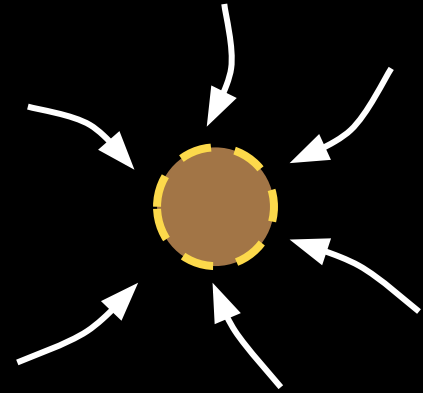


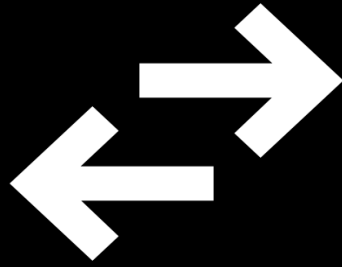
WHY MONEY CONVERGES TO ONE



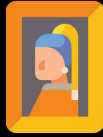
$$\frac{n(n-1)}{2}$$

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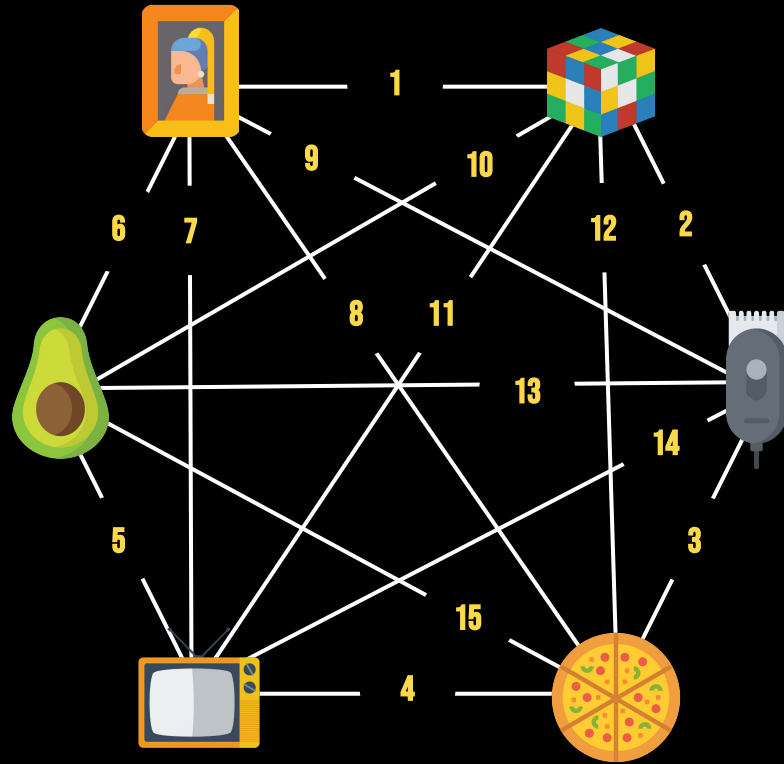




Exchanging one good or service for another is a process known as **barter exchange**.



Barter can work at **small scales**. Let's look at an example with 6 items.



An economy of 6 items requires keeping track of 15 different exchange rates.

