



**Report of meeting** held at School of Economic Science, 11 Mandeville Place, London W1U 3AJ  
See: **Notes of Open Research Group meeting on 1<sup>st</sup> Nov 2017: [OpenResearchGroup-171101](#)**

**Present:** Janos (chair), Mary (notes), Steve (presenting), Ashburn, William,  
Apologies: Ahmet, Bob, Ellena (visiting), John Mc, Philip, Lillas, Paul, Trevor.

**Steve**, picking up the theme of “Something New Must Emerge”, told us about the history of money, from when it was based on gold, to the Bretton Woods Conference when it was agreed to use dollars as the international reserve currency, using paper. But paper is not a good store of value, in 2005 he discovered digital financial systems. With quantitative easing, money was losing its asset value, and causes inflation. The system is controlled by the richest 40,000 and is based on personal greed. We know that money is created by the banking system.

**William** added that they manipulate the price of gold, there is only 165,000 tons of gold in the world, and the financial system is \$1500 trillion, so there isn't enough gold to hold the value of money.

**Ashburn** asks about new gold, Steve says that the “structural elite” also own the goldmines, so they control the flow, until Bitcoin came into being in 2007, which is “mined” by individuals, according to a fixed mathematical system, but Ashburn says it still relates back to money. Steve says Bitcoin has now found its way to the mainstream and is being accepted. Behind Bitcoin is a technology called The Blockchain, and altogether the market value is \$1 trillion, so it's now unstoppable.

**Steve** played a recording about cryptocurrency, a talk given by R W Martin. Bitcoin has the potential to change the financial system. Investment in crypto-currency isn't to be taken lightly - entire fortunes have already been lost. Historical background. It's the obvious answer to our inadequate financial system. An in depth story is told in the book “Digital Gold”, an engrossing and highly informative read. Brief history, officially unveiled in October 31<sup>st</sup> 2008, in a White Paper. It's compelling, straight from the source.

Focusing on history, invented in aftermath of 2008 financial crisis, a motivating factor in its creation. Financial systems had to be bailed out by government at the expense of taxpayers. Spelt out weaknesses, we are forced to trust them. Too often for comfort they fail to carry it out adequately, eg Fractional Reserve Banking, 90% goes out, and the bank doesn't have to keep it all. Shockingly, this is how banks work in reality. In the US the reserve deposit is generally 10% for most banks, so if it loads out \$10m it only has to keep \$1m at any one time. But if people ask for their money back the whole system can collapse like a pack of cards. It's all predicated by trust, and as soon as that is lost, it can unravel very quickly.

In the time of the Great Depression, when mortgages were defaulted on, the banks were sitting on property worth far less than they had lent out. The Federal Savings and Loan Insurance Corporation now guarantees bank deposits, but in fact only holds 1% of the money needed to cover the bank deposits, so they brought insurance FSLIC, but this also because insolvent and had to be underwritten. The FSLIC only managed to support a few thousand of the many institutions, and eventually dissolved itself. People fall into the trap of thinking things will always be as good as they have been, This is a fatal assumptive error. The second things stop working, they do so in a catastrophic fashion, when the next crash happens, those who haven't adequately prepared for it and bound to find themselves in a bad spot.

Fiat currencies have used gold as a store of value, the US dollar are Fiat Currencies, which are entirely controlled by a National Government. Eg Zimbabwe - inflation 18,000,000 in a matter of months, so a Fiat Currency can easily spin out of control. The US has experimented, 1875 brought in a “continental currency” entirely collapsed, which is why they brought in the need to back it with gold. The gold standard removed some of the need to have faith in the US dollar, as it promises a certain amount of backing on demand. But gold has no central authority, and creates its demand and supply arbitrarily. Only a small amount can be mined each year. 165 tons gold in total, no government could conjure up more. But fiat currencies can be created on demand. This generally leads to inflation. But if more dollars are printed each one is worth less,

**Ashburn** objected to using Zimbabwe as an example of hyper-inflation, as it was caused by manipulation. Its leader, Robert Mugabe. [https://en.wikipedia.org/wiki/Hyperinflation\\_in\\_Zimbabwe](https://en.wikipedia.org/wiki/Hyperinflation_in_Zimbabwe)

**William** says that the system of the Gold Standard was the most stable system in history, although it was rigged. People don't understand it but they trusted it, and it worked well. Now that the gold has been removed, it's no longer stable. He doubts that Bitcoin will be stable, because if the computers collapse it will not be accessible. Steve explained that there are 21 billion units of Bitcoin, and no more is needed, and it will not lose value, it does not require external regulation because it regulates itself. No more will be needed after 2040.

**Ashburn** says that millionaires are using Bitcoin to launder money and if they stop doing that it will collapse, it's actually a blackmarket, and a casino. It is not trusted by business, as it cannot be controlled. His conclusion is that Bitcoin is the first experiment, the second experiment will enable everyone to understand money. Money has to be asset-backed. Bitcoin is backed by nothing.

**Steve?** said that a new unit of money is coming very soon, it will be issued by owners of property. He talked about his friend Mario who used to speak at Speakers Corner says the whole world is stolen property. Blockchain is the mechanism creating the ledger. Bitcoin is the technology. Governments have to understand that they can create their own money. But they won't because they are working for the elites. Link via “youtube” “bitcoin”.

**William** still believes that no system will work without gold. Also talking about Diamonds are Forever. The real money is your food, your house, what you can produce, anything not tied to life-supporting systems is not money. Williams says if you could eat it, it wouldn't be money.

**Janos** thanked Steve for his presentation. William says we should decide on the topic and send the message out before next time. For next week, Ashburn could prepare something? - more soon.