

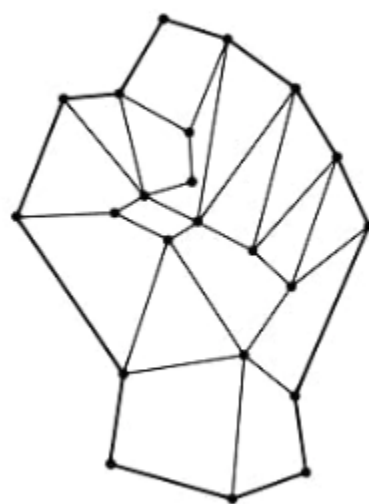
LISTEDRESERVE

MoneyBits

What if?

One of the better books about cryptocurrency is [Cryptoeconomics](#) by an ex US Navy pilot called Eric Voskuil. I wouldn't necessarily recommend reading it unless you are really an enthusiast but it sets a very interesting tone because he has worked deeply with the US government.

CRYPTOECONOMICS
FUNDAMENTAL PRINCIPLES OF BITCOIN



ERIC VOSKUIL
Edited & Illustrated by James Chiang

For example, we generally read that the government is just stupid. We only hear of their many failures. They print all this money, have all these deficits. They are dumb. He made the opposite case (on a podcast not in the book). In fact, many people who work for the US government (and others) are very highly intelligent. Indeed, the best of the best. They are motivated and deeply understand technology. The idea that they would simply let bitcoin eat the USD alive is false and they would have worked through many different scenarios to protect the USD and its position as the world's leading currency.

In itself, this is perhaps obvious because of all the hurdles bitcoin has had to overcome to get to where it is today. After all, it is just a piece of software that allocates numbers to people, so why all the noise? Answer, because they actually do understand it and the vast majority of the public do not; so *now* is the window to do something about it.

In the context of where we are today, what might this mean? I personally suspect that the US government has now accepted bitcoin *but* on its terms. Consider that the majority of the mining hash now sits in the US after China banned mining in what was likely a rare strategic mistake by the Chinese. I doubt now that they have the advantage, they will let it go (even with Biden's [proposed mining tax](#) this week).

US companies (MicroStrategy and BlackRock) are the largest single holders of the asset, and so again, the US is the dominant force there and if they ever needed some bitcoin they now have doors to knock on.

All they had to do was sacrifice price. To get to this position meant the price had to go up and has to continue going up and now lots of people in America will also benefit from that, including some of the many political benefactors of US politicians so the juicy donations should keep flowing.

It's hypothetical but the incentives stack up.

I wouldn't underestimate the opposition for one moment but if the strategy is if you can't beat them join them; then the US will join very hard indeed. Perhaps that's what we are witnessing?

Gold standard

It takes 100 years for monetary systems to change. None of us has 100 years left.

Here's an idea for you. What if I say we are still on the Gold Standard? Clearly you can no longer redeem your fiat for gold, but a lot of people in the Western world actually believe that their currency is backed by gold. Fort Knox they will say; the Bank of England vaults, etc.

The US even publishes its holdings [here](#); with an even more detailed analysis (un-audited obviously) [here](#).

MINT-HELD GOLD RESERVES

Troy Ounces - January 2023

• Working Stock (All)	2,783,218.656
• Denver	43,853,707.279
• West Point	54,067,331.379
• Fort Knox	147,341,858.382
• Total Ounces	248,046,115.696
• Book Value	\$10,473,052,700.50



The UK for its part does something similar. Gold Reserves can be found [here](#). Something like £100 billion. My question is only, why? Why is this being done? Why hold gold if not to maintain the pretence that fiat currency is actually backed by something?

Both the US and the UK wouldn't be able to redeem 1% of their currencies in gold. It started in the 1930s when redeemability for gold was restricted only to countries. Individual citizens could no longer redeem currency for gold and were legally barred from holding it at all. Then in the early 1970's Richard Nixon effectively defaulted the Dollar by declaring they could no longer be redeemed for gold even by nation states.