$$n(n-1)/2$$

2 items = 1 exchange rate

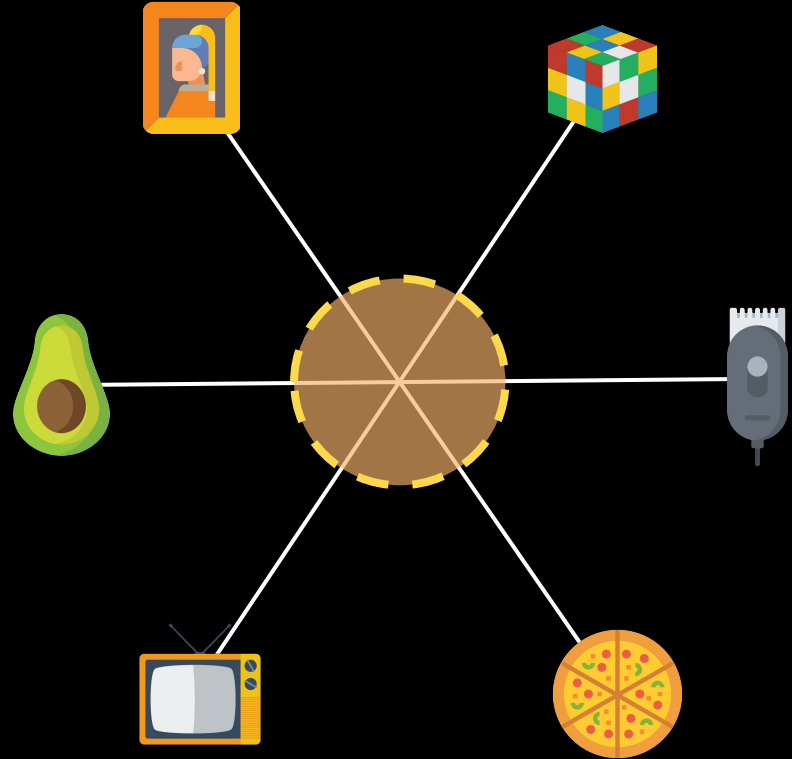
6 items = 15 exchange rates

500 items = **124,750** exchange rates

But an economy with just 500 items will have 124,750 exchange rates, making the barter system infeasible for a complex economy of millions of items.

This problem of a **coincidence of wants** is solved by using a single common medium between all transactions.

Usually, the **most tradable good** in a society is termed *money*.

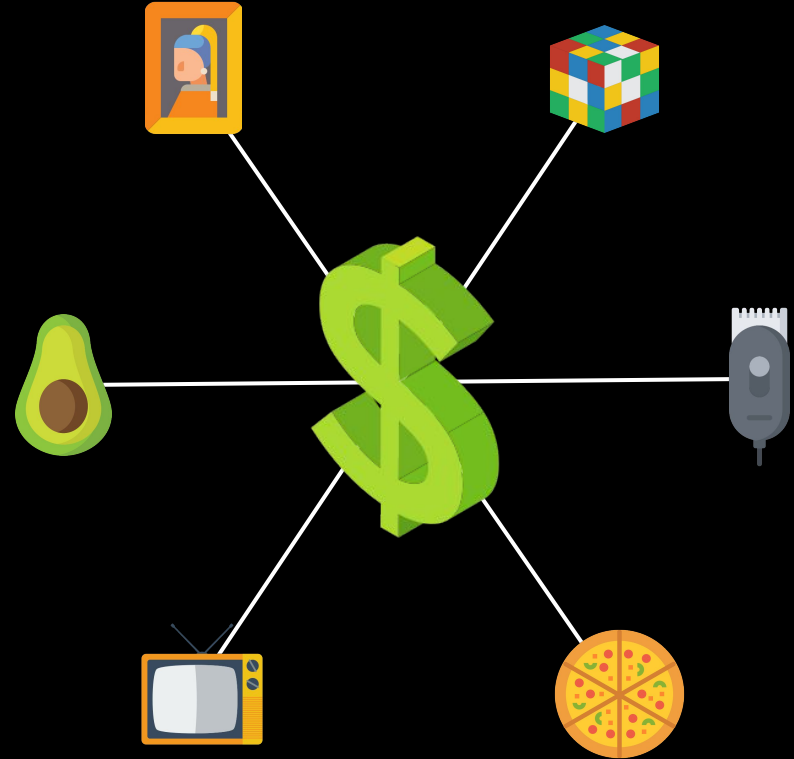
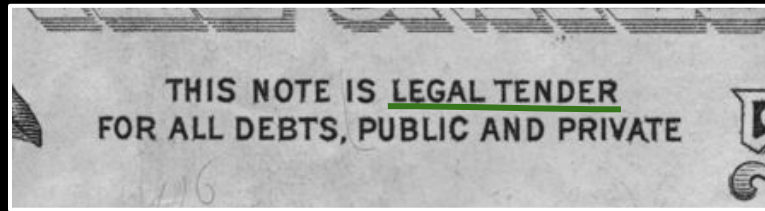


