

## *Back to the Future*

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## *A New Money for a Changing World*

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- The Internet is changing the nature of commerce

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- Existing currencies have burdensome costs

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- A new currency is needed for the Internet

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## *A New Money for a Changing World*

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- The Internet is changing the nature of commerce
- Existing currencies have burdensome costs
- A new currency is needed for the Internet
- The Internet needs a common currency

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## *Comparing the Internet and the Automobile*

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- A message from those early, first 'cars'

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## *Comparing the Internet and the Automobile*

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- A message from those early, first 'cars'
- An invention so profound that it fundamentally changes what previously had been accepted as dogma

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## *Comparing the Internet and the Automobile*

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- A message from those early, first 'cars'
- An invention so profound that it fundamentally changes what previously had been accepted as dogma
- It took time for the 'modern' automobile to emerge, but transportation was altered forever

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## *The Impact of the Internet*

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- A profound invention

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- A profound invention
  - fundamentally changing how we buy/sell goods and services

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## *The Impact of the Internet*

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- A profound invention
  - fundamentally changing how we buy/sell goods and services
- A global scope

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  - the barriers at national borders are diminishing

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- A profound invention
  - fundamentally changing how we buy/sell goods and services
- A global scope
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- Internet currency today is like those ‘first cars’

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## *The Impact of the Internet*

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- A profound invention
  - fundamentally changing how we buy/sell goods and services
- A global scope
  - the barriers at national borders are diminishing
- Internet currency today is like those ‘first cars’
- Who will be the buggy-whip makers of the 21st century?

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## *Evolution of Currency*

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## *Evolution of Currency*

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- Metal accepted by weight



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## *Evolution of Currency*

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- Metal accepted by weight
- Coins of set weights

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## *Evolution of Currency*

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- Metal accepted by weight
- Coins of set weights
- Refinement of coins

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## *Evolution of Currency*

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- Metal accepted by weight
- Coins of set weights
- Refinement of coins
- But still burdensome

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## *Evolution of Currency*

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## *Evolution of Currency*

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- Creation of the Bank of England in 1694



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## *Evolution of Currency*

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- Creation of the Bank of England in 1694
- Metal/coins remained in storage



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## *Evolution of Currency*

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- Creation of the Bank of England in 1694
- Metal/coins remained in storage
- Paper circulated in place of metal



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## *From Money to Money Substitute*

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# *From Money to Money Substitute*

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**Asset**



**Liability**



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# *From Money to Money Substitute*

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**Asset**



**Liability**



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## *Limitations of Asset Currency*

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- Difficult/cumbersome to move around

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- Difficult/cumbersome to move around

This limitation is overcome by the Internet  
because:

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## *Limitations of Asset Currency*

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- Difficult/cumbersome to move around

This limitation is overcome by the Internet because:

- the asset remains in storage

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## *Limitations of Asset Currency*

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- Difficult/cumbersome to move around

This limitation is overcome by the Internet because:

- the asset remains in storage
- the ownership of that asset changes to enable it to circulate as currency

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## *Limitations of Liability Currency*

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- Funding - keeping balance sheets in balance

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## *Limitations of Liability Currency*

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- Funding - keeping balance sheets in balance
- Payments have Herstatt risk

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## *Limitations of Liability*

### *Currency*

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- Funding - keeping balance sheets in balance
- Payments have Herstatt risk
  - Liabilities are someone's I.O.U.