The gold is still there though, the reserves are still published. No actual formal system took its place. Here's the GPT explanation:

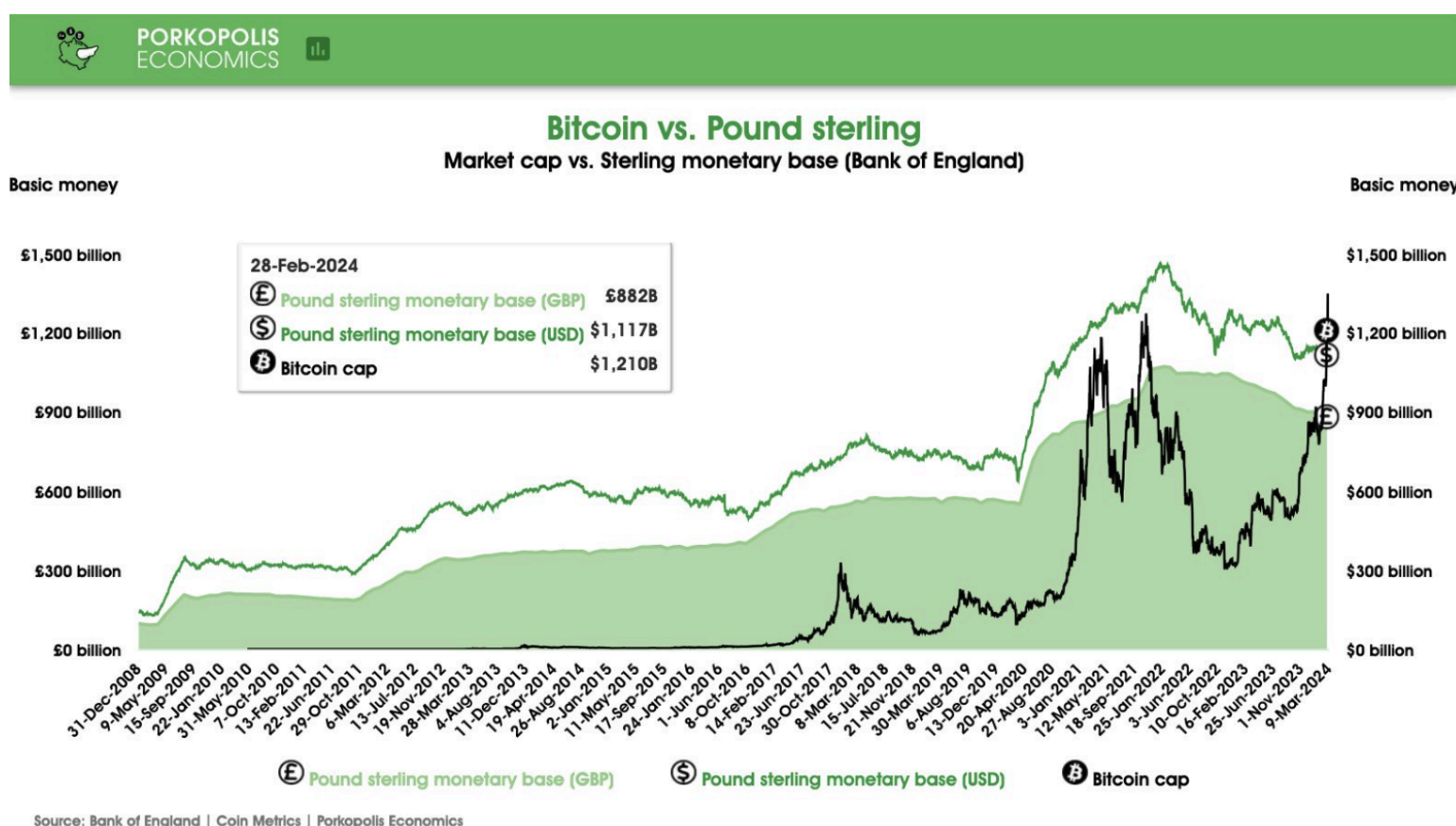
The System That Took Its Place

After the end of the Bretton Woods system and the gold standard, a new monetary system emerged where currencies are valued in a floating exchange rate system. In this system, the value of a currency is determined by the foreign exchange market based on supply and demand relative to other currencies. This means that currency values can fluctuate based on a variety of factors, including economic performance, interest rates, inflation, and political stability, among others.