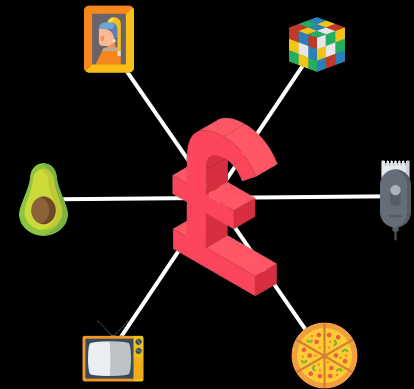
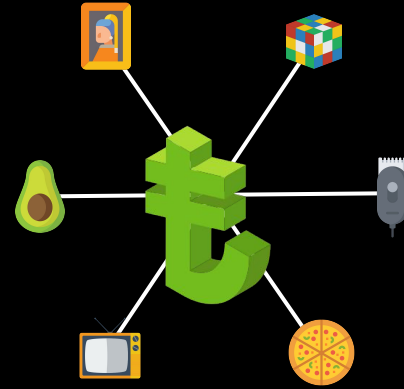
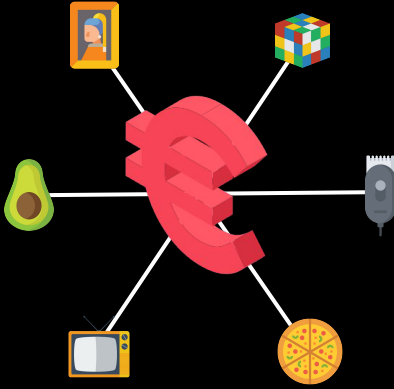
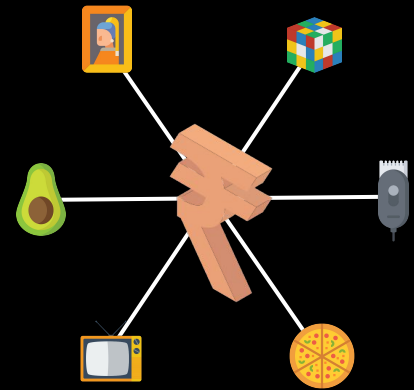
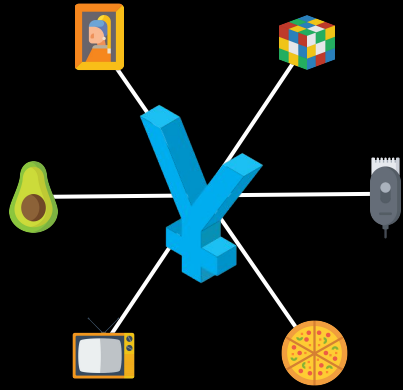
Previously, this was decided by the free-market. Based on a good's **monetary properties**.

SCARCITY
DIVISIBILITY
PORTABILITY
DURABILITY
RECOGNIZABILITY



Today, it's a top-down phenomena, imposed on citizens by sovereign governments.

