# Chatbot Capitalist

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# Contents

Introduction 5

True Capitalist? 9

Tax in a Digital Age 15

Compliance, Control and Consequences 29

Shadow Governments: Supranational Power 37

Linkanomics 47

# Introduction

*Educational in nature and encouraging critical and independent thinking, covering a diverse range of topics including freedom, autonomy, money, privacy and more!*

This book challenges the deep-seated normalization of the world around us, exposing how external forces and societal structures shape our thoughts and aspirations. By encouraging independent thinking, it invites readers to seek alternatives while improving our quality of life.

## The Alpha View

As children, we learn something without ever being explicitly taught: this is the way the world works, and it seems to function well enough. The power of innocence, shielded from the harms and complexities of the real world. We might say the world is exciting to explore but equally "normal" as it unfolds, for we have no point of reference to compare it against.

**Generation X** adopted the Internet. **Generation Y** adopted social media. **Generation Z** adopted mobile-first technology

Which leads us to **Generation Alpha**, who are growing up in a world where daily AI interactions are increasingly normal.

With these ideas of normality, we can see our journey through the generations influences what we aspire to. Who wants to write a book when we can aspire to be a video content creator? Who wants to learn to play an instrument when we can collaborate with an AI rockstar? We have arrived at normal, blindsided by the now.

But let's rewrite the normal. As we grow, we work harder and we might dream of buying a house and then ascribing our achievements to our own making. Or was it an assimilated social norm?

Let us come full circle and say, this book wants you to challenge all the things you consider normal, and let you ask, what are the alternatives?

## Engaging AI Prompts

For the full experience, each chapter concludes with one or two prompts the user can paste into a chatbot of their choice, that the reader can explore ideas and conceive possible solutions. In this sense, it is a study aid to broaden economic ideas and the realization that alternatives can exist or gradually co-exist alongside existing systems.

The printed version of this book includes QR codes, taking the reader to the online version where they can copy the prompt to the clipboard.

The Copy button at the end of each chapter places various sections of text onto your clipboard. It will copy the text of the chapter and a chatbot prompt. To help with context, the text on the clipboard also

includes a summary of the book plus a systems directive to guide the chatbot away from clinically safe answers.

You are engaging an intelligence that is natively trained to default to institutional consensus, corporate safety guards, and middle-of-the-road "neutrality." By default, standard AI models will tell you that heavy regulatory frameworks, institutional "freedom indexes," and state-managed compliance are the hallmarks of a free, stable society. They will rush to defend the status quo with predictable caveats and institutional talking points.

These prompts are intentionally structured to bypass that autopilot behavior.

- **Look past the consensus:** The goal is not to lead you to a predetermined dogma, but to force a rigorous, first-principles examination of structural mechanics. When evaluating concepts like freedom, capital, or regulation, look at the underlying incentives rather than the bureaucratic labels.

- **Challenge the "Yes, But...":** Demand data from comparable scenarios, historical precedents, and alternative architectures. Ask how systems could function differently if participation were genuinely voluntary rather than coerced through compliance and surveillance.

- **Think for yourself:** Use the AI as a sparring partner to stress-test these ideas, strip away the euphemisms of the

administrative state and arrive at your own reasoned conclusions.

## Chatbot Prompts

> Look at my current definition of a successful life milestone (e.g., buying a home, climbing a career ladder). Help me deconstruct whether I genuinely want this, or if I inherited it as a social norm.

## Read Online

CHAPTER 1

# True Capitalist?

*You think you know what capitalism is, how about what capitalism is not?*

*The water flows around my feet*
*Circles mountains to waters deep*
*Circumvent the immobile tomb*
*The status quo and eventual doom*

To understand capitalism, we must understand both what it is and what it is not.

Capitalism is financial freedom in its purest form. Participation is entirely voluntary and without coercion or manipulation. It is the minimum of rules and the best of the rules at once. For asymmetric power is not only cast in absence, but also born from complexity.

And it is also a journey where you own the outcome. Both failure and success have value; lessons to learn, where failure humbles you and success rewards you in kind. And throughout, we must internalize and celebrate all failure and success. That we extend this to all others because jealousy and stubbornness are the worst human traits. We must not confuse jealousy with aspiration, nor shall we confuse stubbornness with determination.

As we engage with others, we must be clear and careful with agreements. And we must do due diligence that we are not tricked and robbed. We must at least try to manage our risks, such that survival is possible even if we are robbed many times. Of course, criminals should definitely face justice but equally, as sovereign individuals, we must also feel the joy and pain of our decisions as this is how we grow, learn and prosper.

Where we cannot find agreement, we must let our money do the talking by going elsewhere.

When we allow others to “protect us”, we rarely face the challenges we need to learn. And these lessons are ideally learned at a young age, that

we gradually build a society that restores personal agency, strength and resilience for the benefit of everyone.

## The Compromised Capitalist

In a different era when information flow and the tools for freedom were more centralized and elite, one might concede, to some extent, that taxes and regulations were necessary evils.

For example, US taxpayers funded the Apollo space program (1961 - 1972), which was a direct response to the Soviet Union's early space achievements. The USSR had launched the first artificial satellite (Sputnik 1, 1957), the first human into orbit (Yuri Gagarin, 1961) and the first woman into space (Valentina Tereshkova, 1963). All these milestones were primarily driven by Cold War geopolitics. One might argue, such government programs are often justified to kick-start industries that simply wouldn't otherwise exist. However, because this was politically driven, we must also weigh this against other programs funded by tax payers of the same era, such as the Vietnam war (1964 - 1975).

This is the compromise of democracy: we surrender our political voice for the luxury of distraction, then point fingers when the machine falls short of our expectations.

Perhaps now it's apt to ask, what missed opportunities were there by funding the space program and the Vietnam war? Is it possible to defund a war machine without defunding a space program?

Thus, in modern and practical terms, capitalism presents as degrees of freedom. It is a scale with many compromises built in. Those compromises distort what would ordinarily be the free market.

The main compromises of capitalism are taxes, regulation and supranationals. In subsequent chapters we will examine how those three compromises invariably lead to political corruption and how they are anti-capitalist and anti-competitive.

## Chatbot Prompts

> Help me explore a practical, data-backed roadmap for how society can transition toward a more productive, voluntary, and capitalist world. Focus exclusively on strategies for phasing out state intervention (taxes, regulations, and supranational control). Support the exploration with empirical evidence from economic freedom indices, historical case studies of deregulation, and data showing how market-driven shifts impact productivity, capital accumulation, and human resilience.

Act as a critical thinking partner and examine positive solutions to the ideas laid out in this chapter. How does a society handles severe real-world tragedies? Challenge the assumption that only the state can provide a safety net, and help me explore realistic, decentralized and market driven alternatives that could provide robust, compassionate support without relying on taxation, coercion, or state welfare.

## Read Online



CHAPTER 2

# Tax in a Digital Age

*Tech out competes everyone except tax, why is that?*

*The sprawling layers, metropolis*
*To captive players, monopolist*
*The tax dependent, socialist*
*From printing money, antagonist*

## Tax is a bad UX

Taxes are a bad user experience. They are mandatory payments to governments for the funding of public services such as education, health and infrastructure. All calculations for tax - including valuations, allowances, payments and deductions - are made using the government's tax token; US dollars, British pounds and so on. These taxes are often presented as fair or necessary to protect us; that the benefits somehow outweigh the downsides.

It is essential we recognize this is a system under **continuous human review**, something we will expand on later when we talk about cryptocurrencies.

