History of Fiat Money

> The history of mankind is the history of money losing value.
>
> **Milton Friedman**

1815-1933	1913	1933	1934	1944	1971	1980
The Gold Standard	Creation of the Central Bank called "the Federal Reserve"	Executive Order 6102. Every citizen was obliged to turn in their gold at an exchange rate of $20.67 per ounce	Gold Reserve Act. Stealing wealth from the people by devaluing the dollar by 40% to $35 per ounce of gold	Bretton Woods Agreement: USD became the dominant world reserve currency	Nixon Shock, which gave birth to the fiat system by ending the redeemability of U.S. dollars for gold	Value of gold increased from $35 per ounce in 1970 to $870 per ounce in 1980, which caused a loss of value of people's money by 96% in just 10 years

← Timeline Visual →

Fiat: A Monetary System by Decree

The term "fiat," originating from Latin, means "by decree," representing a directive issued by authorities

Unlike money backed by tangible assets such as gold, fiat money lacks such support. Instead, its use is mandated under the law

The value of fiat money is based on the belief that it can be exchanged for goods and services and the illusion that it will retain its value over time
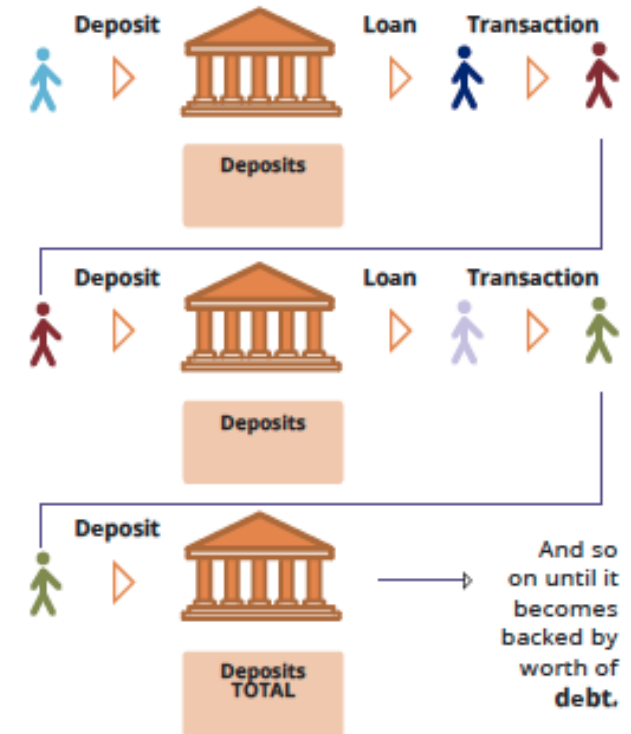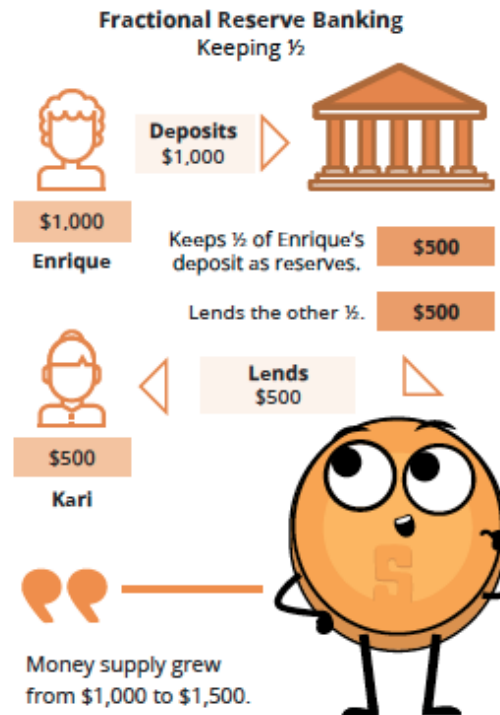
> The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust.
>
> **Satoshi Nakamoto**

Fractional Reserve Banking: A System Fueled by Debt

When a bank receives a deposit of your hard-earned money, it's required to keep only a fraction (reserve requirement) and can lend out the remaining portion


Banks borrow money from depositors at an interest

(let's say 5%)

Banks lend this money to borrowers at a higher interest rate

(let's say 9%)

Banks pay interest from interest received by lending (9% - 5% = 4%) and keep the rest as their profit

Fractional Reserve Banking
Keeping ½

Deposits $1,000

$1,000
Enrique

Keeps ½ of Enrique's deposit as reserves. $500

Lends the other ½. $500

Lends $500

$500
Kari

Money supply grew from $1,000 to $1,500.

