

**From:** Vincenzo Iozzo <[REDACTED]>  
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**Subject:** some context on the 'Eureka idea'  
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Just to give you some context on the rationale behind the Eureka idea. A couple of weeks ago I was in the "let's throw spaghetti at the wall and see what sticks" phase and I came up with an idea, with the huge drawback that it needed govts to back it. So I put that in a "Joi&Vincenzo" drawer for a while. Now the "Eureka" part is essentially the first stage/"Trojan Horse" to get companies to use a digital currency of our choice, but the end game would be the one below (I've hinted at this in that email).

Also note that the part about pension funds might be completely off, but that doesn't matter too much. It was just me trying to fix too many problems at once I think

Final note: Danny Hillis (not sure if you know who he is - among other things he sold Freebase to Google and did a lot of work on the first gen AI) apparently told Joi the same exact idea 2 days ago. So at least 1 guy doesn't think I'm crazy :P

As usual, if you have time to read it and you have thoughts that would be great. I think this is all coming together

Thanks,  
Vincenzo

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Ok, so crazy idea of the day. I haven't thought about the full consequences of this but nothing particularly bad comes to mind - which is at least a good start. Let's consider this as a thought experiment and then think about the feasibility later (it mostly has to do with govts, but well)

The way we make money in this is either by maintaining the ledger and verifying both the identities and the transactions or we get a cut out of newly minted coins.

Also this is a 50/50 chance of being either one of the stupidest ideas I've ever had or one of the smartest. Now bear with me :-)

### **Assumptions**

- 1) Companies behave like sociopaths, hence are very close to the 'homo economicus'
- 2) Interest free loans (or an approximation of them) are a very good thing for govts
- 3) Nobody likes basis risk or risk in general
- 4) There's a lot of risk associated with FX and all the derivatives traded on top of that
- 5) Transparency & better tax evasion detection in the long run trump short-term profit for a govt
- 6) Deflationary currencies are bad for the general population (leads to unemployment), neutral for company-to-company transactions and very good for pension funds
- 7) there's a some inefficiency in FX trading - mostly fees for the trading desks

### **Market failure**

- 1) Companies have to trade in FX to reduce their risks, this is costly, risky and inefficient
- 2) Pension funds promise crazy returns that they cannot really guarantee to people these days
- 3) Govt have to issue bonds to get money, bonds have the side effect of not being interest free. They lead to speculation and the ability for a country to get more money is based on its rating (which fundamentally causes a downward spiral/credit crunch most of the times)

## Idea

Govts(say G7 or G8) create a digital currency (Xcoin). The digital currency is pegged to the price of oil (or a basket of other commodities that are deflationary in nature) - the G8 is in charge of stabilizing it. Pension funds can exchange whatever currency they have in Xcoins from the govt. Newly acquired Xcoins cannot be converted back into other currencies for 1 year since they were exchanged.

Companies, only the ones with a market cap of say 500mm, can exchange Xcoins for their currency from pension funds (and ONLY from pension funds).

Companies can use Xcoins for paying taxes (they get a X% tax break), paying services among each others and to pay for pension contributions for their employees.

Pension fund can 'demand' govt to exchange Xcoins (at say a Y% discount) and vice-versa for another currency from the govt after the lockin period of 1 year.

## Benefits

Companies get:

- 1) Tax break
- 2) Reduced risk&reduced trading costs - ideally they reduce a lot the trading volume on FX desks since they don't have to hedge as much
- 3) intel on the competition by looking at the ledger and analyzing it

Govt get:

- 1) Interest free loans (which in turns means lower bond emission and a bunch of other things). Essentially money become cheaper
- 2) More transparency
- 3) Less pressure on their own fiat currency as a result of companies trading less there (hopefully)

Pension funds get:

Well actually maybe PF can stop existing all together if Xcoins appreciate fast enough. On in other words if: PF fee + Xcoins appreciation = target PF return then we solved the retirement problem ;)

If not, at least they can have a base line return rate

Who loses?

I think mostly banks/trading shops and potentially govts if the money they need to stabilize Xcoins is a lot more than the money they get from the 'loans' and the non-monetary benefits of transparency and stuff.