

Barter to Banknotes to Bitcoin

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Family Photo



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What is Money?



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It's All About the Benjamins

Sean (P-Diddy) Combs



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Mo' Money, Mo Problems

- Notorious B.I.G.

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Condensed History of Money

- Barter
- Cattle and Other Agricultural Products
- Cowrie Shells
- Metal Money and Coins
- Paper Currency



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The Greenback Era

- Originated in mid 1860s
- Used to help finance the Civil War
- Not backed by Gold
- Led to rapid Inflation

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The Gilded Age 1863-1913

Dangerous and Unhealthy Working conditions



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The Gilded Age
1863-1913

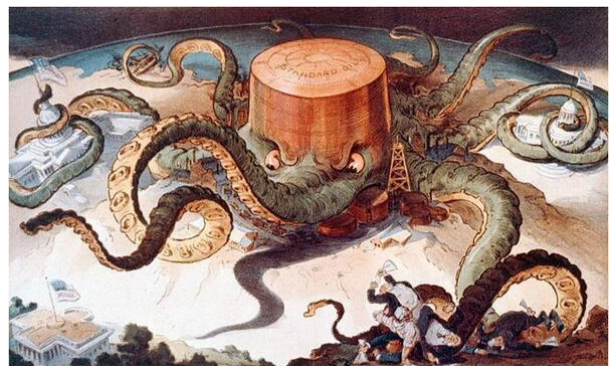
Monopolies



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The Gilded Age
1863-1913

Government and
Business Corruption



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Creation of the Federal Reserve System

- Panic of 1907
- Founded December 23, 1913
- Original Purpose of the Federal Reserve
 - Create Safety
 - Flexibility
 - Stability of the Financial System



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Inflation in the Twenties

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- Food Prices - National Housewife League
 - Beginning of CPI
 - WWI
 - Post War deflation and Recession



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Roaring Twenties

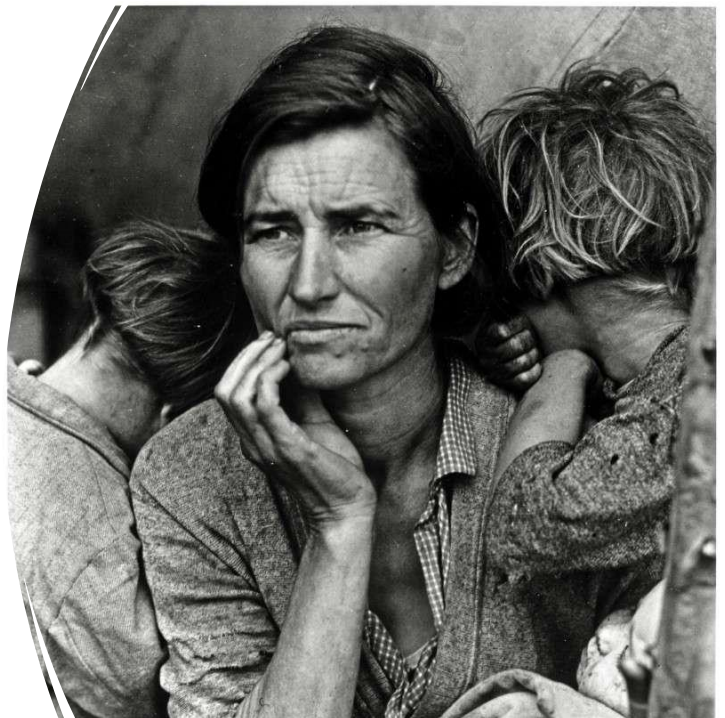
- Cutting Edge Products
- Rising Stock Market and Speculation
- Jazz Music
- Black Market Liquor
- Government Scandal



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The Great Depression

- The speculative boom of the 1920s
- Stock market crash of 1929.
- Oversupply and overproduction problems
- Bank Failures
- Low demand, high unemployment
- Missteps by the Federal Reserve
- A constrained presidential response
- An ill-timed tariff



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Depression to World War II

- Deflation fundamental problem
- Keynesianism - How to Pay for War
- Full Employment

