# The History of Fintech II

MGT 4074, Fall 2025

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Georgia Institute of Technology

Wednesday, August 20, 2025

# Roadmap

- Logistics
- Guided Discussion on Readings I
- In The News: Dune 2025 report on Crypto in LATAM
- History of Financial Technology
  - What is Money, Cont.
  - What is Credit?

# Logistics: Study Groups

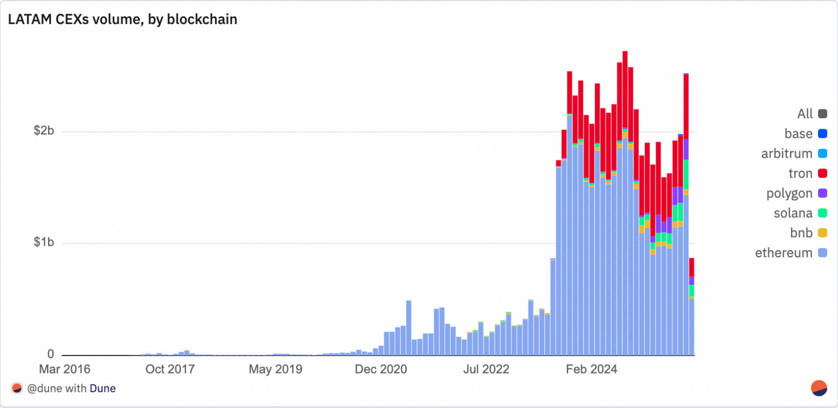
Some of you have filled out the When2Meet for study groups. Thank you for doing so. Here it is again:

https://www.when2meet.com/?31699294-rcYcw

If you do not complete it by **midnight tonight**, I will assume you have formed a study group on your own.

# In the News

Dune 2025 Latin American Crypto report:




Source: https://dune.com/blog/latam-crypto-2025-report

# In the News

Key use cases driving LATAM crypto adoption in selected countries:

- Speculative retail investment in Brazil
- Remittances from U.S. to Mexico
- Hedging inflation in Venezuela and Argentina

# Guided Discussion: What Causes Inflation?

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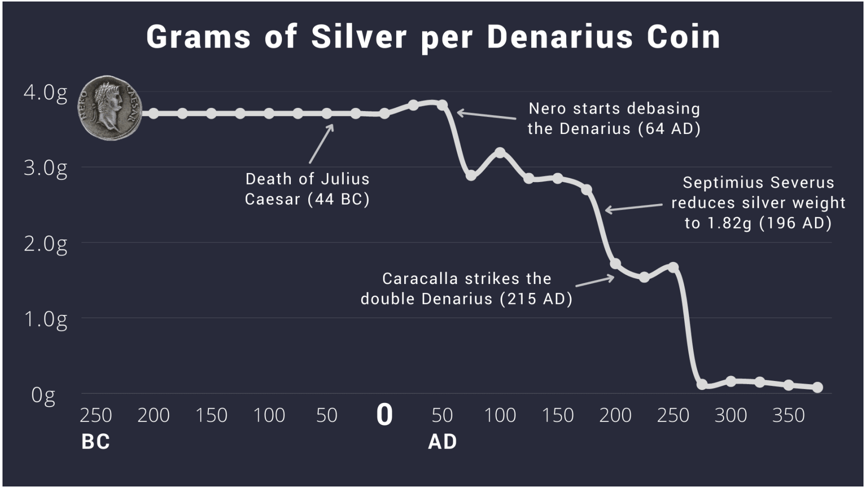

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  - A government which fails at fiscal policy can "*monetize the deficit*" (what does that mean?)
  - A government can fill a fiscal gap (spending exceeds taxation; **and** the market will buy no more debt) using *seignorage*
  - This is economically equivalent to secretly siphoning off (taxing) a portion of the value of every currency unit that has been previously minted

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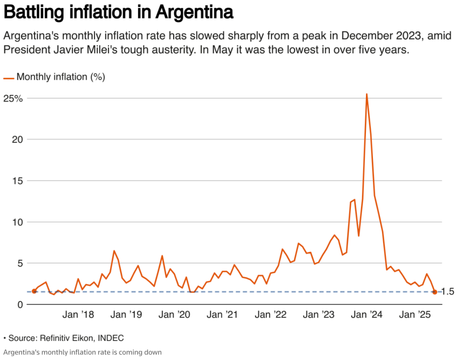
Cochrane: A monetary problem, sure, but one with a fiscal origin

# Inflation in Argentina

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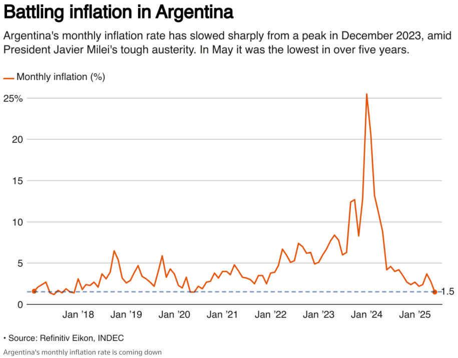


