

# JAPANESE CAPITALISM: Self-Destructing Cryptocurrency Backed by Government Authority

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## **INTRODUCTION**

Satoshi Nakamoto created the first cryptocurrency in wide use today-- Bitcoin-- in 2009. Since 2009, the world experienced cycles of cryptocurrency bubbles and crashes and the true potential of purely digital money remains unrealized. Bitcoin aspires to serve a completely decentralized medium of currency, but a large part of why any currency maintains value rests on the belief, however, irrational, that other people will accept said currency as maintaining value. Though a single Bitcoin is valuable-- priced at over \$40,000 at the time of writing-- that value is paradoxically derived not from the decentralized nature of the currency, but from highly centralized authorities, including government authorities, treating the medium as a thing of value. A virtuous cycle benefits Bitcoin in that the more professional trading exchanges and governments take Bitcoin seriously, the more valuable Bitcoin becomes, which forces those same authorities to take Bitcoin even more seriously.

The central problem with Bitcoin, and in fact all cryptocurrencies, remains a problem of

volatility. A good medium of currency should hold its value with great predictability and the value of the currency should be subject to authorities accountable to the people who empower those authorities. Yet cryptocurrencies cannot achieve this sort of accountability or stability unless and until the governments of our many nations embraces digital currency as the default legal tender for their respective countries. When governments embrace digital currency as the default legal tender, the ability to swiftly implement monetary and fiscal policy to avert economic crisis will prove profound.

In this article I propose a version of capitalism centered on digital currency backed by government authority. I call this version of capitalism Japanese Capitalism because I believe that the monetary and fiscal policy outlined herein would benefit Japan greatly given its unique economic challenges, however, I think that all countries should eventually embrace Japanese Capitalism, which promises to eliminate the risk of economic depression, lessen the impact of economic recession, and maximize the welfare of all citizens.

As stated, Japanese Capitalism is centered on digital currency. But digital currency alone will not solve all economic challenges. Japanese Capitalism will work only if three pillars of economic stability are implemented simultaneously. Briefly, those pillars are as follows:

**(1) Universal basic income, housing, healthcare, and food**

**(2) Digital currency with a flexible expiry date; the currency either self-destructs when unused or the expiry date is extended with each use**

### **(3) Robust anti-corruption laws and enforcement mechanisms**

#### **UNIVERSAL BASIC INCOME**

No person should have to work to survive. And in fact, with the great advances in automation, we will soon reach a point where many jobs simply won't exist. The government must secure the basic needs of all people. But to be clear, universal basic income is not about securing basic needs; universal basic income is discretionary cash to be used for enjoyment like travel or hobbies. The government must also provide housing, healthcare, and food as well.

QUERRY: Why would anyone want to work if they have free discretionary money?

ANSWER: Because the government-issued digital money expires after 20 cycles. A cycle is a period of time defined by the government that can be adjusted to encourage spending. When money is spent, the digital currency's expiration date is extended a 10-fold, but still expires.

Only the government can hold money that never expires. All money issued by the government has expiration dates that extend when the money is used. Here, "usage" refers to the exchange of currency for goods or services from one entity to another entity.

QUERRY: How will businesses cope with labor shortages due to people not wanting to work?

ANSWER: Automation.

QUERRY: How will the government prevent people from spending their digital money on cash equivalents, like gift cards or gold bullion?

ANSWER: By taxing the hell out of cash equivalent purchases.

QUERRY: How will the government prevent people from setting up a business entity and moving money back and forth to increase the value of the money (i.e.: the expiry date)?

ANSWER: By implementing strong anti-corruption laws and enforcement mechanisms to prevent fraudulent transactions.

QUERRY: Can the government "seize" money by ordering money to self-destruct?

ANSWER: Upon a finding of probable cause that a crime has been committed a court may issue a warrant to freeze money. Because money in this version of capitalism is purely digital, money can be created, frozen, unfrozen, and destroyed at will.

QUERRY: How will citizens protect themselves from undue government monitoring and surveillance?

ANSWER: Digital transactions will be protected with privacy legislation; transaction data will be discoverable only upon issuance of a warrant based on probable cause that a crime has been

committed.

## **EXPIRING AND SELF-DESTRUCTING DIGITAL CURRENCY**

Currency that expires will force the recipients of the currency to spend that currency on goods and services. But currency with an expiry date alone would not support a robust economy because the recipient of that currency would be loath to accept currency that they cannot use for long themselves. To encourage people to accept currency with an expiry date, the digital currency's expiry date extends with each use. This is made possible with BLOCKCHAIN technology where a ledger keeps track of all transactions.

When the money with an expiry date is spent, the expiry date resets and self-extends one hundred-fold. With each use, the currency's expiry date resets and self-extends one hundred-fold until it reaches maturity. The validity period of such a currency can be measured in cycles. As stated, the actual amount of time in days, hours, minutes, and seconds will vary depending on how the government defines a "cycle." I will show how the government can force recipients of universal basic income to spend money faster or slower by varying the length of a cycle.

In short, the recipient of universal basic income has 20 cycles worth of time to spend the money or lose that money permanently. If one cycle = one day, then the recipient has 20 days to spend the money, or the money expires permanently. Upon being spent, the money resets according to the blockchain and the recipient of the money now has 200 cycles to spend the money.

Assuming that one cycle = one day, the recipient of the money now has 200 days to spend the

money before it expires. Once the recipient spends the money again, the money's expiry date resets and the new (third) recipient has 2,000 cycles' worth of time to use the money. Again, assuming one cycle = one day, the new (third) recipient now has 2,000 days to use the money before it expires permanently or about 5 years.

The government can shorten the actual length of a cycle at will forcing money to be spent faster or slower. If a cycle = 3 hours, then the original recipient would have about 2 days to spend the money and the final recipient of the money in our above example would have to spend the money in about 250 days.

### **ROBUST ANTI-CORRUPTION LAWS AND ENFORCEMENT**

The central weakness of the system described above is the susceptibility to corruption. A person can increase the value of money through sham transactions that the BLOCKCHAIN records as legitimate. To work, the system must ensure that no individual person has more than one account on the blockchain ledger and that business entities cannot move money around except for legitimate transactions that produce economic growth. These details must be defined precisely in statutory law. Furthermore, two friends must not be able to participate in sham transactions for the mere purpose of increasing the value of the currency.

Without strong anti-corruption and enforcement protocols, the system fails because people will be able to easily convert money with expiry dates in the near future into money with expiry dates that exceed a human lifetime very quickly.

## **CONCLUSION**

Expiring currency was, until very recently, not possible due to limitations in technology, but now is both possible and prudent. Governments should swiftly implement universal basic income in conjunction with expiring currency. In a forthcoming paper, I will explore how Japanese Capitalism works using a computer simulation.