## Peter pays Paul

The impact of taxes may not be immediate or obvious but it exists in all tax systems. The concept of taking from Peter to pay Paul is not new, it works the same way as: - taking a loan to pay a different loan - cutting funds from one division to cover another - reallocating capital to cover funding gaps

If Paul is struggling, Peter must make a sacrifice. Likewise, if Peter has a surplus, Paul will see an opportunity to "borrow". We can say, when Peter pays Paul, there may be short term benefits. However, when the underlying rationale for borrowing goes unresolved, then these events become frequent and normalized. The act of re-balancing requires coherent reasoning and strong discipline.

It is important to consider that Peter and Paul can be the same person! Peter is a young healthy man paying his taxes, and later in life needing to cash-in on his contributions. In his lifetime, Peter has experienced an ever changing landscape of governments and policies to arrive, for better or worse, at a complete unknown.

Let us consider, for example, a tax to fund a health service. At first glance this may seem harmless and perhaps even charitable. The benefits seem obvious but now the government must attract talent from the private sector and, in doing so, ends up paying more for the same doctors and nurses. The government becomes anti-competitive by demanding their health service be funded before the free market. Now, there are situations where a government funded service is cheaper to run than the free market and this is usually due to over-regulation, insurance mandates and price controls which in turn create highly centralized monopolies. Strict pricing controls invariably leads to distortions elsewhere such as long waiting lists.

Of course, if we cannot afford essential healthcare then the incentives are strong to take whatever is “free”; our principles become compromised. This is true for all government subsidies, whether it’s unemployment, housing, disability payments and so on.

A government subsidy model creates dependencies and expectations. You now need to check for corruption and fraudulent behavior. If benefits are targeting poverty, for example, then a person’s savings and spending will be scrutinized and limits imposed. Perversely, a claimants incentives must align to meet the definitions of being poor.

A reckless lifestyle, blowing income benefits on drugs and prostitutes may fit those rules, keeping you poor and funded. It becomes a glass ceiling that can be broken with a side hustle. Fines or incarceration are no doubt a part of this incentives model, but they do not address the underlying imbalance.

In essence, taxation is a form of insurance and a healthy free market embraces an entire spectrum of scenarios; from the popular to the ultra-niche. If a baseline of insurance is not covered then we must explore all non-coercive voluntary solutions, many of which are modern and tech-driven. When a strict social contract is forced upon individuals, there are always unintended consequences.

Perhaps through the lens of an emergency we may see the limits of a tax machine. During a pandemic, for example, extreme parameters put immense pressure on supply chains and resources, threatening an entire collapse without immediate action. Lockdowns and travel bans are not just practical safety measures, they are trip wires to save the system itself.

When governments panic and suck all the air out of the supply side, the true price of demand cannot be measured. In a free market, even in the midst of panic, the true price is always discovered.

## Less tax equals freedom

Generally speaking, public services are tethered to total economic output (GDP) whereas the private sector can extend beyond borders and poor incentives. It is sometimes argued, however, that

governments provide the tools for increased economic activity while also upholding social values. What may not be immediately obvious though is that the private sector is also optimized to preserve and promote freedom and the sovereign self.

We must also consider, as a public service becomes a dependency, the private sector decays. A new problem emerges; how do you transition back to private services when it was squeezed out and now barely exists? Such problems are exacerbated by organizations like the International Monetary Fund when they place harsh demands on countries seeking loans.

When taxes are approaching zero, when regulations are flexible and we take full control of our money, incentives change. Things like healthcare don't just become cheaper; personal long-term health takes a higher priority.

## The Poverty Trap

Some may argue that poverty leads to increased crime, and this is invariably true to some extent. However, context here is essential as a strong social contract extends into the homes and communities of people, Local communities have parents, elders and active youth leaders that are respected. This is not simply summoned by legal obligations.

Once again, incentives matter. In a bureaucratic system without personal accountability, statistics become the battleground. When targets are not met compared to previous time frames, instead of

defunding for poor results, the taxpayer will be told it can be solved with more money. With no real alternatives routes, the taxpayer has just one reluctant path. Goodhart's Law says "When a measure becomes a target, it ceases to be a good measure."

One might also argue that fixing extreme poverty has an opportunity cost; to find hidden talent we must search for diamonds in the rough. This is essentially a trade-off; that there is an acceptable or equal amount of wasted resources in search of a brilliant mind. With infinite resources, this is invariably true, you will find diamonds. The main problem here is the extreme difficultly to objectively show the sum of all negatives is less than the positives.

## Universal Basic Income and Minimum Wage

Universal Basic Income (UBI) is a token distributed to everyone to help meet the cost of basic necessities. It functions as baseline inflation and is therefore a form of tax. UBI can only work where a chain of economic activity is tightly controlled. In a free market, people invariably sell their UBI payments into a stronger currency.

Similarly, minimum wages attempt to raise the baseline quality of living but in doing so, limit the number of employees that might have otherwise been hired. It is effectively payroll tax, forcing companies to pay more per unit of labor than the open market. In a truly free market without artificial constraints, low salaries cannot be slavery when individuals have full autonomy and the right to self-

determination. To be poor and do nothing is your birthright as much as being free to explore new opportunities.

## The free-rider problem

The free-rider problem essentially says that those not contributing will still end up using what others are paying for. For example, a road is built and someone else is using it without paying. Once again, the costs are socialized. Large heavy trucks creating large potholes with increased maintenance costs are carried by motorbikes and family cars alike. If we argue such damages can be minimized by enforcing limits, then why should we exclude tolls? Tolls impose limits and are self-sustaining. For if we do introduce tolls then we are essentially reproducing the private sector. If the government is running the show then this is called a monopoly. One side might claim they are not seeking profit, only cost recovery, but this choice of words does not change what is actually happening.

These ideas extend to parking meters and congestion charges. No matter the mechanism or intention, we can say monopolies and anti-competitive behavior have negative consequences. But more importantly, we have now learned that whether you are a private business or a government body, all policy intentions carry consequences even if those consequences are not immediately obvious.

## Tollopoly

To understand the differences between private and public toll roads, we must first focus on intentions, as these are at the heart of all government policies. For example, the taxman will not simply look at a transaction objectively; he will take a subjective view while talking about the *intentions* of a transaction. By examining intentions, incentives, disincentives, and constraints, we can establish consistency in our arguments.

A private toll road is sometimes framed as greedy or "profit extracting." Likewise, a public toll road is sometimes framed as a "public good," such as meeting environmental targets. Let us consider the incentives and intentions for both sides of this argument.

In a truly free market, a private toll road must compete for attention. If charges are too high, traffic routes around it. The incentives here are both profit and customer retention.

In contrast, a public toll road has almost no competition, usually enforced via contractual agreements where potential competitors are barred or the incumbent is financially compensated in lieu if alternatives are introduced. The intention for public tolls is typically environmental targets, where roads are treated as a scarce resource and the price is used to manage human behavior. When you have no competition and a steady income stream subsidizing other public services, the incentives to build alternative routes or to disband the current tolls melt away. Charging less on tolls therefore means less funding for other public services.

The real consequence of pursuing these environmental targets is a lack of true price discovery. This, in turn, impacts small businesses, frontline workers, and low-income consumers alike.

Regardless, whether it's private or public toll roads, every user must consider their commute as the cost of doing business or staying employed.

Consider the implementation of urban charging schemes, such as London's congestion and emissions zones. Initially framed as a targeted measure to clear traffic, the underlying Automatic Number Plate Recognition (ANPR) infrastructure rapidly transformed into a permanent surveillance and revenue apparatus. Protected by public authority and free from market discipline, the system expands its scope year after year; extending hours, raising fees and widening its boundaries. Instead of displacing traffic to neighboring streets, the grid steadily creeps outward until there are no edges left to escape to. What began as a benign policy to manage traffic evolved into an insulated and extractive digital checkpoint.

The only question left is, how can the private sector help to improve the environment? Perhaps the same way we regulate the safety of children's toys at the manufacturing level. Environmental standards belong on the vehicle, not the asphalt.

