

Hello Everyone

*“The good news about computers is that they do what you tell them to do. The bad news is that they do what you tell them to do.”* Ted Nelson, American Pioneer of Information Technology

Today’s missive continues down the rabbit hole of government controlled cryptocurrencies.

Could a secure, limited growth, disciplined national cryptocurrency be superior to our current system? Yes.

Could this same government-controlled cryptocurrency turn into a financial Frankenstein? Yes.

Frankenstein is more interesting than secure-limited-and-disciplined. So, we’ll go there today. :>)

Signed, Your That-First-Alien-Movie-with-Sigourney-Weaver-Was-A-Lot-Scarier-Than-Frankenstein  
Financial Advisor,

Greg

## KKOB 2020.10.26. FedCoin Part 3 Programmable

**Bob:** So, Greg, on Friday we began to see how two things must come together to make government-controlled digital currencies a reality.

- The government must pass laws that made digital currency legal tender...and thus acceptable for payment. This legislation is currently in the Senate in the form of the *Banking For All Act* and *The Illicit Cash Act*

- Then, there must be a mechanism to get the digital currency to the people. And the Federal Reserve has recently told all its member banks to make “digital wallets” available to everyone by January 1, 2021.

**Greg:** Right. That doesn't mean implantation takes place then. But you can see the plan taking shape.

We have also determined this digital currency will be traceable. And for simplicity, I am calling it FedCoin.

What I want to add today is FedCoins will also be programmable. Let me explain.

Let's say the government wants to spark inflation. The problem with today's system is you can print a bunch of money, but if that money is not in motion, then you just have a big ol' pile of money. To get inflation revving, you need velocity on money. Money moving quickly through an economy.

Today, we are seeing trillions being printed, but people and businesses aren't spending it (or borrowing it) fast enough to get to the Fed's inflation targets.

Well, since FedCoin is programmable, if they wanted to they could put a timer on the Fed Coins they issue.

For, example, Bob, let's say you get 1200 FedCoin deposited directly to your phone. The Fed could say, *“Bob, you have 30 days to spend it. If you don't, the coins evaporate into the financial ether. Use it or lose it.”* what would you do?

**Bob:** I would use it as fast as I could. I mean, why waste 1200 of anything? I'm getting it free anyway. So why not live it up a little?

**Greg:** Right. I would do the same. But just think...every restaurant, car dealer, retail store and online service will also know there is a timer on your FedCoin. What will they do? They'll likely say, "*Hey, everyone must spend. Let's jack up the price of a burrito, or a Ford F-150, or the flannel sheets.*"

And what is it to you? Like you said, you got the FedCoin free anyway. So, if you pay a little more for a taco, you're not going to complain.

Oh, and this is what happened...but the old-fashioned way...after Hurricane Katrina in 2005. Bob, do you remember the Katrina cards? If you were approved, the government sent you five or ten grand on a prepaid card. They hoped people would go to Home Depot, or Lowes, or wherever to buy construction materials to rebuild their homes.

Instead, many people took the money and used it at the bars or strip clubs. And America was outraged. But some people did use the money to buy new trucks. So, what we saw was this. Every car dealer within 200 miles of New Orleans hiked the prices of their vehicles. Because they knew people had free dough on their Katrina cards.

**Bob:** I remember that. So, that was really kind of a test case--- even if they didn't think it at the time.

So, they learned. Just give free money and the Fed will get the inflation it wants. And government wins, too. Because they need inflation to make it easier to pay off their debts with inflated dollars.

But let me ask you this. What if inflation started getting out of control? Couldn't they just do the reverse? Couldn't they decide to give you fewer FedCoin each month? Or they could even make them evaporate so you couldn't spend them, right?

**Greg:** Right. You could even do it region-by-region, or state-by-state, or neighborhood-by-neighborhood. A programmable currency gives them incredible control over how and when you spend money. And on Friday, we'll go into more detail what they can do if they really want to control your spending.

**Bob:** This is really interesting. I'll look forward to Friday. Until then, have a good week. Oh, and how do people reach you?

**Greg:** Just call 250-3754. Or go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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