Deposit   Loan   Transaction

Deposits

Deposit   Loan   Transaction

Deposits

Deposit

Deposits TOTAL

And so on until it becomes backed by worth of debt.

Who Controls the Fiat System

The Government: The "director" of the fiat show. They collect taxes and are funded through new debt (bonds) issued by the treasury

Financial Sector: Banks and financial institutions can pursue and accelerate the creation of new currency via fractional reserve lending while remaining free from accountability

How they benefit: Government gets consequence free funding, wealthy individuals & banks make money effortlessly, and the central bank keeps the circus running

COMING MONEY TRUST

THE OCTOPUS - "ALDRICH PLAN"
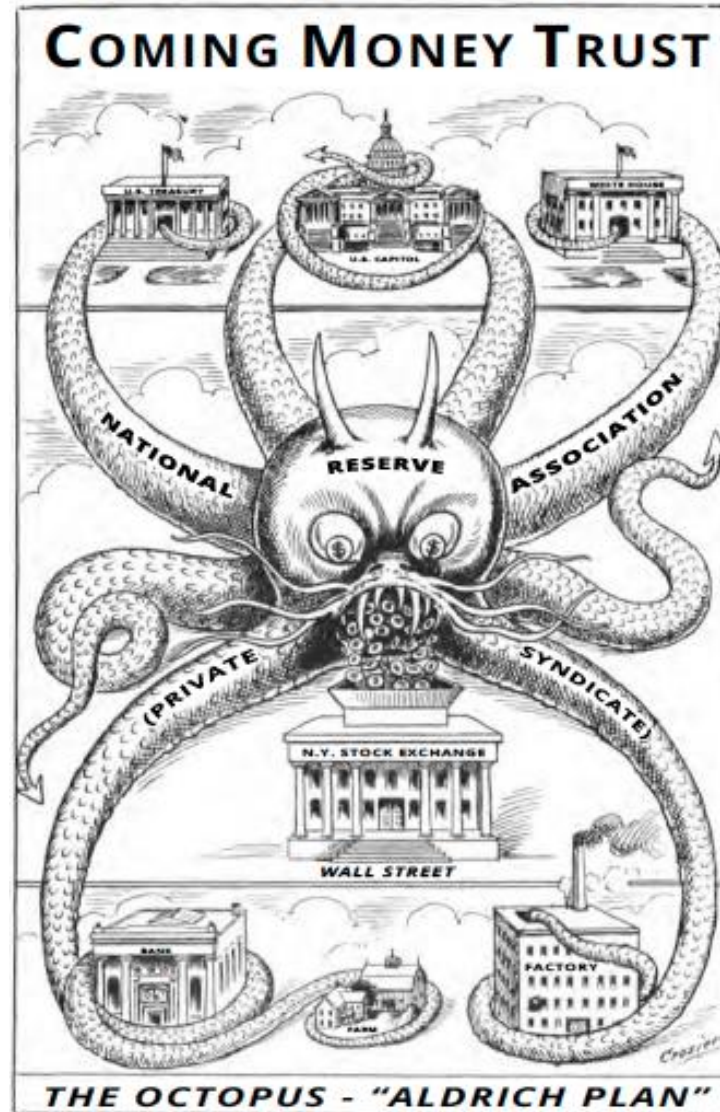
Wealthy Individuals: With the ability to accumulate more debt, they can invest in assets like commodities, real estate, and stocks, creating wealth almost effortlessly

The Central Bank: Controls the growth of the money supply, while also being subject to the governments laws and serving their interests

How Does This Affect You?

A Dollar's Worth
Purchasing Power of the U.S. Dollar

The purchasing power of the U.S. dollar has fallen sharply over the last century due to rising inflation and money suuply.