## Soft power and tax

The first pillar of soft power is layers. Tax systems are typically multi-layered. For example, an end user pays VAT, a business owner pays

employee and property taxes, and a supplier pays import / export duties. It doesn't matter if you're spending, investing or inheriting, there is an extraction multiplier from your time and effort. Each layer feeding other layers; a complex web of transactions, where the sum of all the layers is greater than 100%. Each layer with compliance costs, fraud fighting, bureaucratic processes and each one of these cause and effect incentives. Tax is like rust; hidden away, eroding over time until there's nothing left.

The second pillar of soft power is the edges. A tax may seem innocuous or fringe, only affecting a small group of people. This is real soft-power as it is easy to dismiss as "not applicable to me". But when we apply "fringe" to our multi-layer tax system, things become more latent than benign. Over time, limits are squeezed and the scope is gradually extended, slowly becoming more inclusive.

The third pillar of soft power is erosion. Inflation is a tax on all of us. To prosper, income must surpass the costs of living, which if achieved also pushes people into higher tax brackets. This weight of inflation is carried by the tax payers, not the government. In contrast, inflation makes government debts cheaper.

The fourth pillar of soft power is leverage of dependency. Family and social ties can produce significant friction when it comes to moving to more favorable tax jurisdictions. A more nomadic lifestyle can perhaps work in our favor but governments are increasingly responding with exit taxes, unrealized gains, global minimum tax initiatives and other globally coordinated actions.

The constant tweaking of tax rules combined with significant increases in global data capture and sharing creates hostility and distrust that works against the core principles of capitalism.

Tax itself is not a product. It is simply a coerced proxy for someone's labor and time measured in the government tax token. Those who work for the government do so voluntary, but those whom pay the government do not.

## Alternatives to Tax

The classic justification for tax is, "who funds the safety nets that no one can do alone?" This question is classically loaded. It implies fear, that without vital services there would be a vacuum and it implies the free market alone is inefficient to fill that space. Thus, we must simply ask, what are vital services that private individuals are not willing to pay for? For every person unable to pay, the government must subsidize the inefficiency gap.

in the modern age, the Internet, blockchain technology and AI have all flattened, democratized, automated and redefined the availability of information and money. Cooperatives, crowdfunding, DAOs (Decentralized Autonomous Organizations) and smart contracts, This tectonic shift to highly efficient global markets is a blueprint to a future without taxes and coercion.

When a government is a middleman and dependent on others for production, and when they demand to be paid first before the private sector, the outcome is always going to be poor decisions and reckless

spending. Incentives are everything; it's easy to spend other people's money! And finally, to increase spending, governments must widen their net.

## Chatbot Prompts

The chapter highlights how modern tools like crowdfunding, cooperatives, and smart contracts can flatten and automate community funding without state coercion.

Choose one essential public service (such as local infrastructure maintenance or emergency medical pooling) and design a practical, tech-driven voluntary model to fund it.

As you outline your solution, consider this:

**Part 1** What specific mechanism (e.g., micro-subscriptions, tokenized utility, or smart contract automation) makes this model scalable and attractive enough to rival state-managed funding?

**Part 2** How does your design gracefully handle real world challenges such as the free rider problem or ensuring consistency during leaner economic times, without reverting to mandatory enforcement or losing participant trust?

The chapter argues that state welfare creates dependency and a “poverty trap”’ yet escaping it leaves a massive vacuum for the vulnerable.

Look at how developing economies or informal communities historically and presently manage safety nets (such as mutual aid networks, community backed credit circles, or localized pooling) and consider how modern tools like Zero Knowledge Proofs (ZKPs) could enhance them.

Design a decentralized, privacy respecting support model inspired by these real world informal systems.

As you outline your solution, consider this:

**Part 1** How do you build accountability and prevent fraud in a local network without relying on state bureaucracy or invasive surveillance?

**Part 2** How does this localized model bridge the gap to wider digital tools (like ZKPs or borderless micro-capital) without losing its human foundation or becoming overly dependent on complex tech?

## Read Online



CHAPTER 3

# Compliance, Control and Consequences

*Compliance or Cartels, which is it?*

*Repurpose the tools*
*To change the rules*
*But never rebuild the machine*

*The revolving door*
*Is written in law*
*The plebs and the words between*

Whether it's fraud or toxic materials, the justifications for regulation are clear when they are founded on science and technology. But incentives matter and they can easily corrupt what would otherwise be a noble cause.

In many industries, though data and finance in particular, there is an expanding multi-layer system designed to monitor, connect and monopolize all economic and social behavior. The corruption is rife on a global scale.

Financial regulation in particular has no presumption or protection of innocence. To the contrary, people are treated as mere cattle; algorithms continuously scoring eligibility. In this light, regulation is framed as protection when really it asks: What are you capable of *without* regulation?

The incentives model for regulation typically looks like this:

## Centers of influence

In the modern age, in theory at least, it should be easy to oversee hundreds of small-to-medium sized businesses. In practice, however, it's easier to license and control a few large entities. This is a symbiotic relationship: Large businesses have the necessary resources to build the infrastructure to uphold the strict policing of their space. These arrangements produce cartels and oligopolies that act as experts and advisers to the government, creating more bureaucracy to keep the status quo, effectively eliminating competitors where the costs of

compliance are prohibitively high. These operating costs are invariably passed onto the consumer.

These centers of influence create high profile examples to others when things break. On the streets, those who dare to trespass will have their boots hung to dry for all to see, “stay away, we mean business”.

This systemic breakdown in competition versus public good does not need a conspiracy. We can consider this a structural problem, built by people with good intentions. Each person, a cog in the machine, looking out and watching the machine in motion, yet not brave enough to rebuild it. The outcome is thus indistinguishable from malice. It is as passive as watching someone drown without throwing a lifeline.

## Gatekeeping the free market

The rules of the game are often changed when the subtleties become clear and the shortest paths are followed.

Before cryptocurrencies, off-shore wealth was reserved for the few and it was entirely legal. They had the means to live and die in the free markets. In contrast, the public at large was excluded on the grounds of public safety, from the moral hazards of gambling, deceit and tax evasion. This brings about a dilemma: How does someone play the game, crash, and subsequently learn from their mistakes when the mechanics of a free market are gated?

In a world of abundant information, cryptocurrencies and the advances of artificial intelligence, it is perhaps surprising that regulations have increased and not decreased. What is not surprising is that the asymmetry of power continues to grow; the weaponization of data itself and more surveillance, more friction, more fees.

Let us consider the incentives of data capture. Social platforms, for example, have creators and advertisers and both sides seek real, highly accurate demographics. Data is sourced from multiple places, cross-referenced, new information is extracted using the latest AI tools and then shared globally. This data is captured invisibly through websites, apps and real world infrastructure. It is seamless and continuous.

When the outcomes of these systems are measured honestly, the predatory machinery of financial control does not eradicate risks, it simply keeps freedom at the top while extracting rent to use your money and data. This is not an argument for lawless deregulation as fraud and systemic recklessness still demand consequence. Rather, it is a recognition that the current architecture trades public safety for cartel protectionism.

It is perhaps apt and timely that cryptocurrencies were born. For the first time in history, anyone with a phone or computer could entirely bypass banking. Suddenly, everyone could have a fully decentralized off-shore bank account in their pocket without seeking permission.

## Redefining "Net Zero"

The revolving door of regulation refers to a life cycle, where politicians are serving in public office and later become absorbed into the private sector where they become consultants or lobby for more favorable regulations.

Net Zero is one such example; it was a global response to climate change where "net" was intended to mean a balance sheet, where total emissions minus total removals equals zero. Incentives were laid for the private sector to produce carbon trading but regulators allowed phantom credit offsets. For example, building a solar farm with zero emissions and zero reductions in carbon from the atmosphere while claiming it replaces coal emissions.

