Transformative economics [draft]

Hypothesis: A way to accelerate the growth of a micro-economy (size < 50) is to create a new currency that is deflationary in nature compared to the externally benchmarked currency held by the centralised authority governing the micro-economy. People in the micro-economy get a regular salary in the externally benchmarked currency so they can trade with the outside world, but inside they are supposed to only use the new currency. This model works within the ambit of Indian laws since creating a currency system within a company does not need to be counted as a *virtual digital asset* [VDA], since we can just see it as an incentivization mechanism for bonuses/perquisites, similar to how PE firms use profit share percentages, carry or such similar concepts. The micro-economy is small enough that the governance can be driven by a single person, let's just call that person as a *benevolent dictator for life* [BDFL] for this micro-economy.

This idea is being tried out by Mayank Rajani, founder of Project Dark Horse, to run his company. There is a centralised ledger containing all the current and past employees' loyalty points [LPs] on Google Sheets. Mayank has committed an INR amount [currently 45L] for this experiment, which is a double digit %age of his net-worth, and loaned some money from his friends [9.5L]. The LPs can be exchanged for the aforementioned amount in case the company closes down due to unforeseen reasons. There is a conversion rate accordingly that is obtained by dividing the remaining committed amount by the total owed amount. Let's call this *pessimistic conversion rate*.

PDH loyalty points

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1	**Name**	**Loyalty points owed**	**Future grant**	**Frequency**
2	Mohak Bansal	699,000.00		
3	Sarthak Dalabahera	300,000.00		
4	Harshit Moriya	252,000.00		
5	Yash Mehrotra	200,000.00		
6	Siddhant Sharan	200,000.00		
7	Akshaya Sankpal	200,000.00		
8	Harshit Choudhary	165,000.00	250,000.00	every 3 months
9	Varun Arora	150,000.00		

950,000.00	1,031,708.00	0.00
total loaned amount	**Spent amount - loaned amount**	**Revenue**
4,500,000.00	1,981,708.00	22,266.38
Bootstrap capital	**Spent amount**	**Spent amount/day**
447,000.00	1,650,108.00	2,768,184.00
Future monthly burn rate	**pending payments (incl loan repayments)**	**Amount left to burn**
1-Jun-2024	6.19	4-Mar-2025
Date of birth of PDH	**Time-to-live (months)**	**Expected date of death**

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Total LPs owed:		2,784,300.00
Remaining amt of INR @mkrjn99 has commited to PDH:		2,768,184.00
Pessimistic conversion rate:		0.99

Like the real world operates, any central bank does not own all the forex reserves it needs to fulfil the case of a *bank run*, the rare case where everyone wants to withdraw their currency for a foreign one [LPs being the domestic currency here and INR being the foreign one]. Hence the market rate, henceforth called *last traded conversion rate,* is always higher than the *pessimistic conversion rate*. At the start, people can trade the LPs with the BDFL for a price they agree on with him; when the people in the micro-economy gain enough of the *foreign currency,* they can do market trades. When the trade is happening with the central bank, the BDFL can choose to approve or deny any and every buy and sell request. The BDFL can also grant or deduct LPs on the basis of good or bad behaviours. So far, Mayank has awarded LPs to people for taking a salary cut or committing a great act for the company, and deducted them for behaving in a finicky manner, committing to some work but not fulfilling it, for immediate resignations without serving a notice period, for coming onboard on a higher than market salary or for repeated compensation re-negotiations. The last traded price is a representation of the future expected revenue, henceforth called as "Revenue deficit":

Last traded conversion rate:	2.50
Amount owed accordingly:	6,960,750.00
Revenue deficit in INR:	4,192,566.00

We also define a *conservative conversion rate*, a rate that is somewhere between the *pessimistic conversion rate* and the *last traded conversion rate*. Mayank promises that if he closes down the company voluntarily, he will pay everyone

according to this rate. In this case, the revenue deficit will have to be borne by Mayank, the BDFL here, apart from the 54.5L he has already committed:

Conservative conversion rate:	1.65
INR value accordingly:	4,594,095.00
Revenue deficit in INR:	1,825,911.00

The entire system hinges on people's belief in the BDFL running the micro-economy. So far the idea has been working out great for Mayank, and for PDH. Mayank proposes that the Indian govt should send a single leader to execute this in a village or town of a small size in order to accelerate its socio-economic progress, and repeat it at scale when success is seen. But before proposing this idea to the Indian govt, Mayank wants PDH to become profitable in INR terms, since that will be the best validation for this economic model.

The Project Dark Horse loyalty points sheet is linked here.

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