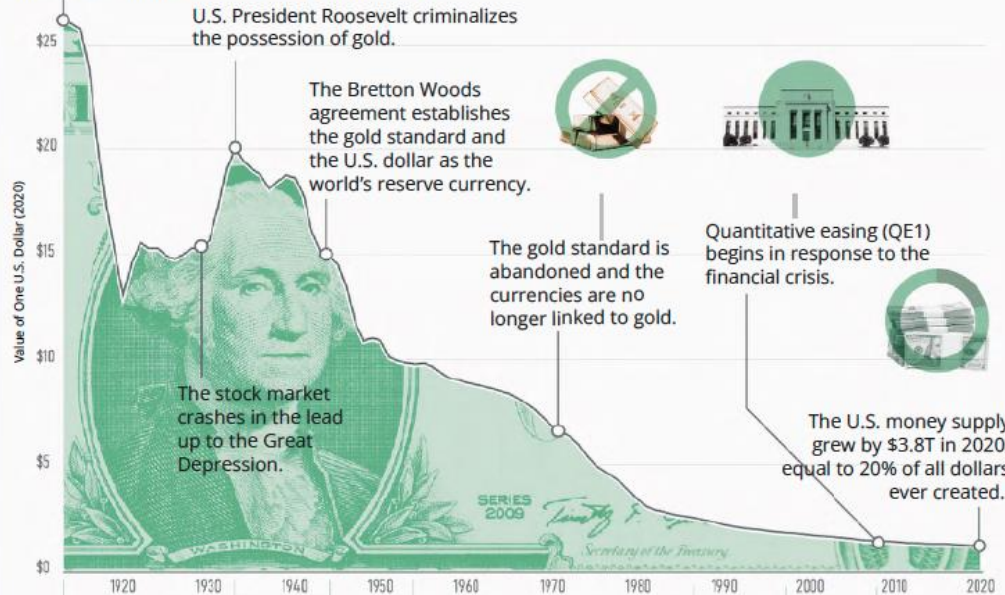The Federal Reserve Act creates a central bank with the ability to manage the country's money supply.

U.S. President Roosevelt criminalizes the possession of gold.

The Bretton Woods agreement establishes the gold standard and the U.S. dollar as the world's reserve currency.

The gold standard is abandoned and the currencies are no longer linked to gold.

Quantitative easing (QE1) begins in response to the financial crisis.

The stock market crashes in the lead up to the Great Depression.

The U.S. money supply grew by $3.8T in 2020, equal to 20% of all dollars ever created.

PURCHASING POWER OF $1 (2020 DOLLAR)

| $26.14	$15.14	$15.14	$14.71	$9.69	$6.39	$2.28	$1.61	$1.20	$1.00
30 Hershey's Chocholate Bars	10 rolls of toilet paper	10 bottles of beer	20 bottles of Coca-Cola	10 bags of pretzels	17 oranges	2 boxes ofcrayons	4 grape fruits	2 lemons	1 McDonald's coffee
1913	1929	1933	1944	1953	1971	1987	1997	2008	2020

Monetary inflation is the increase in the money supply within an economy, directly impacting the average person by reducing their purchasing power

Growth in Productivity and Hourly Compensation (1948-2017)

Productivity +246%

90.84%
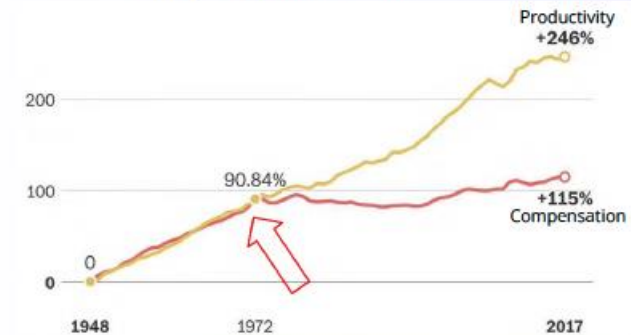
+115% Compensation

NOTE: Compensation includes wages and benefits for production and non-supervisory workers.