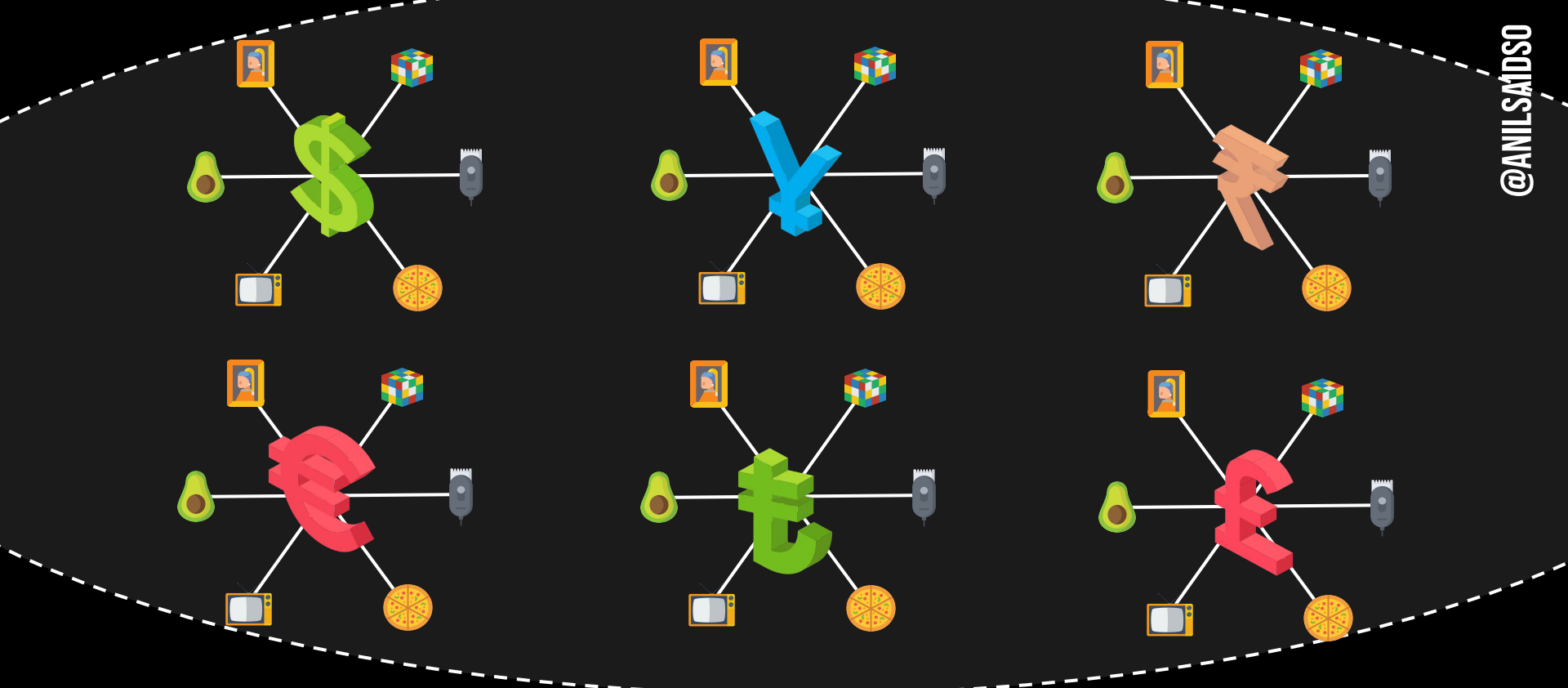




Money may differ in different places if there are significant enough barriers between them.

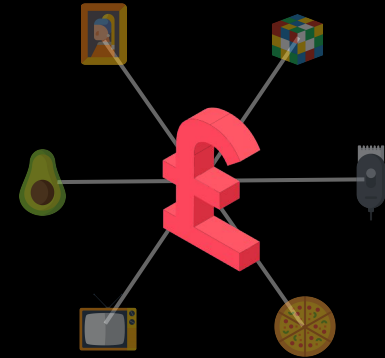
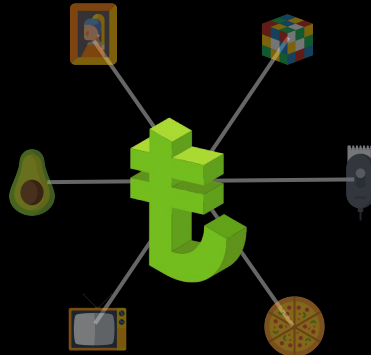
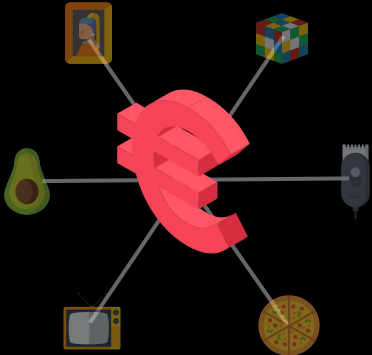
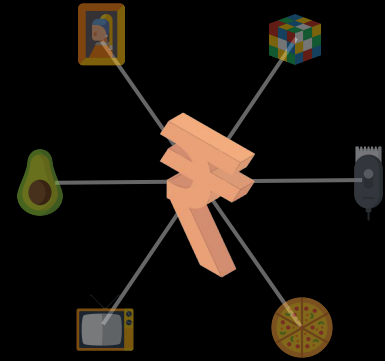
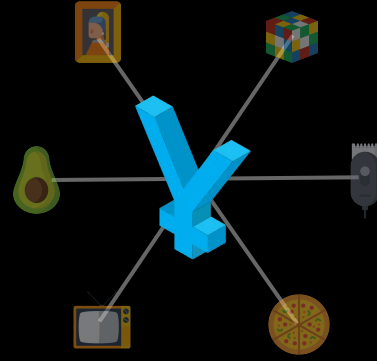