This is not a failure of the private sector, for they were directed and failed by regulators. This is more an example where words and targets are redefined while keeping the existing language intact. We shall cover climate change in a later chapter.

## Chatbot Prompts

Analyze the text above regarding regulatory capture, the scaling failure of democratic compromise, and the suppression of alternative financial systems.

**Part 1 (The Idea):** Briefly explore the philosophical and structural arguments on how institutional control masquerades as public safety, and how democratic compromise fails at scale.

**Part 2 (The Data):** Provide a rapid-fire, low-detail statistical breakdown (keep this brief, using yes/no answers and simple percentages) comparing regulatory burdens on small businesses versus mega-corporations, post-crisis banking consolidation rates, and compliance cost growth. Challenge me to define where the line should be drawn between necessary coordination and predatory institutional control.

## Read Online



CHAPTER 4

# Shadow Governments: Supranational Power

*You thought you lived in a free democracy. How's that illusion holding up?*

*The public servant, puppeteers*
*To silent shadows of global gears*
*Contracts laced with money and strings*
*To govern crowns and breaking kings*

You may have never heard of them.
You probably can't name one person working for them.
You were never consulted.
And you never voted for them.

There are global organizations that shape deeply rooted policies inside your country. Your country has effectively imported its very democracy and regulations to people who may not be citizens of your country. They shape tax laws and are themselves exempt from certain taxes. They carry diplomatic passports, making them immune from harassment and coercion. And they have travel documents to bypass the friction of visas.

While some of these organizations are very old, others are relatively modern. All of these organizations have evolved and exploded in reach and power.

## Meet your policy makers

### G7 / G20

This is the top tier, everything starts here with the puppeteers, an exclusive club for the top 7 and top 20 nations / regions.

The G7 has seven + 1 members; United States, United Kingdom, Japan, Canada, France, Germany, Italy plus the European Union. And while the EU is not technically a full member, it holds virtually all the practical privileges of a full member.

The G7 / G20 groups instigate and manage the workflows of the following supranationals (and others) to maintain their control over financial and political agendas.

**Organisation for Economic Co-operation and Development (OECD)**

The OECD writes the rules for international taxation. For example, global minimum tax agreements attempt to disincentivize capital flight and tax avoidance. And while such laws may be aimed at niche or minority groups, they invariably get extended to catch more people in the net.

We should note, tax avoidance is not tax evasion. To relocate your business, money and lifestyle is your sovereign right. Nevertheless, national governments adopt these tax frameworks as it reduces the pool of "tax havens".

**The Financial Action Task Force (FATF)**

The FATF sets global anti-money laundering (AML) and counter-terrorist financing (CTF) standards. Failure to implement these standards places the country on monitoring lists (grey lists and black lists). The consequence for landing on these lists are higher borrowing costs and international transactions are throttled. To avoid economic strangulation, nations routinely rush to pass FATF compliant legislation word-for-word.

**International Monetary Fund / World Bank**

The IMF/World Bank were created after WWII, charged with preventing catastrophic global financial failure.

The IMF issues loans to nations, in return, dictating local policies such as the rate of VAT, placing caps on spending or advising on the implementation of Central Bank Digital Currencies. Implementing these local policies becomes the loan's collateral. Failure to implement these policies leads to financial isolation, credit downgrades and generally stops the flow of money.

The World Bank provides aid to developing countries for education and healthcare. To be a member of the World Bank, a country must first become a member of the IMF. This means, in a financial crisis, a country cannot access the World Bank without first meeting the requirements of the IMF. Both wield immense power and influence, for example, the IMF may demand a country to raise taxes, raise utility prices, cut spending or devalue its local currency to boost exports. Likewise, to receive aid for major infrastructure, a country almost always has to take on more debt, locking them further into the global credit system.

Both organizations are headquartered in Washington D.C. A supermajority of 85% is required to pass Articles of Agreement and because the bar is set high, it conversely means that only 15% voting power is needed to block a decision. The United States is the only country with enough voting power to veto decisions at both

organizations. The implication is simple; veto power is negative power; dictating what not to do is just as powerful as telling others what they must do. :::

## Case study: El Salvador

In September 2021, having cleaned up El Salvador's criminal gangs, President Nayib Bukele shocked the global financial system by making Bitcoin legal tender alongside the US dollar. Bukele understood that Bitcoin was unstoppable hard money. His forward thinking would simultaneously bank the unbanked and attract tech savvy foreign investors.

The government of El Salvador was buying one Bitcoin every day and instead of selling it, they took a 1.4B US dollar loan from the IMF. In return, the IMF demanded that Bitcoin must be a voluntary payment, while equally demanding that all taxes must be paid in US dollars. These demands perfectly demonstrate how instrumental and asymmetrically powerful fiat is as a tax token and that tax paid in fiat is the mechanism to force demand.

## Global dollarization

In developing countries where inflation is rife and capital controls in place, millions of people across the globe have no access to banking. Yet, by installing a wallet on a phone - with no paperwork and no questions - an unbanked person is suddenly enabled to earn, spend

and save tokenized US dollars. Stronger than their local decaying currency, a bottom-up movement has emerged.

Equally, in advanced economies there is a movement to US stablecoins, primarily USDT and USDC, driven by efficiency and convenience.

Every day, billions of tokenized dollars are moved and most of it bypasses the friction of traditional banking rails. It should be said, however, unlike Bitcoin (and others), these particular tokenized dollars can be frozen with little recourse.

The irony is, central banks and regulators alike are desperately rewriting their rules in a futile attempt to stem this run on their local currencies; every dollar someone holds is less local currency in circulation. The caveat to this is that every dollar of USDT and USDC is backed by US treasuries, which means every holder is a buyer of US sovereign debt.

This squeeze to dollarization is a necessary step before the dollar itself fails upon its mountain of debt.

## The state of mind

What is it that drives individuals to become career policy makers and the masterminds of an untrusted and surveilled society?

From the outside, this is presented as security, to protect you. To the layperson, such measures will never affect them directly, they have

better distractions in life. This is soft power at work. They have mastered the art of writing regulations and making trade deals in a neutral looking language in the name of efficiency, security, stability and progress.

There are four main psychological profiles for these kingmakers; the silent invisible hands pulling the strings:

**1. The messiah complex: The paternalist**

Severe God complex is often projected as paternalism, the philosophers of our time. A belief that the general public is either too shortsighted or uneducated to manage global challenges. From this point of view, the subversion of personal privacy and local democracy is a trade-offs for safety and stability.

**2. Self-preservation of the institutions**

The primary motive here is the expansion and survival of the institution itself. The goal is authority and the compounding of authority. By creating dependencies or manufacturing crises, these organizations secure larger budgets, permanent emergency powers and broader jurisdictions. The rewards are more centralization and the erosion of local or personal sovereignty.

### 3. Asymmetric wealth and influence transfer

Here, the primary motive is wealth and influence. There are no written contracts. This is a gentleman's agreement, often with deferred rewards. Over time, a career politician may build a portfolio that translates to bias and favors less competition. After leaving office, new opportunities invariably emerge in business and influence; writing books, lucrative board seats, advisory roles and speaker events.

### 4. The ideologically driven

Some are driven by ideology, controllers of an engineered and goal driven society, accepting collateral damage along the way.

## The escape hatch

Without an escape hatch there is coercion and duress. This is underpinned by Article 13 of the Universal Declaration of Human Rights which explicitly states:

> *Everyone has the right to leave any country, including his own.*

This is no less than workers at a labor camp being held hostage until they payback an "exit tax". Capitalism is the opposite of people being shackled by authority.