The average individual's salary growth remains stagnant when adjusted for inflation, meaning they aren't receiving raises at the same rate as the decreasing value of their money, despite working harder
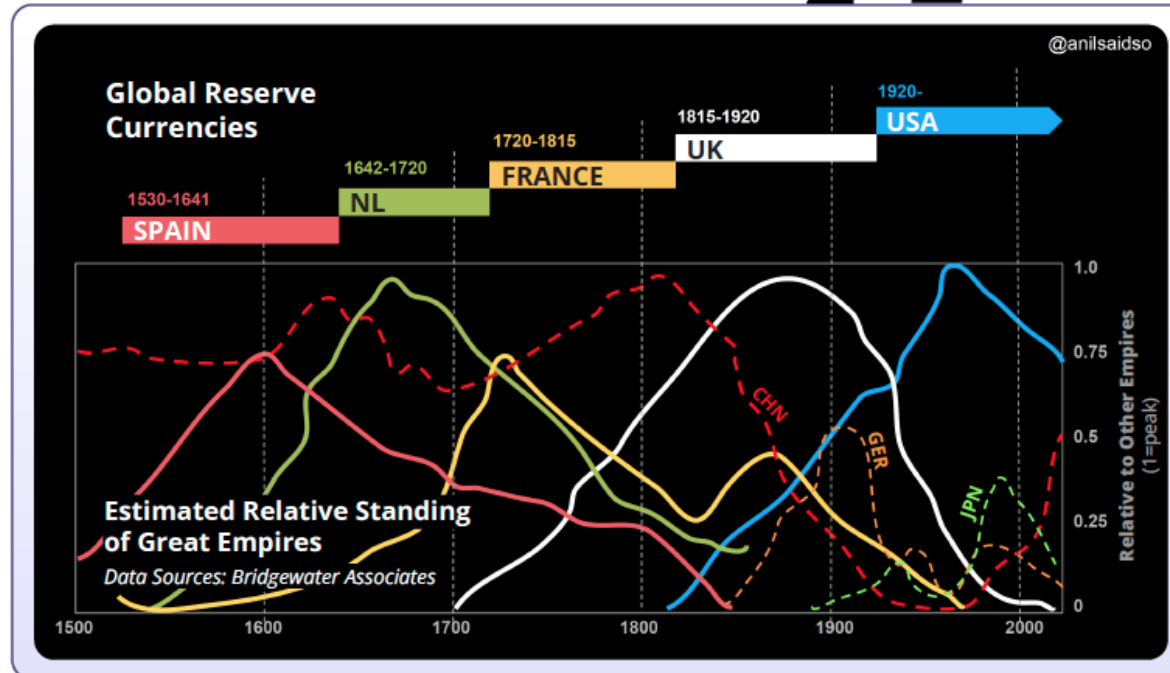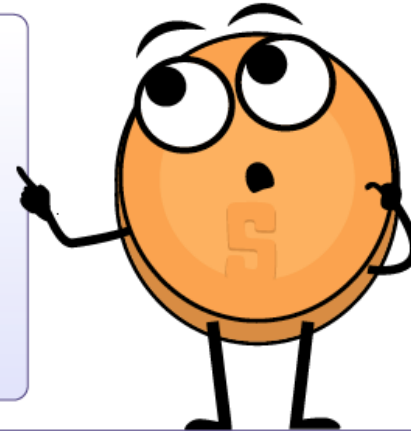
How Problems Lead to Solutions

> I don't believe we shall ever have good money again until we take the thing out of the hands of government... all we can do, is by some sly, roundabout way, introduce something that they can't stop.

Friedrich Hayek
Nobel Prize Winner of Economics

The Cypherpunks

The second half of the 20th century saw the rise of multiple technological breakthroughs, like the computer and the internet, paving the way for a new digital age

A group of people discovered that these massive innovations would soon transform how society functions. They foresaw that these innovations could be used as freedom enabling tools, or be used for complete control and surveillance

This group believed in the power of cryptography to protect individual liberties. Their goals included developing tools to secure online communications, anonymize internet activities, and establish digital currencies to operate beyond the control of centralized authorities