In the case of sovereign nations, a few things help create barriers and ensure a monetary monopoly: physical borders, capital controls, legal tender laws



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But we now have a global digital communications network (the internet). This is breaking down borders and creating a single market, enabling international commerce at the level of the individual.



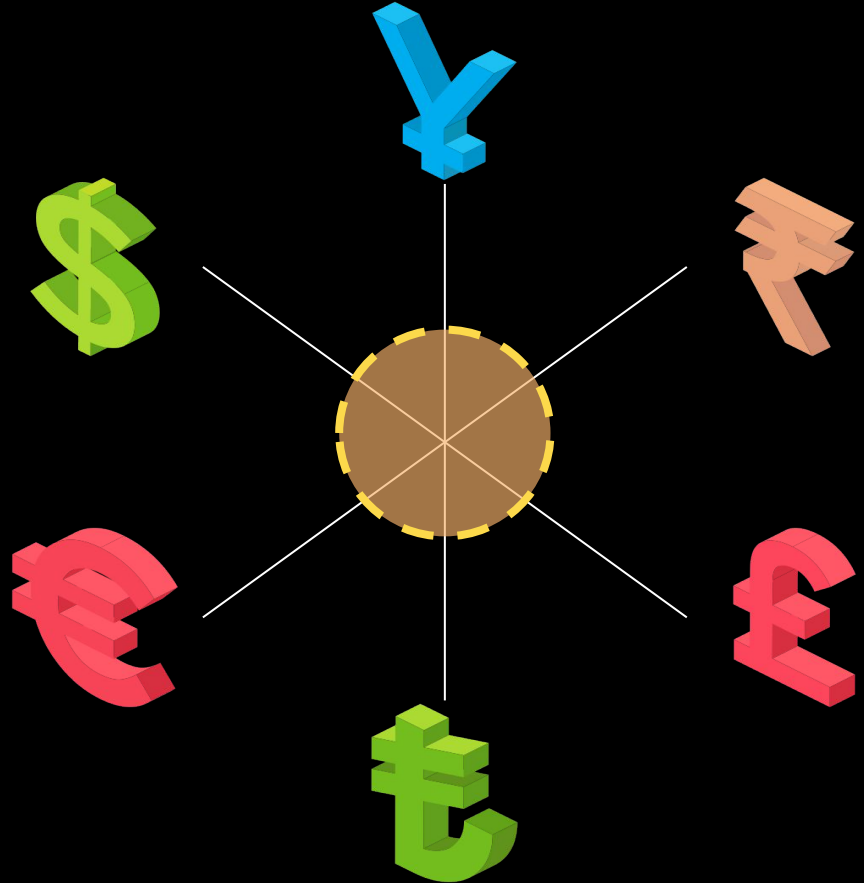
We now come across a similar version of our barter problem, but this time with the currencies themselves.



And once again we'll converge, this time on a single global monetary medium.

