

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.

—

By accepting this material, you acknowledge, understand and accept the following:

This material has been prepared at your request by Zanetti Financial, LLC. This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not, be regarded as "investment advice" or as a "recommendation" regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) Zanetti Financial, LLC is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to Zanetti Financial, LLC that you qualify and shall be treated as an independent fiduciary for purposes of

applicable regulation. Zanetti Financial, LLC does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. Zanetti Financial, LLC shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of Zanetti Financial, LLC except for your internal use. This material is being provided to you at no cost and any fees paid by you to Zanetti Financial, LLC are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of Zanetti Financial, LLC and (ii) the terms contained in any applicable investment management agreement or similar contract between you and Zanetti Financial, LLC.