These people are called Cypherpunks

> "The computer can be used as a tool to liberate and protect people, rather than to control them.
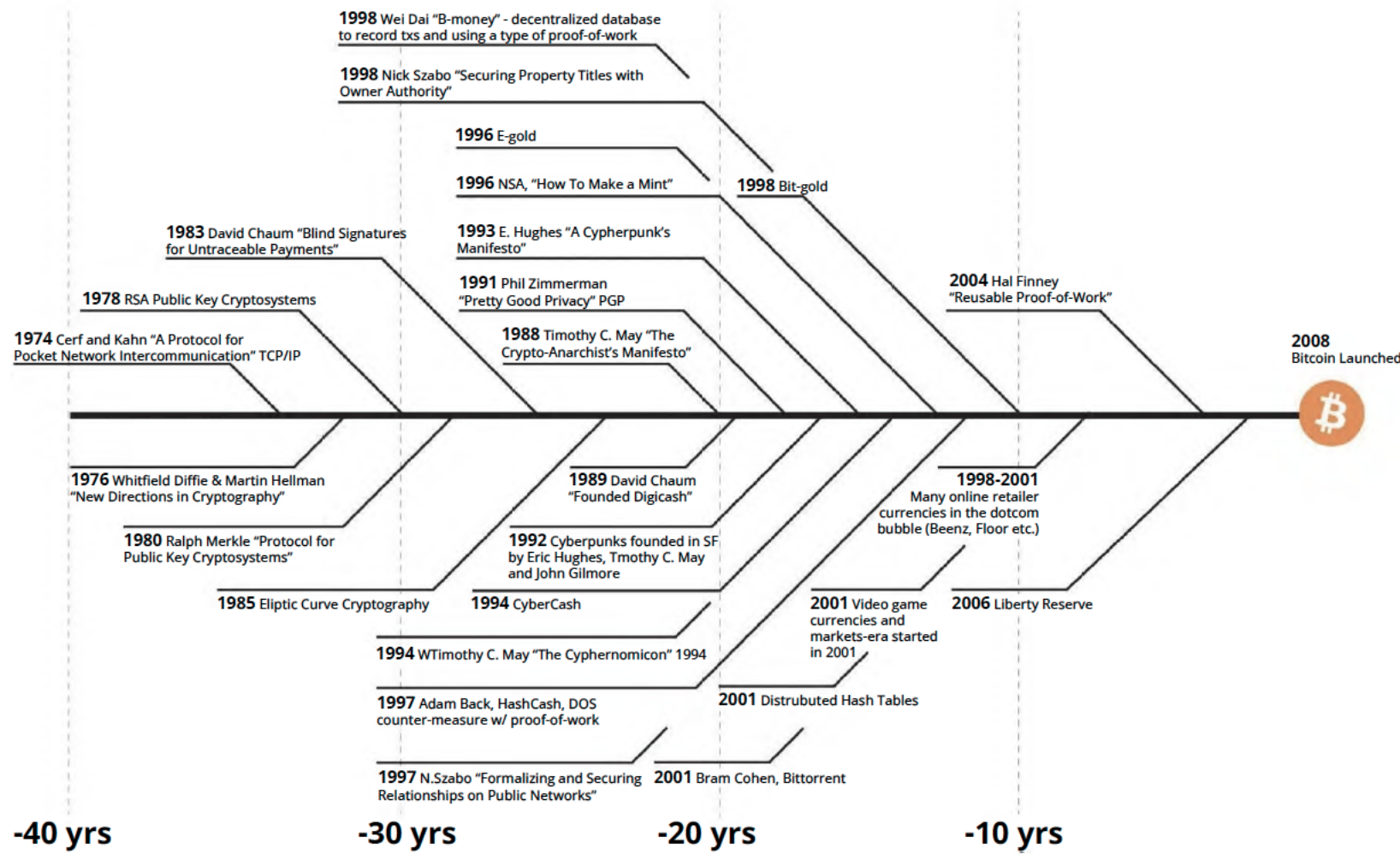>
> **Hal Finney**"

Bitcoin Prehistory: A Result of the Cypherpunks

Bitcoin's 2008 creation was the result of decades of innovation in cryptography, peer-to-peer networking, and decentralized systems. Milestones like public-key cryptography, digital cash protocols, and proof-of-work systems laid the foundation for its revolutionary launch

Bitcoin prehistory - It's the result of 40 years of reserach, development and demand

1998 Wei Dai "B-money" - decentralized database to record txs and using a type of proof-of-work

1998 Nick Szabo "Securing Property Titles with Owner Authority"

1996 E-gold

1996 NSA, "How To Make a Mint"

1998 Bit-gold

1983 David Chaum "Blind Signatures for Untraceable Payments"

1993 E. Hughes "A Cypherpunk's Manifesto"

1978 RSA Public Key Cryptosystems

1991 Phil Zimmerman "Pretty Good Privacy" PGP

2004 Hal Finney "Reusable Proof-of-Work"

1974 Cerf and Kahn "A Protocol for Pocket Network Intercommunication" TCP/IP

1988 Timothy C. May "The Crypto-Anarchist's Manifesto"

2008 Bitcoin Launched

1976 Whitfield Diffie & Martin Hellman "New Directions in Cryptography"

1989 David Chaum "Founded Digicash"

1998-2001 Many online retailer currencies in the dotcom bubble (Beenz, Floor etc.)