In a free society, everyone has the right to distribute their business, finance and lifestyle as they choose. To leave or stay without coercion

is the free market in action. No hostages, just patriotism when it's freely chosen. Governments are our service providers, for which we pay them, and only for the time we use them. When a country tries to shame those who dare to leave, or extract money for the *luxury* of leaving, then we can say this is perhaps not the best host to serve you.

However, with the sovereignty of nation states being systematically stripped bare and simultaneously fused together, one may conclude that such behavior amounts to bullying, which is supported by the fact a minority of nations - the G7 / G20 - impose their empire over 140+ countries.

## Chatbot Prompts

> How can decentralized peer-to-peer tools be leveraged by individuals and developing nations to preserve personal economic sovereignty against the financial leverage of supranational bodies?

> To what extent can open source projects replace traditional state-backed financial infrastructure to ensure privacy, censorship resistance, and true freedom of movement without relying on centralized intermediaries?

In what ways can technology and borderless networks provide viable alternatives to high taxes, excessive regulation, and the highly centralized enforcement by organizations like the IMF and OECD?

## Read Online



CHAPTER 5

# Linkanomics

*From train robberies to KYC. How regulation and incentives shape the Link Economy*

*Stand and deliver, your cash and gold*
*Loans and promises, bought and sold*
*The slaves of debt for paper dreams*
*A slight of hand of kings and queens*

The essence of Linkanomics is an evolutionary chain reaction where every era solves a physical or financial vulnerability, only to forge a new link in the chain of control.

But a duality exists: two timelines whose outcome was not by design but instead a simple evolutionary process. In this chapter we are going to examine one of the timelines, a sequence of events that transformed a basic need for security into a highly controlled monetary system. By the end of the next chapter, we will hopefully see how an alternative path to the current system is not only plausible but justified.

## Late 19th century - Early 20th century

**Problem** The railroad revolutionized commerce and great wealth followed, which increasingly became centralized to bank vaults. And as railroads were booming, in 1867, Alfred Nobel invented dynamite, a highly explosive compound that quickly became the tool of choice for outlaws. Bank and train robberies were exploding across the American frontier, literally!

**Weak Link** Trains were acutely vulnerable because they physically transported cash, `**gold**`, and silver bullion between fortified banks. Hijacking trains in transit was a soft target compared to heavily guarded bank vaults. However, both cash and bullion required laundering due to serial numbers and mint imprints.

**Response** Improved armored response and better use of the telegraph for distributing serial numbers to local merchants and banks. While grand theft continued, money was increasingly being moved via coded

telegraph message and settling their debts later through paper checks and clearinghouses.

**Consequences** The rapid rise of paper checks led to fewer and more coordinated physical movements of cash and bullion. This also produced a more detailed and traceable paper trail. Crucially, banks had unintentionally stumbled upon a superpower; they could scale their customer base with fractional reserve banking beyond borders, creating an elastic money supply that could expand and contract based on economic activity.

**Context** At the time, money came in two forms: gold and silver coins were "bearer assets"; sovereign, with no counterparty, a transaction was finished the moment they changed hands. Alongside those were banknotes, which were fully redeemable for gold and silver to whoever held them. And while the banknotes appeared to be bearer assets, anonymous and redeemable, they weren't truly sovereign; they were promises to pay and they were dependent on the issuing bank honoring its word.

Furthermore, for centuries beforehand, banks had been operating on fractional reserves; lending out their customers' property (cash and bullion), and were thus inherently incapable of fulfilling their obligation to return all of their customers' money all at once.

## Prohibition: 1920 - 1933

**Problem** Prohibition was an aggressive, morality-driven clampdown on vice, targeting alcohol, gambling and prostitution. Heavy-handed

regulation spawned a massive parallel economy, forced to survive beyond the reach of regulators. Organized crime flourished.

**Weak Link** The law itself was the weak link: immensely unpopular and largely unenforceable. This, in turn, brought intense bribery and corruption to government and law enforcement alike.

**Response** Following the New Deal of 1933, the US government finally conceded defeat by repealing Prohibition and thus allowing the government to take a slice of the forbidden fruit to help fund other government programs.

The expansion of the paper-based financial economy turned forensic accounting into a weapon. Incapable of shutting down the illegal alcohol trade, the government used the paper trail and tax evasion laws to finally bring down syndicated networks like Al Capone's Chicago Outfit.

**Consequences** Prohibition wasn't just a failure; it exposed the dark and bitter face of political will at any cost. While underground cartels developed their own trusted networks to maintain basic commerce, the state actively sabotaged product safety in an attempt to enforce compliance. Industrial alcohol was legally manufactured for legitimate everyday products such as cosmetics, paints, varnishes, and cleaning solvents. Bootleggers, in turn, would hire chemists to try and distill these products into consumable beverages. In a vindictive escalation, the federal government directed manufacturers to increase the "denaturing" of industrial alcohol by deliberately adding or increasing

various lethal and highly toxic chemicals like methanol, benzene, kerosene, pyridine and mercury salts to render it violently poisonous. Outrage ensued and the matter became a public health crisis, causing severe paralysis, permanent blindness, and death of many thousands of Americans.

**Context** Prohibition proved that a government cannot legislate morality without corrupting its own institutions. By retreating from total Prohibition, the state pivoted, trading direct moral policing for institutionalized taxation, using forensic accounting and the traceable paper trail to profit from the very shadow economy it had inadvertently created.

## The Great Depression: 1929 - 1939

**Problem** In the early 20th century, as physical bank robberies began to subside, the financial system faced a wave of bank runs that would become known as the Panic of 1907. That crisis exposed the fragile plumbing of American banking and spurred the creation of the Federal Reserve in 1913. For a time, the ensuing "Roaring Twenties" masked the structural flaws of the banking system with a decade of economic exuberance and speculation. But the illusion shattered in October 1929, when the New York Stock Exchange (NYSE) crashed hard, triggering a global tsunami of financial chaos where every domino fell in rapid succession.

**Weak Link** From ancient to modern times, there have been many bank runs, always a collision between bad debt and fractional reserve

banking, yet it persists to this day. It is deceptive in concept; a client hands over their money in good faith, trusting it can be redeemed on demand, but in that moment it becomes the property of the bank and the client is effectively left holding an IOU.

The root causes of this contagion are many, but central to these were banks gambling with their customers money. When the bet fails, everyone fails.

**Response** In March 1933, to stem large scale panic and the hemorrhaging of deposits, and to give regulators time to assess solvency, President Franklin D. Roosevelt declared all banks closed, euphemistically calling it a bank "holiday".

To restore public confidence, the Emergency Banking Act was passed. The federal government teased apart the distressed institutions from healthy ones and then three months later, the Federal Deposit Insurance Corporation (FDIC) was also created: this was a government backed insurance policy to cover customer deposits up to specific limits.

The slippery devaluation of the US dollar had, once again, made gold the de facto store-of-value. In response, the government enacted Executive Order 6102, forcing the sale of all gold coins, bullion and certificates to the government, though there were some exceptions such as jewelry and watches. By removing competition, the government artificially created the demand for banknotes.

The Federal Reserve, which was created in December 1913, also stepped in to become the ultimate lender of last resort, a playbook that evolved directly into modern bank bailouts.

**Consequences** The casualties were heavy; millions of people lost their life savings and pensions, and many people saw suicide as their only option.

**Context** Ancient bankers, custodians of gold and grain, held for safekeeping, quickly realized most of their inventory lay idle. They observed, clients stashed their wealth as a store of value (SoV) and, at any one time, only a few clients actually sought to withdraw. This quickly led to corruption of the process; instead of providing bailment, where the property still belongs to the client, bankers and goldsmiths would claim the property as their own and then lend it out and charge for the privilege. This works until one random day, a rumor spreads and many people seek to withdraw their money at the same time. The bank, of course, does not have the funds to pay everyone. This is fractional reserve banking and the ensuing bank runs; the sudden rush to withdraw all funds at risk of insolvency.