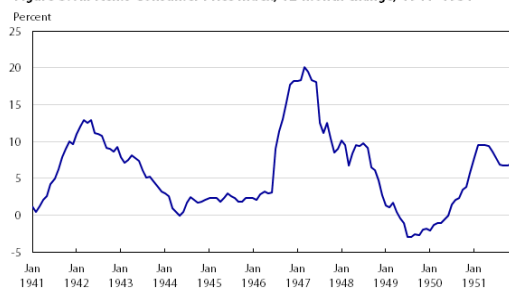


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Post War Years

- Price Controls and Rationing
- Inflation Remerges After War
- Price controls lifted, inflation soars
- Strong Demand, Shortages Inflation Higher
- Demand Tappers Off, Soft Landing

Figure 3. All-Items Consumer Price Index, 12-month change, 1941–1951



Source: U.S. Bureau of Labor Statistics.

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The 50's and 60's

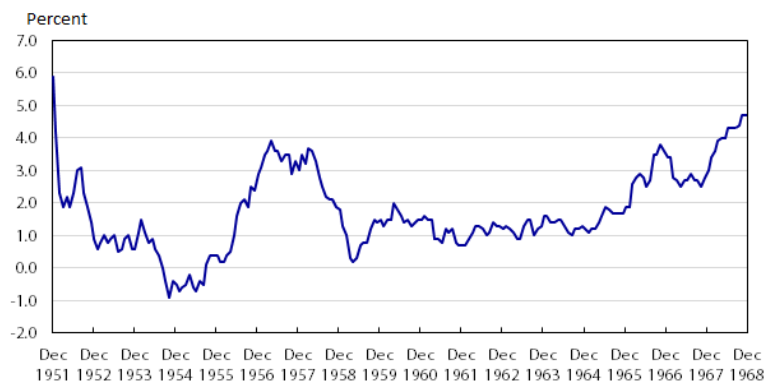
- Korean War
- Modern Era of Inflation
- Inflation moderates in early 60's
- The Philips Curve
- Inflation returns in late 60's



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Relative Price Stability

Figure 4. All-Items Consumer Price Index, 12-month change, 1951–1968



Source: U.S. Bureau of Labor Statistics.

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70's and 80's



INFLATION SURGES IN
EARLY 70'S



NIXON REMOVES
GOLD STANDARD



INSTITUTES WAGE
PRICE CONTROLS



OIL SHOCKS, EASY
MONEY, BUDGET
DEFICITS



STAGFLATION

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Early Eighties to the Dot Com Era

- S&L Crisis
- Monetarism
- Volker
- Inflation Recedes
- Double Dip Recession
- Long Boom, Low Unemployment, modest inflation



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Inflation in the 90s

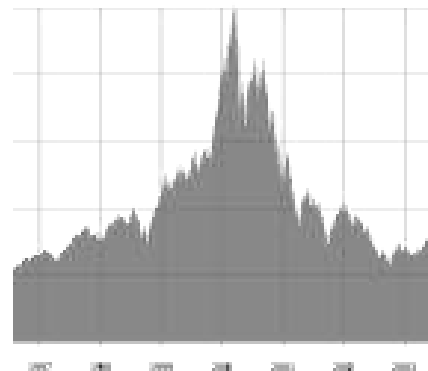
- Monetary Policy Responsive
- Good or Lucky?
- Demand Shocks vs. Supply Shocks
- New Economy



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Dot-Com Bubble to Great Recession

- Poorly Understood Commercial Opportunities
- Hype by Venture Capitalists, Investment Banks, Brokerage Houses
- Irrational exuberance
- Bubble Bursts



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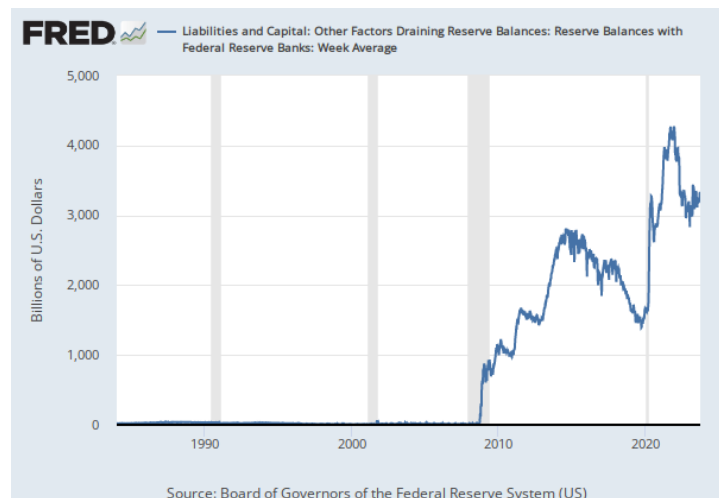
Great Recession 2007-2009