1980 Ralph Merkle "Protocol for Public Key Cryptosystems"

1992 Cyberpunks founded in SF by Eric Hughes, Tmothy C. May and John Gilmore

1985 Eliptic Curve Cryptography

1994 CyberCash

2001 Video game currencies and markets-era started in 2001

2006 Liberty Reserve

1994 WTimothy C. May "The Cyphernomicon" 1994

1997 Adam Back, HashCash, DOS counter-measure w/ proof-of-work

2001 Distrubuted Hash Tables

1997 N.Szabo "Formalizing and Securing Relationships on Public Networks"

2001 Bram Cohen, Bittorrent

-40 yrs   **-30 yrs**   **-20 yrs**   **-10 yrs**

Bitcoin: A Peer-to-Peer Electronic Cash System

Bitcoin is a decentralized digital currency that enables peer-to-peer transactions without the need for a central authority or intermediary

Bitcoin ensures transparency, security, and immutability by recording transactions on a public, distributed ledger

Fast forward to January 3, 2009, Nakamoto mined the first Bitcoin block known as the "genesis block." This marked the official launch of the Bitcoin network, a new money system built on trust and security through a decentralized ledger. In the months and years that followed, more and more enthusiasts started to join and contribute to the idea.

Bitcoin Genesis Block
Raw Hex Version

In 2011, after the Bitcoin network proved it could operate successfully without the need of its influential creator, Nakamoto sent an email to a fellow Bitcoin developer, announcing to remove themselves from the Bitcoin scene and giving its future away to other "good hands" that shared their vision.

Using proof-of-work and cryptographic principles, Bitcoin solves the double-spend problem, making it a revolutionary system for transferring value globally, efficiently, and securely

The Consensus Mechanism

Bitcoin is an agreement among people online. It does not matter who you are or where you come from; if you enter the Bitcoin world, you need to play with the same set of rules as anyone else

Block Size Limit: Blocks must not exceed 1 megabyte in transaction data size.

Proof-of-Work (PoW): Miners must solve a cryptographic puzzle (SHA-256) to validate and add new blocks.

21 Million Supply Cap: Only 21 million bitcoins will ever be created

Transaction Validity:

- Transactions must have valid signatures

- Inputs must not exceed outputs (no creating coins out of thin air)

Blockchain Forks: The longest valid chain with the most accumulated PoW is considered the authoritative chain
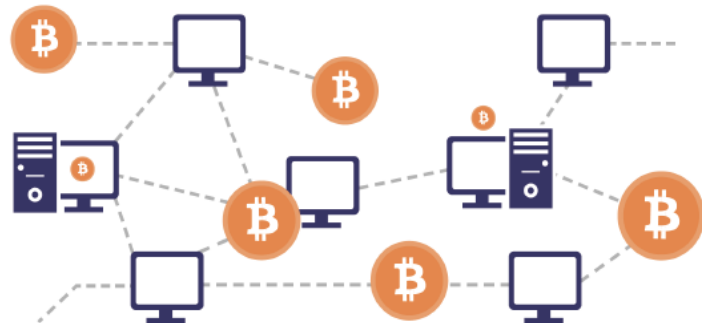
Contributors to the Network

Miners: The architects of security

- Maintain and secure the network through proof-of-work

Nodes: Enforcers of validation

- Anyone can be a node. Nodes run bitcoin software on a small computer maintaining a copy of the public ledger

Users: Empowered participants

- Anyone who chooses to empower their lives by integrating bitcoin

Developers: Architects of innovation

- Individuals who contribute code, propose improvements, and address vulnerabilities to enhance and innovate the Bitcoin protocol