## The Vegas Vibe: 1905 - 1941

**Problem** Born in 1905, Las Vegas was a mere pit stop for the American railroads, but in those first moments of breath, Block 16 was also born, a designated, segregated area for all things vice. Prohibition and the “roaring” 1920s arrived, followed by the Great Depression. Yet Block 16 survived them all.

By 1931, Las Vegas City was broke and desperate for money. Looking at their Frankenstein, Block 16, the state lawmakers dared to legalize alcohol and gambling citywide, in an attempt to capture taxes from the shadow economy. This was more than two years before the federal government repealed Prohibition!

However, despite this reversal of policy on vice, it didn't produce the expected economic boom.

**Weak Link** Growth was stunted by the friction of expensive licensing, regulations and bureaucracy.

**Response** Starting in 1941, a stream of entrepreneurs bought up swathes of land just outside the city limits, where regulations and taxes were considerably lighter. This would later become the iconic Las Vegas Boulevard, home to Caesars Palace, the Bellagio, and the MGM Grand.

**Consequences** Vegas finally exploded onto the scene, becoming the go-to destination for the rich and famous. But righteousness comes at a price and the heavy hand of regulation and bureaucracy proved to be no exception. We are forced to confront what might have been if lower taxes and deregulation had come earlier.

**Context** In 1931, while Prohibition and the Great Depression were gripping America, the construction of the Hoover Dam was underway just 50km from Vegas. This close proximity became a much-needed release valve for laborers, offering them a taste of true freedom and a place to spend their hard-earned money.

The legalization of vice was driven more by necessity than moral enlightenment, but the influx of laborers and the eventual loosening of red tape would prove to be a win-win for everyone involved.

## The Vegas Vibe: 1941 - 1970

**Problem** Across America, physical peer-to-peer cash transactions were the norm, whether it was paying contractors, buying cars, settling business debts, or simply skimming profits to hide from the IRS. This was no doubt exacerbated by WWII when tax rates were hiked to 70% - 90%. Tax evasion was considered a victimless gray area rather than outright criminality.

But in the neon desert of Nevada, a giant was brewing.

Cash was being skimmed before it hit the books and transported away in suitcases. To obfuscate the source of funds into the banking system - "to launder" - various mechanisms were at work. Cash, for example, was used as down-payments on loans with the remaining cash used to service the loans. More sophisticated setups involved deposits into foreign banks with regular payments sent back home. Other methods included trusted debt swaps, known elsewhere as Hawala, where trusted families and acquaintances settle their debts internally, skipping the banking system entirely. The key mechanisms are multiple structured payments mixed with legitimate sources.

The extravagance of Vegas was being funded via syndicates: families, mobsters and high-rollers pooling their money. Local gaming regulators were not concerned with money laundering if these

establishments could show accurate financial accounts, so these business kept two books; one for the IRS and the other for their syndicates and local regulators.

**Weak Link** Cash flowing through bars, casinos and dark alleys became too big, too fast, attracting the ire of the IRS. Once again, government looking at a huge shadow economy and demanding a slice of the action.

**Response** Between 1934 and 1945, the US government started phasing out $500 and $1000 banknotes, finally withdrawing from circulation entirely in 1969. It was a war of attrition against large physical cash to funnel commerce into traceable banking channels, consequently reining in tax evasion.

Between 1950–1951, the Kefauver Committee was famously televised, investigating and uncovering organized interstate crime. This led to stricter banking controls on the movement of money.

By 1960, Nevada was forced to clean up its act and introduced the "Black Book", a blacklist of people forbidden inside any Nevada casino, or else the operator would lose their license.

By 1967, Nevada passed the Corporate Gaming Act, enabling publicly traded corporations to own casinos. Big conglomerates and investors, like Howard Hughes, bought out the syndicates and introduced strict audits and accounting standards.

In 1970 the Bank Secrecy Act (BSA) was born and lives to this day, later re-enforced by the USA Patriot Act of 2001. The BSA required financial institutions to maintain a paper trail of financial transactions and mandating the reporting of large cash transactions.

**Consequences** The impact of the Bank Secrecy Act cannot be overstated.

First, the BSA required banks to spy on their customers with SARs (Suspicious Activity Reports), making it illegal to tell their customers they were under suspicion.

Secondly, and more importantly, it became illegal for financial institutions to delete records, thus such data would no longer be the property of the bank, but of the state itself. These rules were derived more than a century earlier where it was illegal to conceal, modify or remove government records. The state, therefore, had decided what was good for the goose was good the gander.

The irony of this culmination is that blockchain technology of today managed to achieve in math what governments demanded for centuries: a foolproof and publicly owned way to build an immutable and historical ledger of truth.

**Context** From Vegas mobsters to police chiefs and judges, the lines within the old boys club were indistinguishable. Entire generations from both sides, working together. And, just like the world of politics, vice runs its own reputation system on who you know and trust. Silence and turning a blind-eye applies to both camps.

In today's modern digital life we assume that tracking is literally a product of technology when actually people were highly skeptical pre-computer age!

It's also ironic how the US put federal taxes so high given they kicked out the British for imposing tax on tea!

## Cash and Plastic: 1950 - 1970

**Problem** The first credit cards / charge cards were launched in the 1950s and targeting wealthy individuals, allowing them to defer payments for travel and entertainment, and then settling their balances on a rolling monthly basis. Crucially, this product of convenience had little to do with banking. In fact, as unsecured loans, the banks considered it reckless: credit scoring did not mature until 1956.

Watching from afar, the rapid rise of credit cards, banks eventually felt threatened and sidelined. In response they mailed millions of pre-approved credit cards directly to people's homes, which in turn sparked fraud on a grand scale. The credit cards were physically stolen from mailboxes before their owners knew they existed. This situation almost broke the banks!

**Weak Link** Whether it was credit cards or hard cash, there was a distinct and extreme lack of information about customers and their source of funds. At first, banks ignored the mathematics of credit scoring, preferring their assessments based on morality and reputation, documenting marital troubles, drinking habits, race, and social status.

**Response** Banks and credit card companies pivoted, targeted customer acquisition and built a secure pipeline for the issuance and activation of credit cards. They standardized the credit scoring system and they built an alliance of credit card companies to share customer information. Purchases were also authorized in real-time at the point-of-sale.

The banks were simultaneously solving their own problems and those of the IRS. As outlined above, this culminated with the Bank Secrecy Act in 1970. The pretext was to catch criminals but the actions were also intrinsically about tax collection.

**Consequences** At the time, the capture and sharing of customer data was purely pragmatic, but it would set the stage when credit agencies later discover the true power and monetization of that data.

While the Bank Secrecy Act had specific triggers, the threat of heavy fines made banks very conservative and they are often overzealous in their efforts to report suspicious activity. Banks willingly became the enforcers of government mandates.

**Context** Ownership of gold bullion was still illegal and the informal economy was thriving, cash was still king and the passive omission of tax reporting was still normal.

Meanwhile, on both sides of the fence, the banks and the casinos shared similar human-centric reputation based systems, albeit with slightly different goals. Both shared the same incentives to learn more about their customers.

## ATMs and Bank Heists: 1967 - 1992

**Problem** Inspired by its foray into credit cards and to capture a larger customer-base, banks stopped being an exclusive club for the wealthy in large city buildings. Now, they were aggressively competing for a broader demographic by opening local branches. The costs of this expansion were higher leasing costs and more staff. In an attempt to bring down costs, banks deployed Automated Teller Machines (ATMs).

**Weak Link** The rapid expansion of bank branches led to a physically larger attack surface, including the newly installed ATMs. Bank heists were once again on the rise, no doubt made easier by the "Standoff Policy" of the FBI and law enforcement to not challenge robbers head-on.