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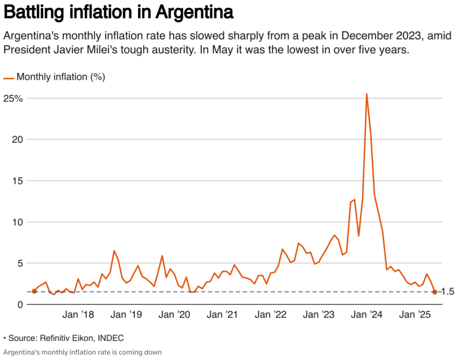


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# Javier Millei

*"If printing money would end poverty, printing diplomas would end stupidity."*

# Roadmap

- What is Money, Cont.
- What is Credit?

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  - India retired 86% of paper currency in 2016 to fight crime
- **Interest**: Fed pays interest on U.S. bank reserves
  - The government surrenders some *seignorage* revenue in order to have high-frequency control over monetary policy (setting the economy-wide short-term interest rate)
  - 2025 GENIUS act prohibits interest on stablecoins: deposit-taking banks are protected from competition

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# What is Credit?

Credit is an investment contract. It can take many forms:

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Credit and money are not mutually exclusive! If the promised cash flows of a credit contract are **safe** and **tradable**

- Modern banks keep their money as Federal Bank Reserves, a form of credit which is treated as money
- Credit has a hard time being *fungible*: it has an important function as a market prices of risk and time. That is at odds with the monetary goal of price stability which requires the contract be **safe**.

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In other words, credit is "Man's Confidence in Man". (The name of specific piece of artwork, not an endorsement of sexism)

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**Q**: What is Webster arguing, in the language of money and credit?
**A**: Increasing the money supply by means of mining specie does not create economic growth. Rather, growth is created by the fulfillment of investment contracts – hence "commercial credit" creates more value than "all the mines of the world"

# Man's Confidence in Man

Joseph Hall at Harvard Business School's Baker Library, 2019

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- **Screening**: a process to determine to whom to offer contracts
- **Collections**: a process to enforce the contract

# The Oldest Financial Technology for Enforcing Investment Contracts

# Can Contracts be Enforced Without Strong Governments?

*About 590 million Africans live off the grid. Most of them rely on flame-based lamps powered by fossil fuels like kerosene. The light from these lamps is dim and comes with significant health and financial costs. A kerosene lamp may cost less than \$5, but fuel averages about \$57 per year. Sub-Saharan Africans burn up about \$10 billion annually on kerosene, and worldwide, kerosene costs people without electricity \$36 billion.*

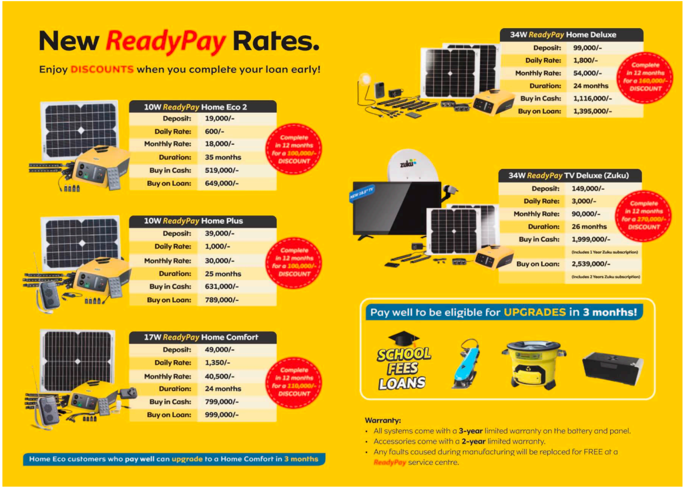
—Study by the International Finance Corporation (World Bank)

# A Hugely Profitable Investment ... If You Can Enforce It

A \$30 solar lantern pays for itself in 8-10 weeks

Source: https://www.brettgreen.info/publications

# Rent-to-Own Model with "Digital Collateral"




- Key Technology: Product is **remotely deactivated** if loan is defaulted

# This Class

In this class, we will cover:

- *Why* the traditional finance industry is designed and regulated the way it is
- *What* new financial technologies have recently become possible
- *How* the traditional financial industry is adapting to these changes

# For Monday 10/25

Please read:

"Cryptocurrency Crashes Recall the Wild Days of "Free Banking""

by Sara Harrison, interviewing Chenzi Xu for Stanford GSB Insights
https://stanford.io/3iiLcyl