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## *Limitations of Liability*

### *Currency*

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- Funding - keeping balance sheets in balance
- Payments have Herstatt risk
  - Liabilities are someone's I.O.U.
  - Promises to pay are inferior to assets used in payment

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## *Limitations of Liability Currency*

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- Funding - keeping balance sheets in balance
- Payments have Herstatt risk
  - Liabilities are someone's I.O.U.
  - Promises to pay are inferior to assets used in payment

These limitations cannot be overcome by the Internet

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## *The Payment Process*

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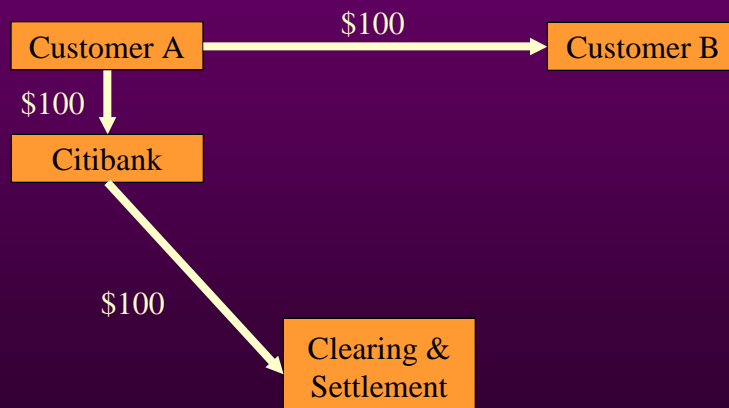
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## *The Payment Process*



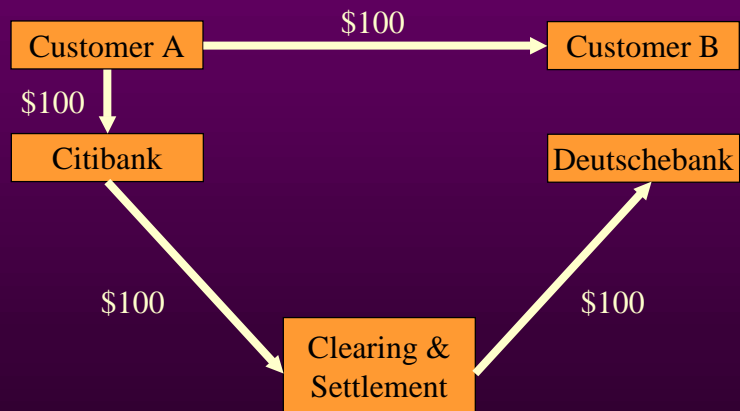
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## *The Payment Process*



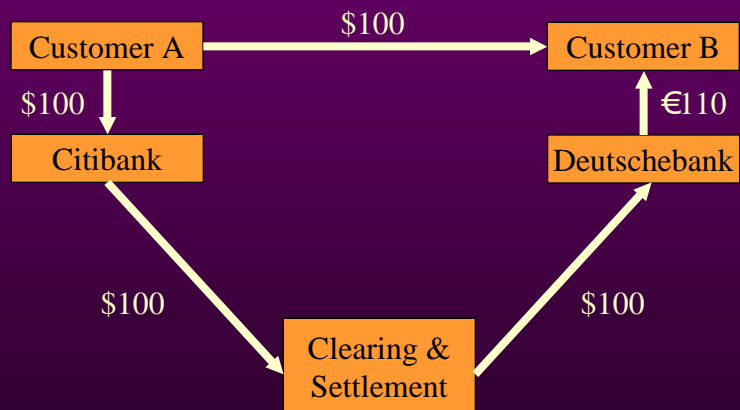
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## *The Payment Process*



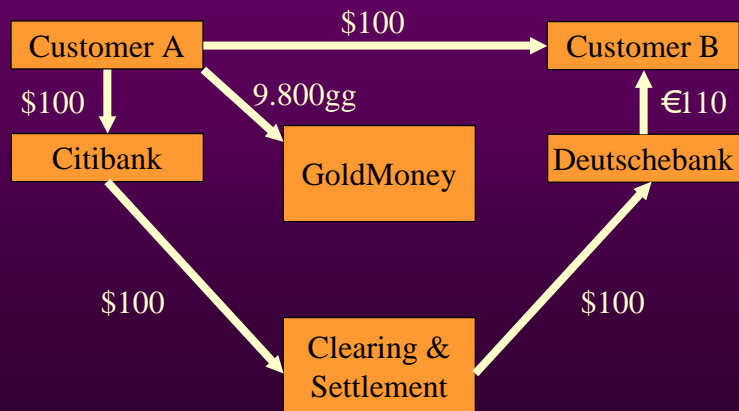
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## *The Payment Process*