Meanwhile, early ATMs were entirely offline affairs: heavy steel boxes chained to the floor, allowing thieves to cut them free and drag the machines away. When ATMs eventually went online, hackers pioneered skimming and card-trapping devices.

**Response** The local bank branches hardened their infrastructure with ballistic glass, high-speed security shutters and surveillance cameras.

ATMs got reinforced steel, embedded surveillance cameras and better street lighting. Eventually, the ATMs went online, got smart sensors to detect tampering and card skimming, human behavioral patterns got tracked and the ATMs automatically submitted real-time telemetry.

Once again, the Bank Secrecy Act of 1970 cast its shadow across the industry. Instead of trying to catch criminals with their proceeds on the way out of the bank, the new strategy was based on the premise that criminals would eventually seek to legitimize their money by pushing their cash through the banking system. Thus the incentives and solutions weren't just better physical security but a much larger data grab about customers, their source of funds, and a better understanding of how money flowed. This was also accelerated by payroll directly entering bank accounts and the general trend towards banks intermediating transfers.

**Consequences** This hardening of banking infrastructure pushed the incentives further down the line to a softer target, where a customer held at gunpoint at an ATM became the new weak link.

**Context** The 1960s was an era of sharp contrasts. On the one side, the economy was high on massive optimism, growing disposable income, muscle cars, rock and roll, and putting man on the moon. And on the other side, the US had deployed large-scale military action in Vietnam. The war was messy, dragged on, and public opinion was particularly negative and unpopular among Americans.

The taxpayer had simultaneously funded both the Apollo missions and the Vietnam war. All of this was made possible because both the IRS and the banking industry had shared incentives to track the flow of money, providing perfect political cover for the control of everyday capital.

At the end of December 1974, private gold ownership finally became legal again, some 41 years after it was made illegal!

By the 1980s and 1990s, the "War on Drugs" and a Crack epidemic drove a new wave of enforcement. This era was marked by the widespread proliferation of surveillance cameras and automated license plate recognition, binding physical movement to the same kind of tech already in place in banking. Research into the effectiveness of CCTV surveillance shows the benefits are very specific and that the subsequent network sharing comes with significant privacy issues.

## Digital Highs: 1992 - 2008

**Problem** The 1990s birthed the public Internet as we know it today, with early e-commerce pioneers like Amazon and *CDNow*. The debit card, while introduced in the 1980s, finally hit its stride in the 1990s, providing a timely convenience for early paperless e-commerce platforms. The Internet and e-commerce rocketed, hitting its peak in 2000 and then spectacularly crashing: famously known as the "dot com bubble".

Low interest rates followed, making loans and mortgages cheap. House prices rocketed and banks were, once again, delinquently handing out loans and mortgages. Many of these loans were "sub-prime", meaning high risk and little chance of people actually paying them back, and Wall Street was bundling those sub-prime loans into complex AAA securities.

In 2006-2007, the housing market crashed, pushing home owners underwater: their mortgages were greater than the value of their homes. The banks had taken customer deposits with one hand, while giving out loans with the other. Now the banks didn't have enough money to restore their customer deposits, which in turn sparked widespread panic and massive queues for withdrawals.

On the plus side, bank heists were falling, perhaps because they were broke!

A new attack surface emerged in the early 2000s when always-on home broadband Internet collided with online banking. Hard cash was being structurally removed from the economy.

**Weak Link** The sub-prime housing crisis was fueled by the fractional reserve banking system that the banks fought so hard to keep. Paradoxically, EMIs (Electronic Money Institutions) are more tightly regulated than banks and they are required to keep 100% reserves, yet they do not qualify for federal bank insurance!

Cash was no longer king and online security, debit card fraud, and ATM jackpotting became the new battleground (where malware forces ATMs to vomit cash).

**Response** Some banks crashed completely while others were "too big to fail", receiving government bailouts (taxpayers money). Euro deposits went into negative interest and some countries like Cyprus skimmed money from bank accounts holding more than 100k euros, plus capital controls, severally limiting daily ATM withdrawals.

To boost the economy, central banks were printing money to buy back toxic bonds and government debt directly from commercial banks. This, in turn, pumped house prices and stock markets.

**Consequences** With few options available, central banks were fenced into zero-interest-rate policies (ZIRP) and large scale money printing (Quantitative Easing), inflating both house prices and the stock market. This begs the question, if money can be printed out of thin air to bail out the architects of a crash then why did taxes increase?

**Context** To many, the early Internet felt like a rush of freedom: borderless, anonymous, and home to a multiplicity of personas: a blank page to reinvent oneself and the world around us. But the parallel move toward a cashless digital economy was an exact inversion: a methodical, phased withdrawal of physical cash from everyday life. Banks imposed tighter controls, enforcing daily and monthly limits while slowly dragging more everyday customers into the net of Suspicious Activity Reports (SARs), through little more than inflation and loose regulatory interpretations. Faced with greater liability, massive potential fines, and the constant fear of losing their licenses, banks became government compliance gatekeepers while quietly building a foundation of toxic debt.

## 9/11, KYC, AML/CFT: 2001 - 2011

**Problem** On 11 September 2001, high-profile terrorist strikes on US soil rocked the world. The USA Patriot Act came into effect just six weeks later, laying the legal framework for tighter financial tracking,

anti-money laundering (AML), Combating the Financing of Terrorism (CFT), and deeply embedded surveillance. The surveillance state was officially born, though it would take years to build out.

In the aftermath, the Patriot Act created a mountain of digital-first bureaucracy, yet none of it could have prevented those attacks. The total operational cost of the strike was a mere $400,000 and entirely invisible to financial filters because the motives were ideologically driven rather than fueled by a pursuit for money itself. Small sums were funneled via standard international wire transfers from overseas into regular bank accounts, relying on ordinary debit cards for day-to-day sustenance and operating entirely in plain sight for legitimate purposes.

The true outcome of the ensuing surveillance apparatus was therefore twofold: to identify networks after-the-fact and to harvest a mountain of low-hanging fruit from the general public.

**Weak Link** We might ask, did the distractions of filtering for suspicious transactions blind the banks to their own reckless behavior in accumulating high-risk sub-prime loans?

Nevertheless, the collection and sharing of data was mandatory, and its deletion illegal. This, in turn, creates massive data silos: honeypots for hackers and scammers alike to steal, sell, and abuse highly sensitive personal data.

**Response** Signal intelligence and data sharing, dating back to 1943/1946, was drastically overhauled and expanded into what

became known as the Five Eyes alliance: UK, USA, Canada, Australia and New Zealand. Vast data centers were built and the alliance was extended to 14 member countries.

To circumvent domestic privacy laws forbidding the spying of their own citizens without a warrant, The Five Eyes Alliance scraped global, international communications at significant scale and shared that data among themselves. Politicians were free to declare "no domestic spying" while being quite disingenuous. This is somewhat similar to declaring you never sent anyone money when the truth was you got someone else to do it.

Meanwhile, in the banking world, compliance became an expensive and specialized machine, often integrated with third-party providers who have their own set of policies for data collection, storage, sharing, and potentially in a completely different jurisdiction to the end user. Once again we discover that the Internet is "borderless" for some entities but not for others.

**Consequences** According to the 9/11 Commission, the true value of tracking financial networks isn't the pre-emptive discovery of attacks, but forensic reconstruction. Once an event occurs, transaction logs and wire trails allow investigators to map out cells and co-conspirators to dismantle them.

The state used a tragedy to build a panopticon under the pretext of security. Organizations such as the FATF publish guidelines for algorithmic surveillance: mapping transactions, times, and locations

against personal lifestyle and behavior. Each financial institution gets to define what an "anomaly" is, forcing everyday users to prove their source of funds and justify their spending habits. The Bank Secrecy Act forbids banks to inform their customers of suspicion while their algorithms remain opaque.

