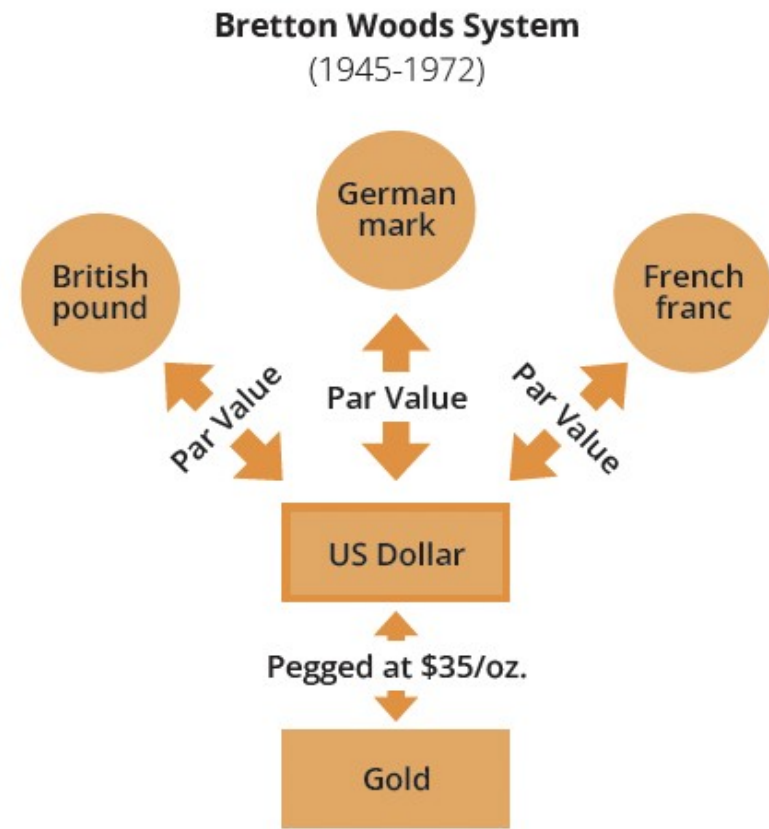




Transition from Sound Money to Unsound Money

As time went on the emergence of central banks and other monetary authorities contributed to the centralization and control of money, leading to the issuance of fiat currencies.

Two World Wars and the 1929 economic crisis put an end to everyday citizens' ability to convert their paper money into a preset amount of gold, but central banks and foreign governments retained that ability. This was due to the Bretton Woods Agreement.





Transition from Sound Money to Unsound Money

In 1971, Richard Nixon “temporarily” suspended the convertibility of the dollar into gold effectively ending the gold standard.

The standards of living began to decline due to:



Abuse of centralization

Rising prices

Stagnated real wages

Weakening currencies

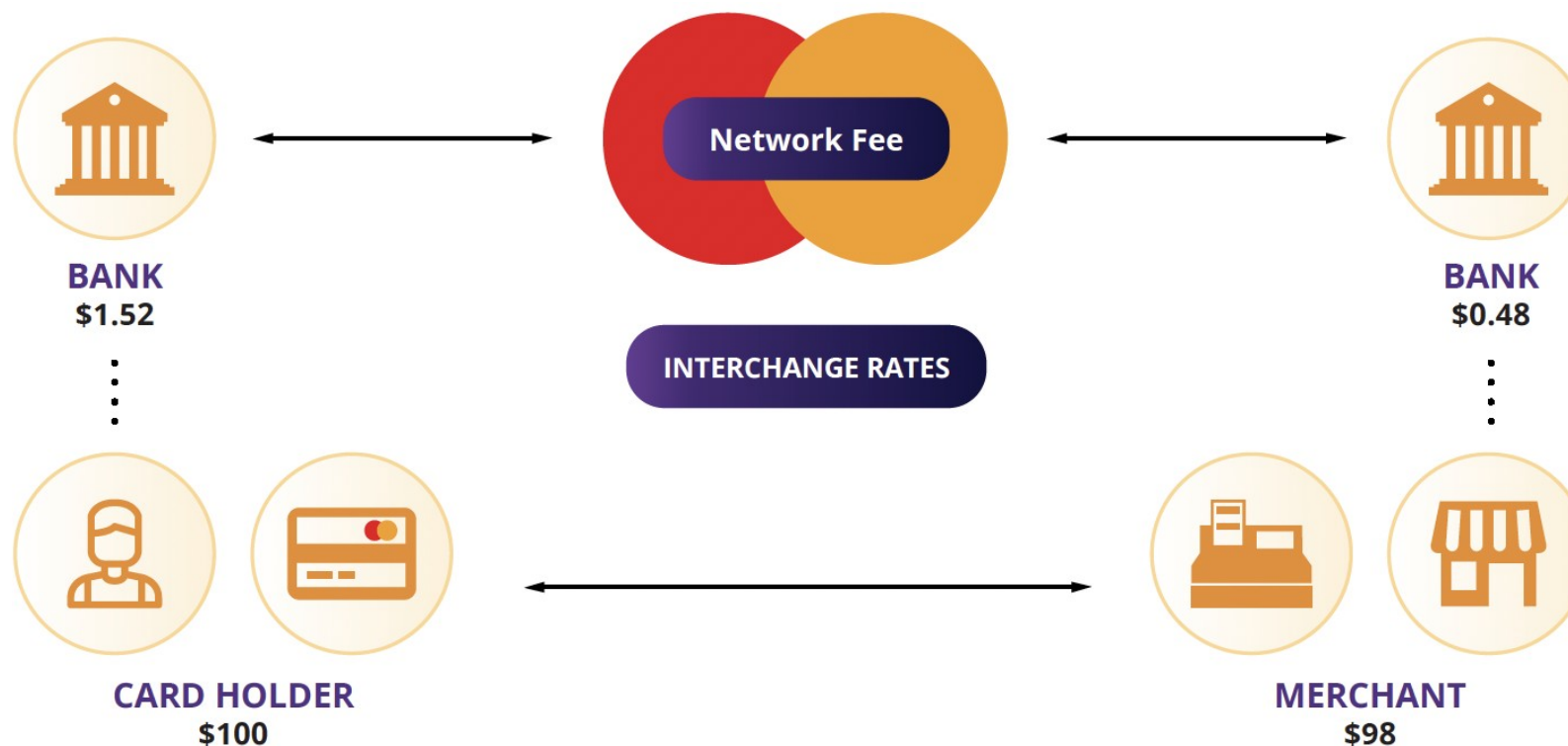
The need to spend more money for fewer things

The rich seem to get richer, and the poor seem to keep getting poorer



Paper to Plastic

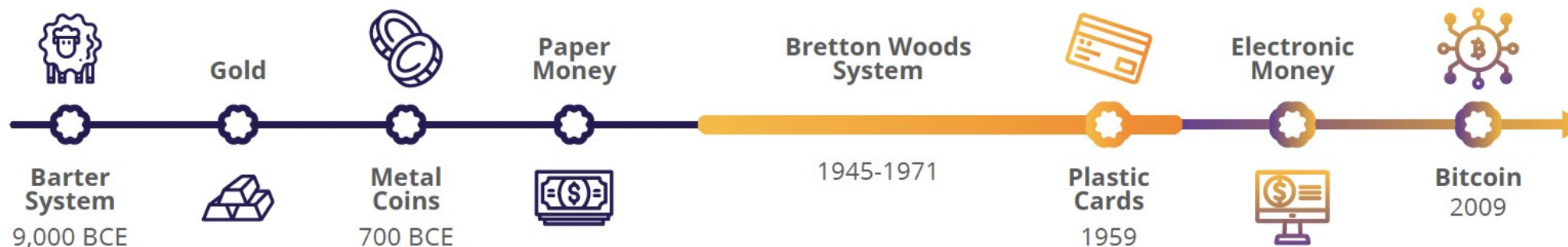
We have come a long way since the introduction of the credit card in the 1950s. The internet becomes a major player in the financial world, with online banking and e-commerce websites making it possible to manage and spend money entirely online. This came with not only a monetary cost, but another form of control as well.





Digital Currency

Digital currency allows individuals to send their money through the internet. Much like how email allows us to send messages instantly and without shipping costs, digital currencies allow us to send and receive value instantaneously with very little cost.



Only a small fraction of the money supply exists in the form of coins and paper bills. Banks and banking services provide their users with applications to seamlessly exchange money over the internet. But where is the money coming from?



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Conclusion