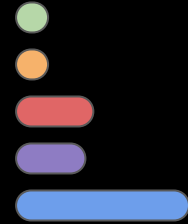
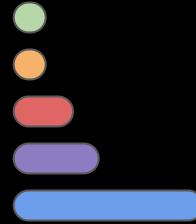
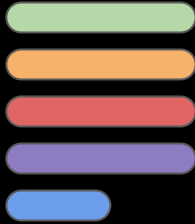
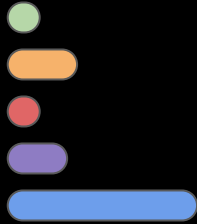
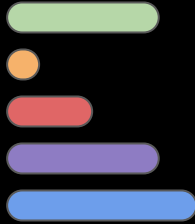
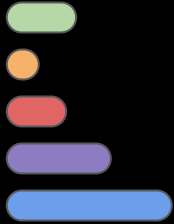
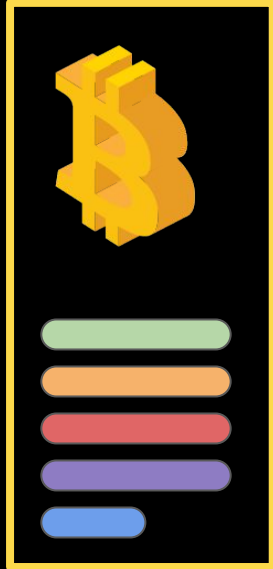
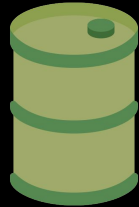
The chosen medium to bridge this gap will need to be:

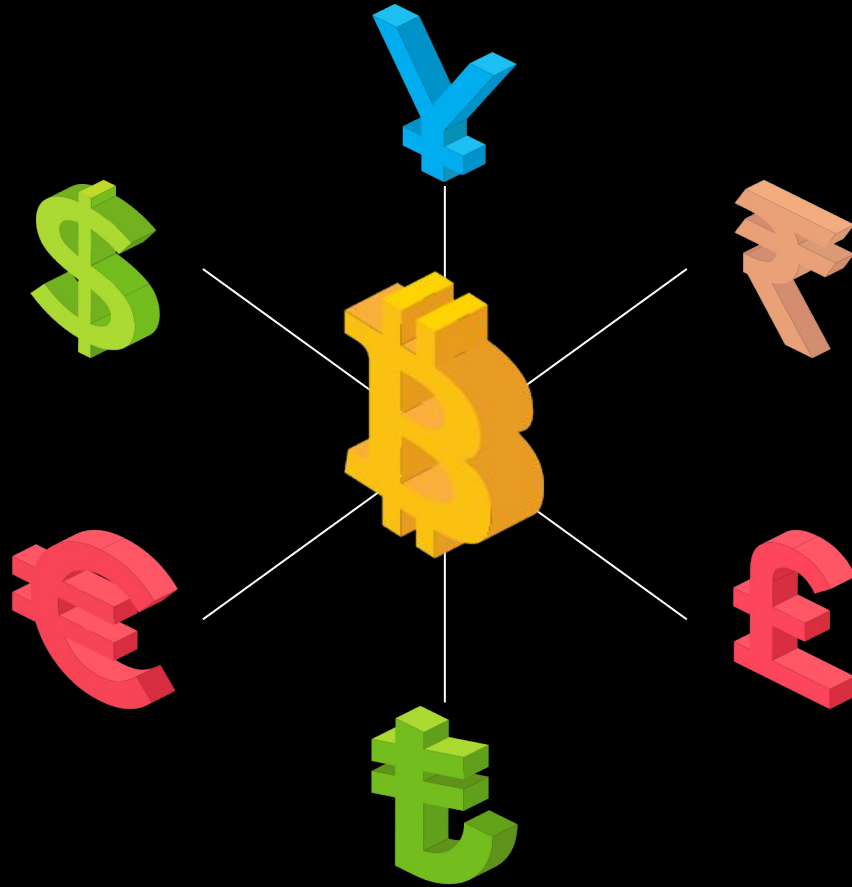
1. **Neutral** (no single group has seigniorage)
2. **Global** (accessible everywhere)
3. **Transparent** (anyone can verify & audit)
4. **Indestructible** (cannot be shut down)
5. **Peer-to-peer** (enable commerce at the individual level)