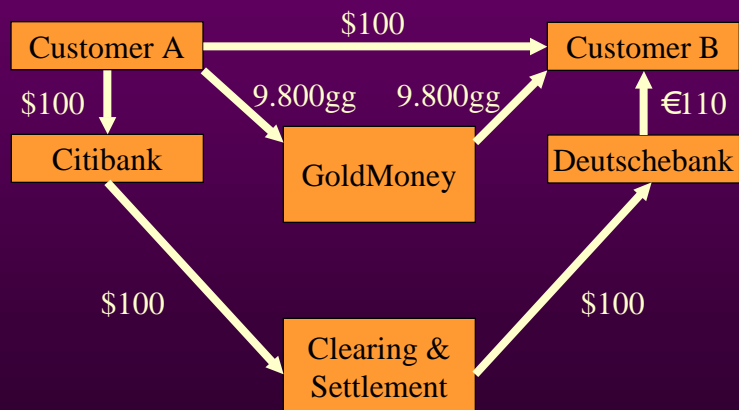
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## The Payment Process



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## The Payment Process



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## *The Payment Process*

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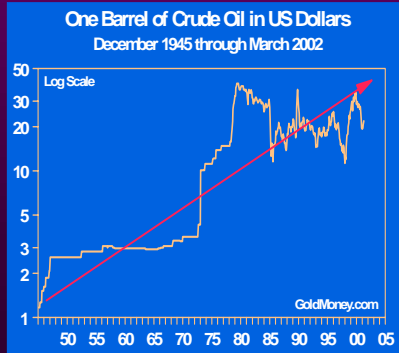
## *Gold as Money*

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# Gold as Money

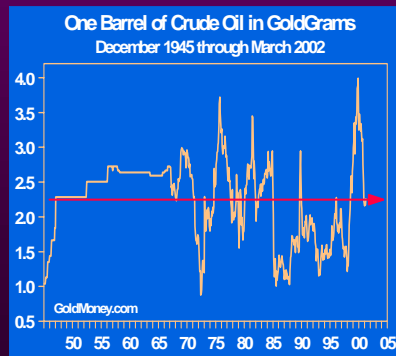
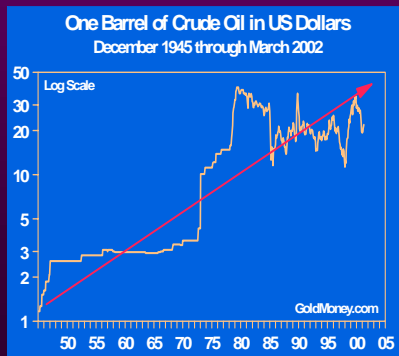
- Crude oil price rises



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# Gold as Money

- Crude oil price rises
- Crude oil price static



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## *Conclusions*

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## *Conclusions*

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- 300-year old process of clearing & settlement does not work well on the Internet

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## *Conclusions*

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  - The process itself is outdated

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- Asset currency circulates efficiently in ecommerce

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## *Conclusions*

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- 300-year old process of clearing & settlement does not work well on the Internet
  - The process itself is outdated
- Asset currency circulates efficiently in ecommerce
  - 24/7/365, instantaneous, non-repudiable & low-cost

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## *Conclusions*

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- 300-year old process of clearing & settlement does not work well on the Internet
  - The process itself is outdated
- Asset currency circulates efficiently in ecommerce
  - 24/7/365, instantaneous, non-repudiable & low-cost
- The history of money presents the development of more efficient currency

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## *Conclusions*

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- 300-year old process of clearing & settlement does not work well on the Internet
  - The process itself is outdated
- Asset currency circulates efficiently in ecommerce
  - 24/7/365, instantaneous, non-repudiable & low-cost
- The history of money presents the development of more efficient currency
- Therefore, asset currency will emerge as the preferred currency in cross-border ecommerce

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