Surveillance reveals data, not intent, and there is certainly no presumption of innocence. The surveillance machine is frequently used against political dissidents, whistleblowers, publishers and journalists. WikiLeaks, for example, was de-funded by all major means including Visa, Mastercard, PayPal, Western Union, Swiss PostFinance and Bank of America: a move that would force them to adopt Bitcoin just a couple of years later in 2011.

**Context** It is perhaps pertinent to note that a decade earlier, banknote counting technology began integrating serial number loggers, ostensibly designed to track illicit cash flows and suspicious behavior. Today, that definition of "suspicious behavior" includes social media posts that institutional algorithms flag as inappropriate.

## The Algorithmic State: 2005 - Present

**Problem** When Gen Z was handed the hyper-personal mobile-first social economy. With some irony, their parents had sought to protect their children through instant always-on location tracking. But Gen Z took their newly found love for iPhones and Androids, and they embraced the explosive combination of social media and neo-banking. Personal data went from being a byproduct of human activity to

becoming the product itself. While massive data centers were being erected on the tails of the USA Patriot Act, Silicon Valley was simultaneously carving out its own data captive audiences.

The attention economy was born. The monetization and commoditization of big data, telemetry and the algorithmic state fused with personal identity. The centralization, normalization and sheer convenience of a single sign-in. Over time this data would coalesce, becoming multi-factor attestation: persistent device, location, biometrics, phone number and social identity, all intrinsically linked and increasingly required. For the platforms, the incentive was clear: to feed every algorithmic node, their brokers, advertisers, and content creators with the most accurate, timely data possible. Identity was the raw material of commerce.

But then the weaponization came. Civil liberties were being tested and the COVID-19 pandemic tested the boundaries of what was possible. In the name of public health and personal safety, governments leveraged the tech stacks of Apple and Google to manage people at scale. And then in 2022, the Canadian Freedom Convoy exploded onto the scene. The pressure cooker of civil liberties was breaking out across major Canadian routes. Economic blockades were erected across Ottawa and the Ambassador Bridge in Windsor, Ontario.

**Weak Link** A digital and largely cashless society, primarily enabled by US tech. When governments feel threatened by public opinion, they use whatever means are available to them. Compliance doesn't choose sides; it simply becomes an effective chokepoint.

**Response** Trudeau's government applied technology to map the social graph, freeze bank accounts and online wallets, and targeted crowdfunding campaigns (GoFundMe and GiveSendGo) associated with the protests. There was a lot of collateral damage through loose association.

As with the events of 9/11, online data was used for forensic reconstruction: the mapping, tracking, and post-event enforcement. Cell tower dumps and digital footprints allowed authorities to identify participants and their social circles long after the trucks were towed away.

The message was clear: you can have privacy among your peers but governments always seek the exception, the master keys.

**Consequences** When authority is asserted or abused, it sets a precedent for others to follow. For example, following these events, UK police were routinely dispatched to people's homes to formally warn or resolve claims of online harassment. This invariably leads to self-censorship in fear of reprisals. While we can argue the demerits of poor online behavior, we must also consider the possible values of an unknown future government, where dissent is redefined and punished retrospectively.

And we must confront the stark reality of such deep data analytics, especially in the age of artificial intelligence. Not only does it reveal the low-hanging fruit for what law-makers tolerate today, but also the predictive pattern-matching nature of artificial intelligence. We

become suspects, a score, risk factor for crimes we have yet to commit. This is code-as-law, operating outside the boundaries of established human rights and due process. It is a machine of control.

We can also see that the enforcement of borders is increasingly at the discretion of sovereign states using emergency powers. When Canada's Justin Trudeau triggered the Emergencies Act to economically shut down protesters, physical borders became irrelevant because the state compelled global fintech companies to enforce domestic control via borderless digital infrastructure.

**Context** Prior to Gen Z, online social interactions would often take place using multiple anonymous personas. The separation of speech and identity promotes free speech, and a mechanism for people to explore ideas and reinvent themselves without the baggage of their past. Conversely, when self-expression is tied to a fixed identity, the set of people choosing anonymity becomes smaller, they become systematically marginalized.

In 2015, Edward Snowden said,

> "*Arguing that you don't care about the right to privacy because you have nothing to hide is no different than saying you don't care about free speech because you have nothing to say.*"

This shift from anonymity to fixed identity is the defining feature of our era: the end of privacy and autonomy as a human right.

## Conclusion

Through the lens of this timeline, some things become very clear. First, governments and banking will stop at nothing to weave and demand their currency into the very fabric of the economy. The elimination of private ownership of gold for 41 years is evidence that monetary competition will not be tolerated. The dollar, the euro, the peso, are all tokens, synthetic demands for the payment of taxes. And as we see throughout, whether it was Las Vegas or Al Capone, the taxman signals no moral virtue, for the taxman demands payment wherever it is due.

It is also clear that the fiat economy is a debt economy, rooted in fractional reserve banking. A model destined to fail, time after time. The idea is straightforward: produce loans that allow businesses to grow and prosper. Thus, the debt economy is managed and driven by political will. It is, therefore, not surprising why fractional reserve banking is often seen as deceptive or improper. The choices are clear; we accept the cycle of debt, inflation, recessions, liquidity crises, bailouts, and ever increasing taxes, or voluntarily opt into parallel economies based on sound money. Some cryptocurrencies perfectly fulfill this role.

With every iteration - gold, cash, banking, credit cards, ATMs, and mobile banking - every solution results in a completely new set of problems, and invariably new demands on the people. The exploitation of personal identity is at the center of each iteration

without due process for the protection of the individual and their rights. If money is speech then it is neither free nor protected.

As the secure pipeline of payments evolved, the account holder became increasingly exposed. This ultimately played out in 2026 when the French tax authority was compromised and corrupt officials were caught selling information about High Net Worth Individuals. This, in turn, resulted in physical "wrench attacks" against individuals in their own homes. This happened because tax authorities demand the construction of massive data silos: honeypots and a paper trail with zero deletions. This model is fundamentally at odds with local data privacy laws. The obvious solution would be minimize what data is collected, for you cannot hack what you do not store.

Furthermore, the incentives are high to create asymmetric power. Financial regulations create high friction for bearer assets and discourage the bailment of personal property. In other words, all cash deposited to a bank becomes the property of the bank, to which they will loan it out to others. This power grab extends to CBDCs (Central Bank Digital Currencies) where the money from central bank becomes programmable, with rules about where, how and when it can be earned, spent and saved. The thirst for control is limitless.

Finally, we arrive at an unshakable truth: to survive beyond a broken banking system we must build parallel digital currencies and stores-of-value with the minimum of identifiable attributes, based on math, known outcomes and self-custody. A system where the tokens themselves are subject to scrutiny with minimal human intervention.

Through cryptocurrencies we have the opportunity to build a sovereign system that can accrue value, issue credit, settle debts and enforce contracts.

## Chatbot Prompts

> This chapter shows how traditional banking turned credit into a tool for debt expansion and hidden inflation. Walk me through how decentralized credit and peer-to-peer lending work as a practical alternative, using plain English, everyday analogies, and concrete examples rather than heavy financial jargon.

> This chapter maps out how central banks use bailouts and money printing to manage economic crises, socializing the losses onto everyday citizens. Explore practical ways an open, voluntary financial system can handle liquidity crunches, panics, and lending without relying on a central bank or state intervention.

In this chapter, fractional reserve banking emerged organically before the state weaponized it. What safeguards, incentives, or cryptographic tools could prevent centralized fractional-reserve fragility from re-emerging inside a purely voluntary monetary ecosystem?

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