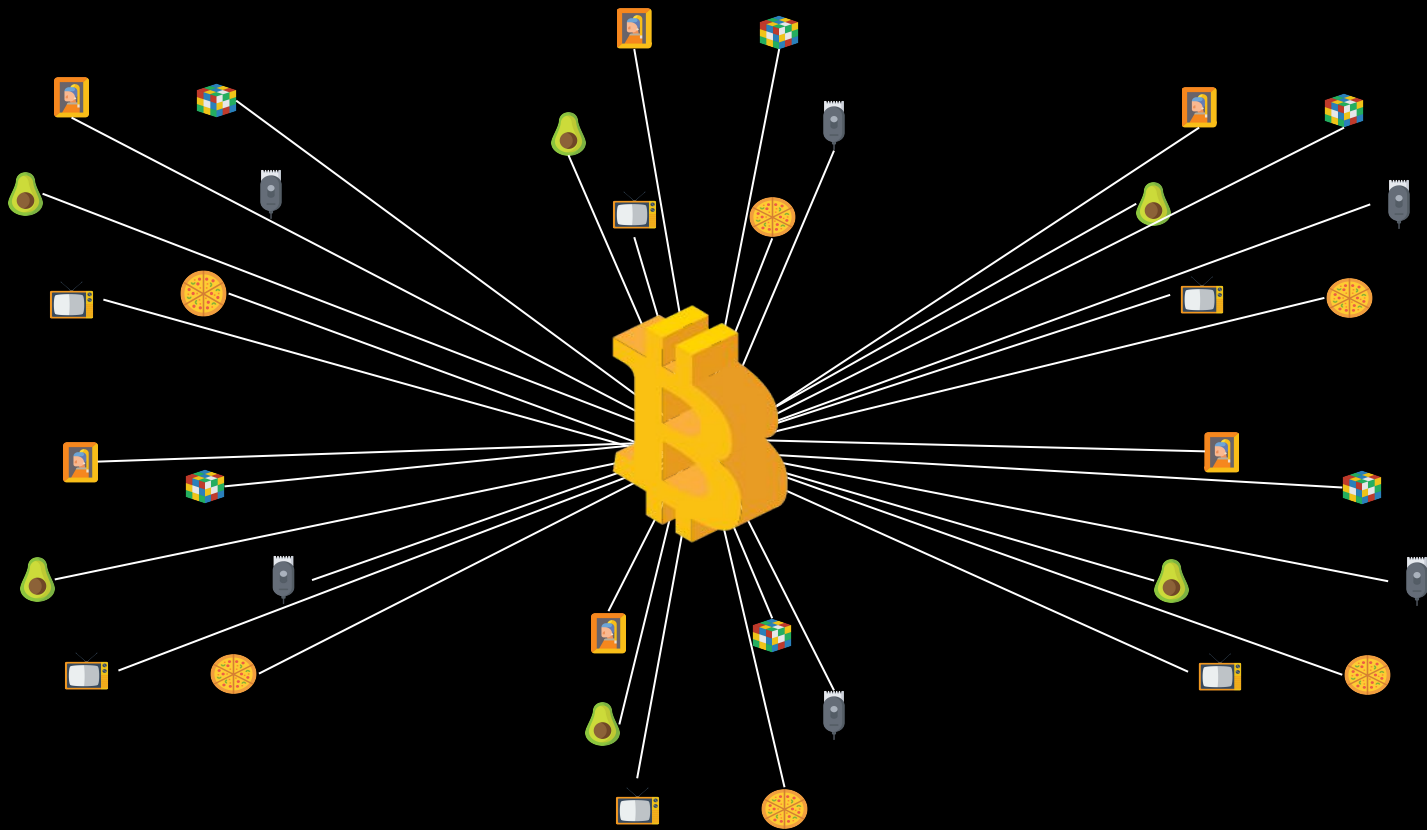
MONETARY PROPERTIES

By assessing the relative properties of all monetary goods, a winner emerges and the market converges.





Right now, all evidence points to that being bitcoin.



But it doesn't end at simply intermediating currency exchanges. Ultimately, we end up with a global economy, bypassing jurisdictionally-restricted money, transacting through one common digital monetary medium.



Thanks for reading.

Enjoy the journey down
the rabbit hole.

Anil

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