- Good People, Bad Loans
- Exotic Structures
- Predatory Lending
- Overbuilding
- Rating Agencies
- Housing Bubble Bursts
- Stocks Lose Half Their value



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Quantitative
Easing



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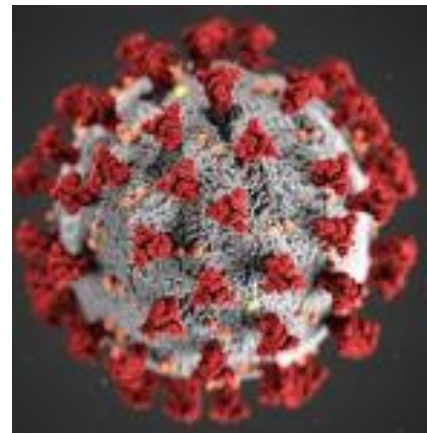
Velocity of Money



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Covid 19 to Present

- CARES Act - \$2.2 Trillion
- Paycheck Protection Program - \$1.4 Trillion
- Consolidated Appropriations Act - \$2.3 Trillion
- American Rescue Plan Act - \$1.9 Trillion
- Inflation Reduction Act - \$ 891 Billion



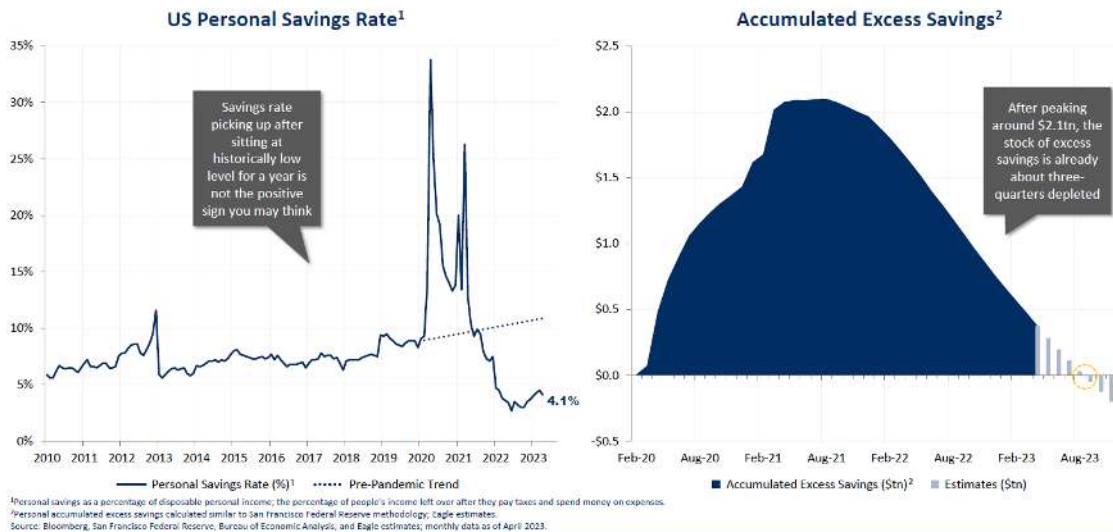
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Growth of Money Supply – M2



