

Hello Everyone,

“Right now Bitcoin feels like the Internet before the browser.” Wences Casares, CEO of Xapo Bank and founder of *Internet Argentina*.

I think The Federal Reserve would like to be the browser for FedCoin. We'll see.

In the meantime, we have more to cover about the possibilities of digital/programmable government-controlled cryptocurrencies. Today's missive looks at how FedCoin could be used to reward or punish people based on their behavior.

And, yes, each segment in our FedCoin series gets a little eerier..which seems totally appropriate the day before Halloween. :>)

Signed, Your-Tomorrow-Is-A-Trifecta...A-Blue-Moon-Plus-Halloween-Plus-The-Turn-Back-Your-Clock-Day Financial Advisor,

Greg

KKOB 2020.10.30 FedCoin Part 4 Social Credit

Bob: So, Greg, we are on the subject of a possible government issued digital currency. For the sake of simplicity, we are calling it FedCoin. Here is a quick recap of what we have covered:

- FedCoins will not be like US dollars. They can be deposited directly to your phone or computer. And, they will be traceable.
- FedCoin is currently not legal tender, but some pending Senate bills could change that.
- Oh, and FedCoins will be programmable. That means, if the government wants you to spend them faster, they could put

“timers” on them. Sort of a use-them-or-lose-them concept.

Greg: Right. But wait. There’s more. Because FedCoins are programmable they could also have geographical limitations put on them.

For example, let’s say the government really wants to enforce Covid lockdowns. All they would have to do is program the FedCoins to only function within say five miles of your house. That means you could still get groceries, or prescriptions, or tank up. But you couldn’t use your FedCoins to travel to Las Cruces much less Los Angeles.

And, of course, they could tailor it to different regions. If you live in Jal and the nearest pharmacy is 30 miles away, you will get a wider range than someone living in a metro area.

Bob: But if they were able to control your spending to that degree of precision----- couldn’t they even control which pharmacy, or gas station, or grocery store you use?

Greg: Sure. The possibilities are almost limitless.

Let’s say “Politically Correct” Bob runs a coffee shop, but his shop is in financial trouble. Meanwhile, just two blocks away is “Politically Incorrect” Candy’s coffee shop which has lines out the door. If the government wanted to reward you for being PC, but punish Candy for being a rabble-rouser, they could make FedCoins useless at non-PC Candy’s business, but spendable at PC Bob’s.

And, by the way, we are seeing this type of thing in China right now. When anti-Communist Party Chinese try to buy train tickets, they are often denied travel because their “social credit score” is not high enough.

Bob: Let’s pause here and fill some of our listeners in on what a social credit score is. If my understanding is right, a social credit score is sort of like a financial credit score you get here in the US. Except in China, it is really a scorecard of how good of a citizen you are. If you criticize the government, you lose points. If, however, you pay all your taxes---and do everything they tell you to---you get higher scores and more privileges.

Greg: Right. So, imagine a FedCoin system that takes away FedCoin if you attend the wrong rally. Or you are caught on a security camera not wearing your mask.

Or, as you said, it could go the other way. Suppose you attend the right rally. Or wear a mask, and a face-shield everywhere you go. You could receive extra FedCoin deposited right to your phone.

And I know your listeners are thinking, “*There is no way this could happen in America.*” I hope they’re right. But governments typically deploy the power they have.

So, let’s imagine a programmable FedCoin in operation today. And, regardless of where you stand on Covid protocols, let’s imagine some of the more Covid-enthusiastic

governors had the power of FedCoin at their disposal. Do you believe they would use it to both their financial and political advantage?

Bob: It would be very tempting. So, wouldn't that also mean they could restrict the amount of FedCoin we spend on food, or alcohol, or gaming, or whatever?

Or, what if they linked FedCoin to our medical records? I mean, what if someone had high cholesterol? Couldn't they cancel that person's double-cheese pizza order and make them get the tossed salad instead?

Greg: Ah, now you are thinking like a central planner! FedCoin misused could negate the rule of law and any property rights. We would then know the truth of Mayer Rothchild's quote, *"Give me control of nation's money and I care not who makes its laws."*

Bob: And knowledge is our best defense. How do people reach you?

Greg: You're right. Stay aware. My number is 250-3754. Or go to my website at zanettifinancial.com.

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