I'm putting it to you that there is no system; that fiat is entirely pretend and trades on the legacy of the gold standard. It seems unbelievable that it could be true. Surely the whole world couldn't just be trading on paper and hope? But I guess all things are relative and some nations' paper and hope is better than others.

It's possible then, because of collective belief and the continued reporting of gold reserves, that we are still on a gold standard. So when I'm asked if I feel like waiting 100 years for bitcoin to take over, the answer is no I don't but if 90 of those years have passed already, well then I don't feel so bad.

UK



Porkopolis has tracked the monetary base of currencies for a while now. Bitcoin's market cap now surpasses the pound after the recent price action.

Top monetary assets worldwide

Top money	Native unit	ISO	Native value	USD value	Description	Issuer
Gold	troy ounce	AU	6.0 billion oz.	\$13.19 trillion	All-time ounces mined, less industrial usage	None, market
USA	dollar	USD	\$5.82 trillion	\$5.82 trillion	Monetary base	Federal Reserve
Eurozone	euro	EUR	€5.11 trillion	\$5.59 trillion	Monetary base	European Central Bank
China	yuan	CNY	¥38.90 trillion	\$5.41 trillion	Monetary base	People's Bank of China
Japan	yen	JPY	¥673.05 trillion	\$4.59 trillion	Monetary base	Bank of Japan
Bitcoin	bitcoin	BTC	฿19.65 million	\$1.35 trillion	Outstanding supply market cap	None, protocol
UK	sterling	GBP	£0.90 trillion	\$1.16 trillion	Monetary base	Bank of England
Silver	troy ounce	AG	30.7 billion oz.	\$0.75 trillion	All-time ounces mined, less industrial usage	None, market
Switzerland	franc	CHF	Fr.0.53 trillion	\$0.61 trillion	Monetary base	Swiss National Bank
India	rupee	INR	₹44.45 trillion	\$0.54 trillion	Monetary base	Reserve Bank of India
Australia	dollar	AUD	A\$0.45 trillion	\$0.30 trillion	Monetary base	Reserve Bank of Australia
Russia	ruble	RUB	₽26.51 trillion	\$0.29 trillion	Monetary base	Bank of Russia
Hong Kong	dollar	HKD	HK\$1.90 trillion	\$0.24 trillion	Monetary base	Hong Kong Monetary Authority

In itself, none of this means that much. It's just a number but I very much doubt that there is a general level of awareness of just how large bitcoin is relative to other currencies.

It's a long way now until it surpasses the Japanese Yen. 3.4x would be required to do so, implying a bitcoin price of \$232,500.

Not that many people think that will happen, although Tim Draper [did](#) and still does (and was wrong on timing). Cathie Wood [does](#) and she will also be wrong on timing and value. People will also laugh at her as they did at Draper.

It's not so much who can most accurately predict price and when and who; it's more a directional bet.

Specifically on the Japanese Yen, we have an economy that is technically bankrupt and cannot really raise interest rates in a meaningful way without accelerating that bankruptcy. The population is now in steep decline too, increasing the per capita burden.

The latest numbers on Japan's population trend make for dismal reading — the number of people who died in 2022 (1.56 million) was roughly twice as high as the number of births (771,000). Based on residency registrations, the country's Internal Ministry estimates a total population loss of **some 800,000** last year. 3 Aug 2023

800,000 people per year is a lot. Consider the war in the Ukraine that cost some [31,000 Ukrainian lives](#) in 2023 and it gives some sense of the Japanese issue.

The Bank of Japan owns the vast majority of all ETFs in the country and is the largest bond holder too; they are printing money and monetising their issues away and they will be for another generation. To me it's more a case of how bitcoin hasn't already gone past the Japanese Yen which on any objective measure stands absolutely no chance against bitcoin.

Who is selling?