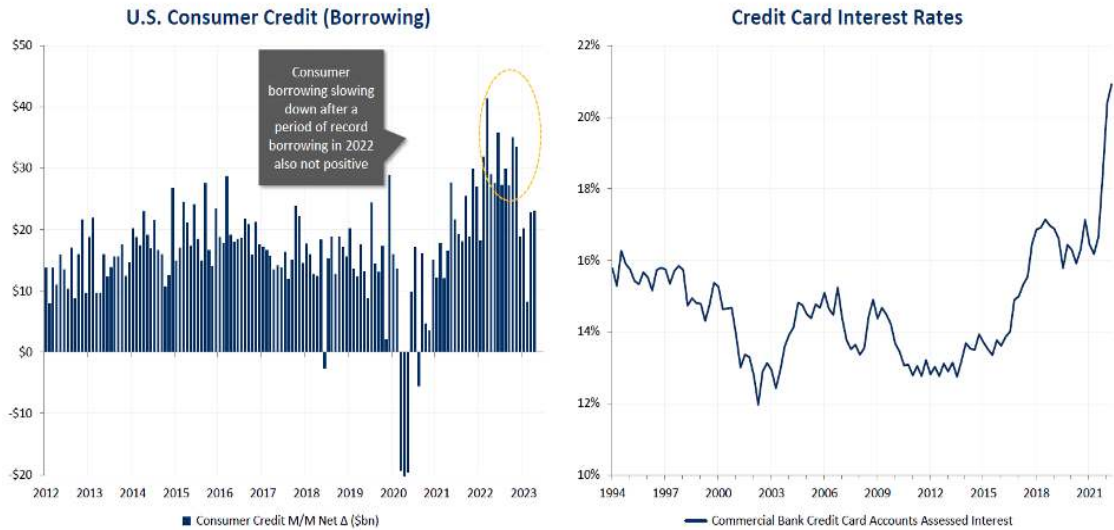
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Consumers Dipping Into Savings...



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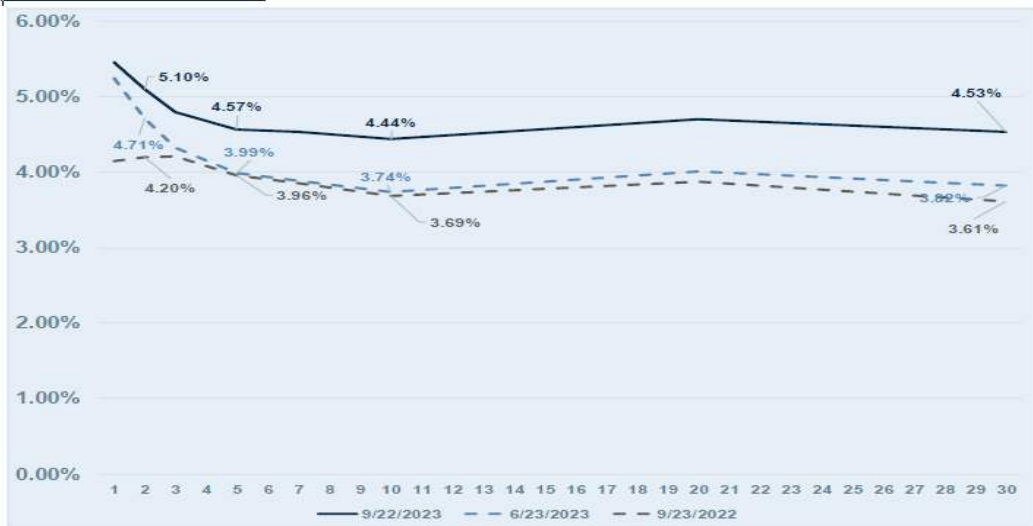
...And Borrowing At A Record Pace