Bitcoin as Sound Digital Money

Increased Privacy

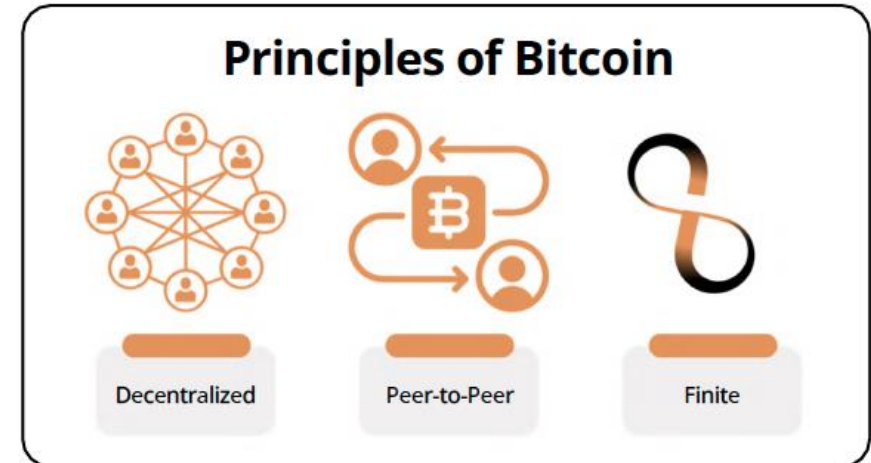Bitcoin transactions are public, but your identity is not

Faster, Cheaper Payments

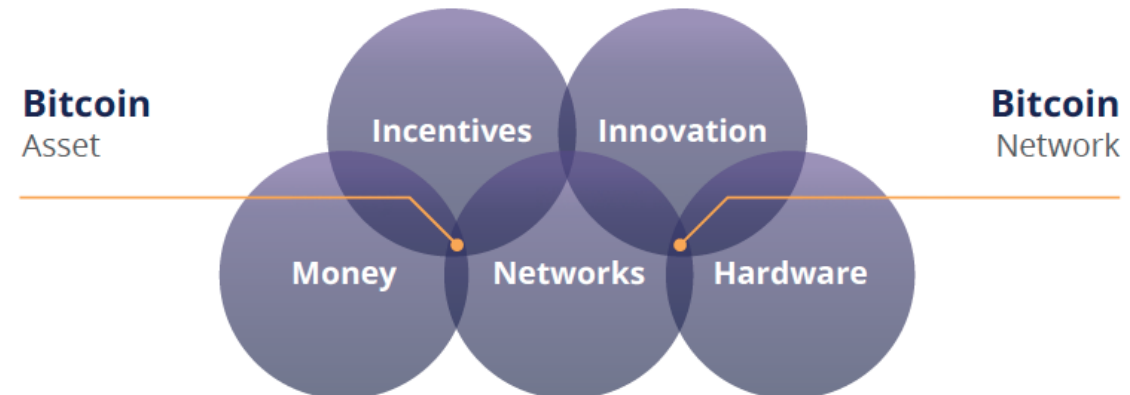Send money across the globe in minutes, with extremely low fees

Financial Inclusion

2.5 billion unbanked people can have access to money via a phone or computer

Principles of Bitcoin

Decentralized | Peer-to-Peer | Finite

Bitcoin Asset

Incentives | Innovation
Money | Networks | Hardware

Bitcoin Network

The Power That Bitcoin Gives You

In 2017, Andreas Antonopoulos gave a speech on money as a system of control

Fiat money functions as a system of control, benefiting those who operate within it at the expense of everyone else

When tyrannical governments attempt to impose this system of control over their people, those people have two distinct powers to resist:

Voice and exit

We have the freedom to use our voice to create change in the world around us. However, when that fails, sometimes our most powerful tool is exit

The next slide presents Andreas' closing remarks

Full speech video here

"*What does the insider crook do? What do the regulators do in response to a system that can't be regulated? They regulate the bits they can.*

They regulate the exchanges. They regulate the bank accounts. They regulate the national currency side of things. They shut down the on ramps and off ramps. They say we will not let you take your money with you. And what do millennials say to that?

Dude, I don't have any f***ing money! All I have is my creative potential, my spirit, my productivity, and I can sell that directly for Bitcoin without an exchange, without an on ramp, without an off ramp. And when I need to buy something, I'll use my digital currency directly without reentering your system to which I was never invited.

Shut down the on ramps, shut down the off ramps, and I will stay on board.
I will stay digital. I won't touch your gilded cage anymore because I don't need you.

I exit."

- Andreas Antonopoulos

Full speech video here