

3

Satoshi Nakamoto



Satoshi Nakamoto

Lesson 3

Anyone going into prison today should think about the many ways that the world will change in the years ahead. Every day, we're seeing advancements with technology. We can read about artificial intelligence (AI), Large Language Models (LLMs), Decentralized Finance (DeFi), Machine Learning, blockchain, smart contracts, cryptocurrencies, and other advancements. In these first lessons of our course on the digital economy, we'll focus on Bitcoin, the first widely known and used cryptocurrency.

Origins:

Satoshi Nakamoto, a computer programmer, published a white paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System." No one has ever verified Satoshi's real identity outside of the internet, so we don't know whether it's the real name of a person, a group, or a fake name.

The nine-page white paper memorialized his thesis on decentralized networks in only 2,736 words. Since it describes the blockchain system, which is the backbone of the cryptocurrency market, Satoshi's white paper is not easy to comprehend. To understand the white paper, I've had to read it several times. When I asked Ryan to help me understand it, he told me that he

skipped over the parts on cryptography. For the purposes of this course, I'm going to do my best to summarize the white paper in a story format.

Story of Bitcoin:

In 2009, people from all walks of life began to feel the weight of economic uncertainty. The nation was reeling from the effects of a deep recession. Banks, once pillars of financial stability, issued risky loans that went bad. Rather than allowing the banks to fail, the government stepped in and began bailing out the banks. It did not issue meaningful bailouts to people who were losing their jobs and their houses.

The recession, and those bailouts, led to distrust of the government. Many people perceived a rigged system that favored the wealthy elite at the expense of the average citizen. Inflation began to climb, eroding the value of hard-earned savings.

As a simple example, if a person had \$100 in the bank, and inflation rose to 8% per year, the person's savings would become less valuable. If a pair of shoes cost \$100 at the start of the year, that same pair of shoes would cost \$108 at the end of the year because of inflation.

Enter Satoshi, not a politician or a tycoon, but an ordinary citizen with a revolutionary idea. Satoshi saw how the actions of the few in power had put the many at risk. He conceived a system that would return power to the hands of the people, a system that was fair, transparent, and beyond the reach of government manipulations and arbitrary decisions.

Bitcoin Idea:

Satoshi shared his vision by publishing his white paper. Basically, he invited readers to imagine a different kind of currency from anything controlled by governments or banks. Instead, the currency would be based on math, or cryptography, and it would belong to the people, verified by a decentralized network rather than a centralized government, or federal reserve.

The Solution:

Satoshi proposed a digital currency called Bitcoin. Unlike traditional money, it wouldn't be printed or controlled by any central authority. Instead, transactions would be recorded on a public ledger, visible to all but owned by no one. This ledger, called the blockchain, would ensure that every transaction was fair and transparent.

Building Trust:

To prevent fraud and ensure every transaction was legitimate, Satoshi introduced a system called “proof of work (PoW).” This required individuals, or miners, to use their computers to solve complex puzzles. The first to solve the puzzle would validate the transaction and, in return, be rewarded with newly minted bitcoins. This process incentivized people to maintain and secure the network.

Decentralization:

Satoshi emphasized that Bitcoin was decentralized. No single entity could control it. This meant no more bailouts, no more printing money, and no more decisions that favored the wealthy elite class over the people. Bitcoin would democratize money, ensuring that everyone had an equal say in its future.

A New Beginning:

As word of Bitcoin spread, people from all backgrounds began to see its potential. Some were skeptical, but others saw it as a beacon of hope, a way to reclaim control from the centralized powers that had failed them.

Reflection:

Satoshi’s vision was not just about creating a new type of money. It was a critique of the existing financial system, a call to action for those who felt disenfranchised and disillusioned. Bitcoin offered a way forward, a path to a system that used math and cryptography to build trust. No one would have to rely on government promises. Instead, a transparent blockchain would provide verification of value.

In the next lesson, I’ll offer more details on the origins of Bitcoin and the blockchain, but this simple story should remove some of the mystery.

Investment:

As in the previous lesson, I’ll continue to show how I’m using my growing knowledge of cryptocurrency to make it a part of my long-term investment strategy. After making my first purchase, I dollar-cost averaged my way into the next purchase. At 9:43 am, on January 31, 2024, I made a second purchase of 0.22235623 BTC. I had to pay the market price, which had risen to \$43,983.25 per coin, plus fees. Again, Coinbase charged me a \$220.05 fee to make this purchase.

In other words, within two hours, I paid Coinbase \$220.05 in fees for the first purchase, and \$220.05 for the second purchase. After the purchase, I owned

a total of .44535175 BTC, bringing my average cost to \$44,908.42 per BTC, fees included.

- » Total investment in BTC at end of day, January 31, 2024: \$20,000.00
- » Total holdings: .44535175 BTC
- » Total value: \$19,507.34
- » Gain or Loss: -\$492,66

In lessons to follow, I'll continue offering insight into the cryptocurrency purchases I'm making, and showing the reasons why.

Disclaimer:

For full transparency, I am not an investment advisor. Our nonprofit, Prison Professors, offers these lessons for the singular purpose of helping people learn more about the digital economy. I provide information on my personal investments to show that even a person who served 26 years can participate in the digital economy. I am an investor and a speculator, understanding the risks. No one should invest in any asset class without a strategy and a plan, as shown through our introductory course: Preparing for Success after Prison. Always develop an understanding of investment risks—especially with cryptocurrency.

Critical Thinking Questions:

If you're willing to participate in our advocacy efforts for reforms that will allow people to work toward earning freedom, please provide your responses to the following questions:

Share your thoughts on why it might be important for people in prison to learn about technology.

1. In what way do you anticipate that new technologies will influence your life?
2. In what ways could an understanding of cryptocurrency or blockchain influence your prospect for earning an income upon release?

Advocacy Initiative:

Please share your story and responses through the manner that works best for you:

1. Send through email to Interns@PrisonProfessorsTalent.com
Subject line: Digital Economy Course
2. Send through regular mail:
Prison Professors
% Digital Economy Course
32565 Golden Lantern, Suite B-1026
Dana Point, CA 92629
3. Send through the Edovo tablet
Prison Professors
% Digital Economy Course
32565 Golden Lantern, Suite B-1026
Dana Point, CA 92629

Three most recent lessons sequences:

- » Lesson 2: Digital Economy: Instructors, Tokens, and Bitcoin
- » Lesson 3: Digital Economy: Satoshi Nakamoto
- » Lesson 4: Digital Economy: Bitcoin Halving