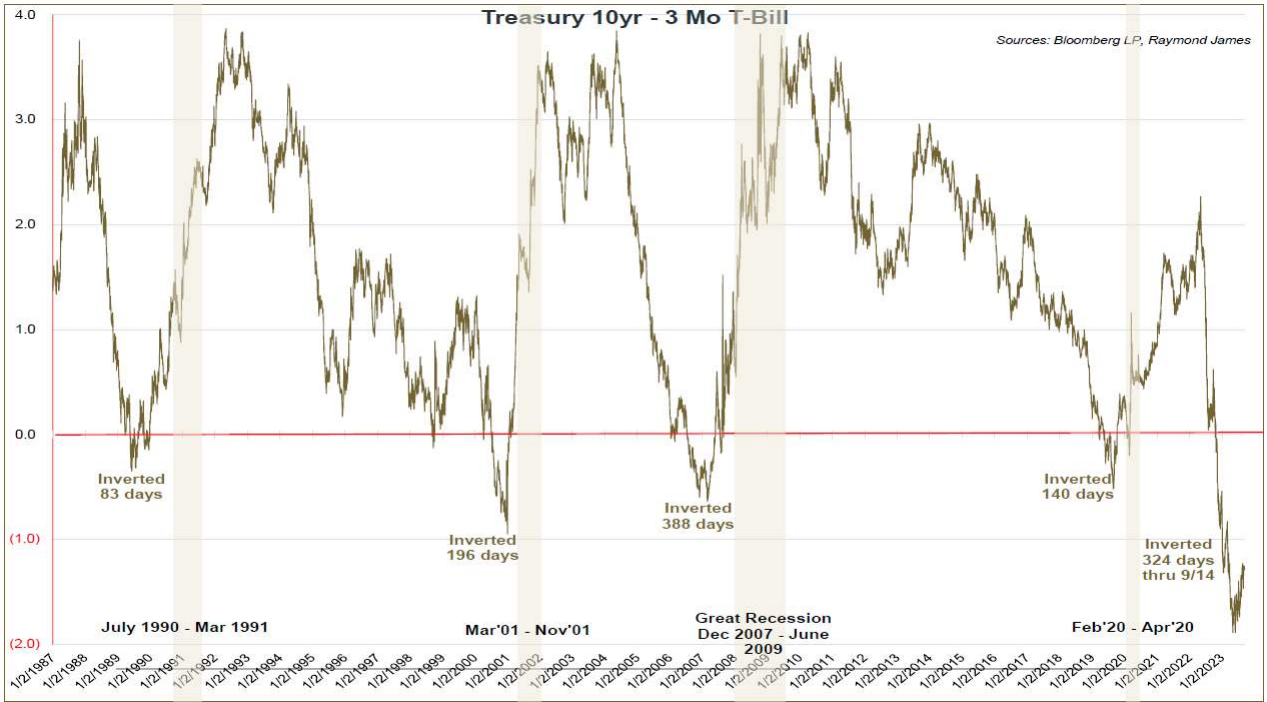
Source: Bloomberg, U.S. Federal Reserve; monthly borrowing data as of April 2023; quarterly interest data as of February 2023.