Bitcoin Distribution	# of BTC	Today 3/6	Yesterday 3/5	Last 30 Days	Last 60 Days
0-1 BTC	1,411,012	(147)	(1,206)	(7,310)	(15,764)
1-10 BTC	2,135,196	(3,068)	(3,408)	(13,538)	(19,747)
10-100 BTC	4,374,927	(3,144)	(6,244)	(28,481)	(40,529)
100+ BTC	11,722,728	7,204	11,882	76,549	130,952
	19,643,863	845	1,024	27,220	54,912

(Note: A bracket on the right side of the table groups the 'Last 30 Days' and 'Last 60 Days' columns for the 0-100 BTC categories, showing a total of (76,040) BTC sold over that period.)

BlackRock went past Microstrategy this week as the largest corporate holder of Bitcoin. BlackRock is now holding in excess of 150,000 bitcoin; but who is selling?

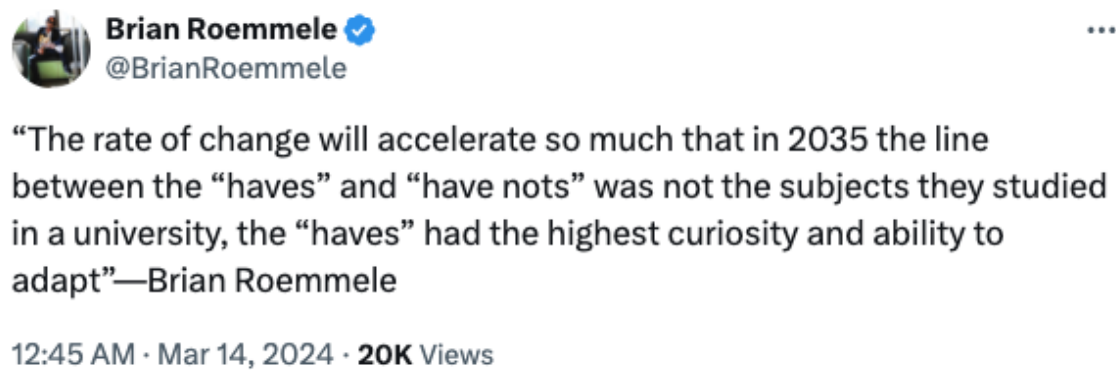
As we can see all the whale accounts 100+ BTC are accumulating and the smaller accounts are the ones exiting. When you consider the distributions across the group, by far the largest by count are the 0-1 group.

I would posit that there are many retail bitcoiners who are now selling out of what they bought in late 2021 and they are probably hugely relieved. For many, the paper losses in 2022 would have been incredibly painful.

It's a shame to suffer that amount of pain though and then sell just as you cross the X axis.

I would think that if Larry Fink wants to buy your bitcoin from you that would be sufficient reason alone to not sell it; apparently not.

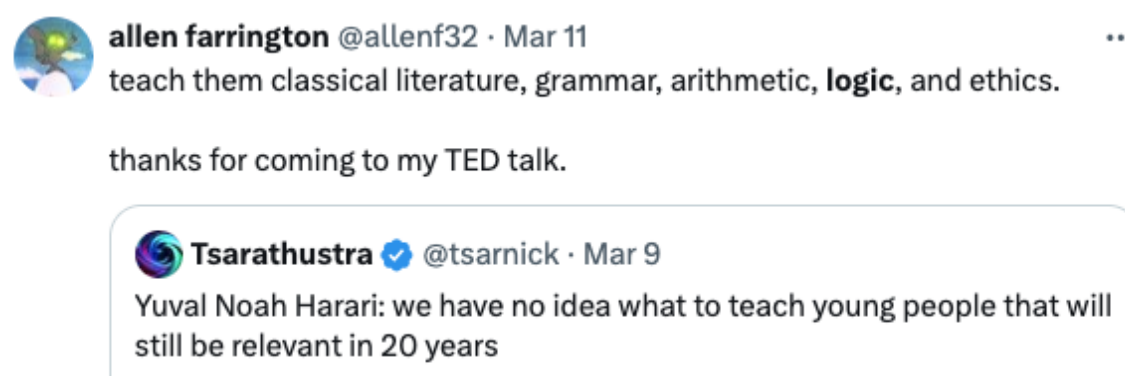
Roemmele



Brian Roemmele is well worth a follow for those of you looking into the latest changes in technology. I like him because he is fundamentally very positive indeed about where things are going

I tend to agree that it is well worth playing with new technology and my recommendation for the week is that you have a go with [claude.ai](#). I think it is better than GPT-4 (treat yourself to the \$20/month Claude-3-Opus version!). Like Brian says, I think it is just about being curious and having a go.

Alternative views exist of course. I listened to Yuval Noah Harari (Sapiens) this week telling some talk show host that because of the rate of technological change we have no idea what to teach children in school. This is completely and utterly wrong in my view and an elegant suggestion is made below about those subjects that absolutely will stand the test of time against any technology.

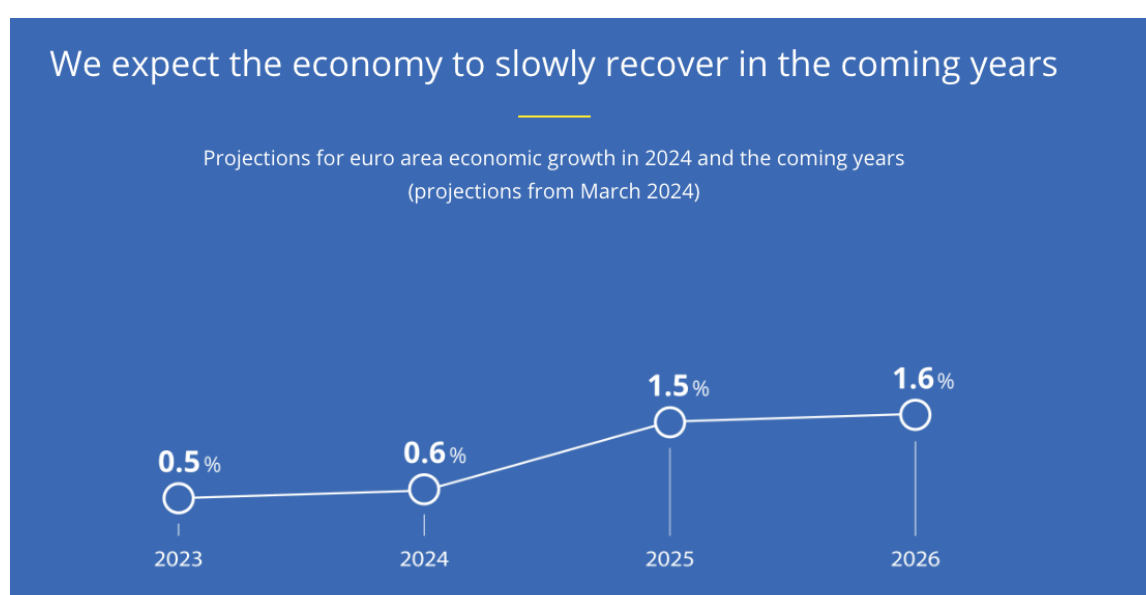


So the new stuff will get better and the old stuff will get better and just embrace it because it will not wait for you.

Euro-Trash

Interest rate time in Euroland and Lagarde decreed the rate stay unchanged. She also updated us on Euro area economic growth predictions. 0.6% this year! Wow. That rate will nearly triple by 2026 to 1.6%!

Great job everyone.



None of it makes sense. The language of "slowly recover" while simultaneously having the highest interest rate in decades. The ECB is simply forced to follow the lead of the Federal Reserve to prevent the Euro collapsing; they must be praying for a cut from their American friends. June, perhaps?

The ECB also updated their operating framework this week in a [press release](#) that received little fanfare. In it the bank did confirm the status of current reserve ratios though; which are:

The reserve ratio for determining banks' minimum reserve requirements remains unchanged at 1%. The remuneration of minimum reserves remains unchanged at 0%.

It's not new but emphasises that in a European bank for every €100 in deposits the bank must retain €1 in case you withdraw. That €1, receives 0% interest from the central bank because they would prefer the banks lend the money than leave it with them.

That's the system. The US Reserve Ratio is 0% and that mostly works but it all seems to me so incredibly fragile and so poorly understood.