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TREASURY CURVE

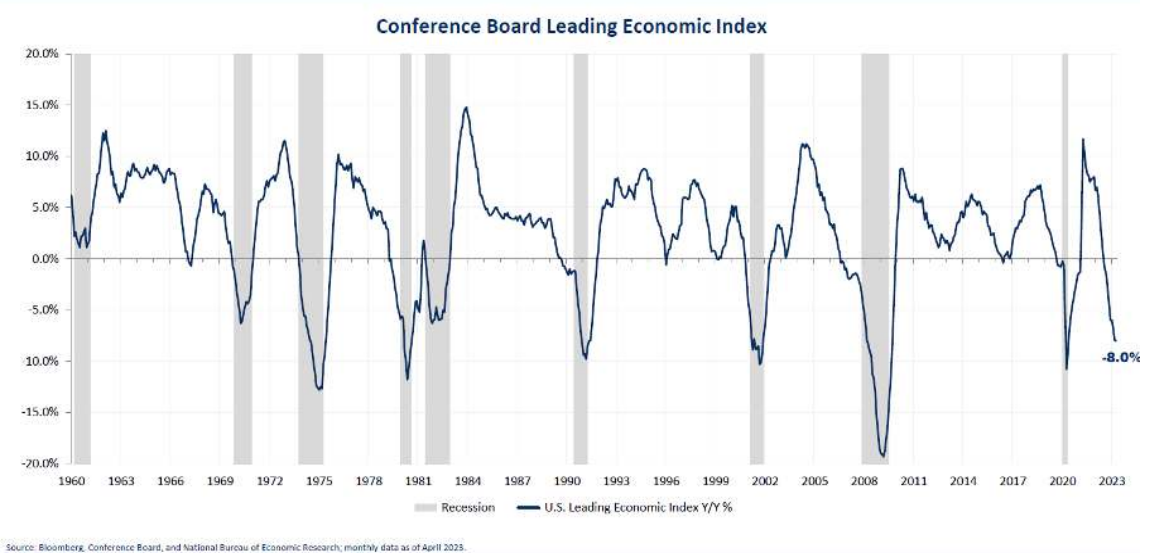


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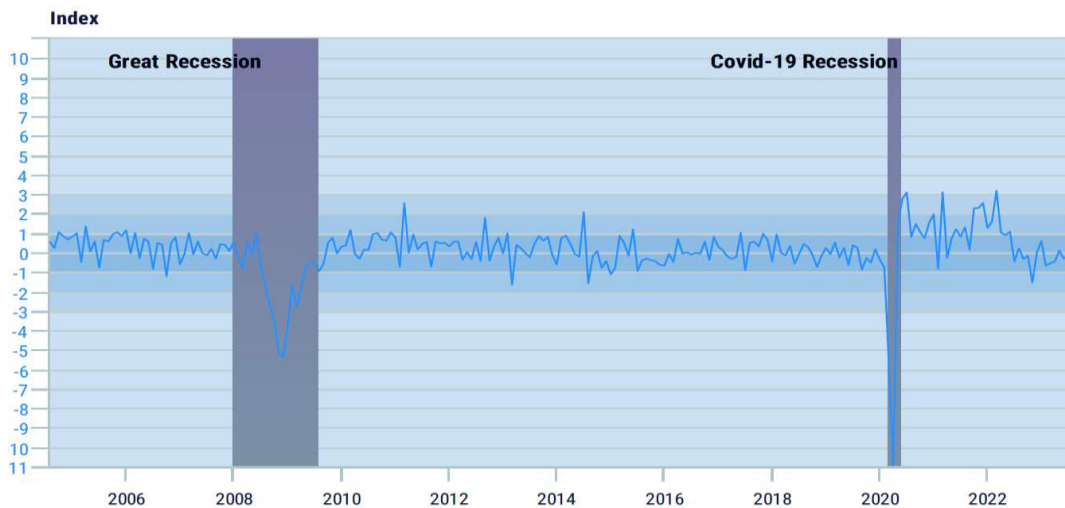
...Recession Timing Uncertain, But Eventual



Source: Bloomberg, Conference Board, and National Bureau of Economic Research; monthly data as of April 2023.

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Leading Economic Indicators



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Post Fed Rate Hike Pause Returns, Annualized

Federal Funds Rate Hike Cycle	1-Year Return			3-Year Return			5-Year Return		
	S&P US Treasury Bill 0-3 Month Index	Bloomberg Intermediate Govt./Credit Index	Bloomberg Aggregate Bond Index	S&P US Treasury Bill 0-3 Month Index	Bloomberg Intermediate Govt./Credit Index	Bloomberg Aggregate Bond Index	S&P US Treasury Bill 0-3 Month Index	Bloomberg Intermediate Govt./Credit Index	Bloomberg Aggregate Bond Index
4/30/1987 - 2/24/1989	N/A ¹	11.7% ¹	12.7% ¹	N/A ¹	11.7% ¹	12.6% ¹	N/A ¹	10.2% ¹	11.0% ¹
2/4/1994 - 2/1/1995	5.6%	14.6%	17.1%	5.3%	8.9%	10.2%	5.2%	6.7%	7.3%
6/30/1999 - 5/16/2000	6.0%	12.9%	13.7%	3.4%	10.7%	11.1%	2.6%	7.2%	7.8%
6/30/2004 - 6/29/2006	5.1%	6.0%	6.5%	3.0%	6.2%	6.6%	1.8%	6.2%	6.6%
12/16/2015 - 12/19/2018	2.2%	7.0%	8.8%	1.0%	4.0%	4.9%	N/A	N/A	N/A

¹Based on monthly returns rounded to the nearest month-end.

Source: Bloomberg, as of 5/4/23

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Where Do
We Go
From
Here...?

Slack in Labor Market

Aging Population

Fourth Industrial Revolution

AI, Machine Learning, Deep Learning

Central Bank Digital Currency

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Conclusion

Energy Prices Most Volatile

Activist Policies

Inflation and Unemployment

Price Stability

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