

Business Plan for Local Currency Deployment

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Money created through debt and centrally-managed through interest rates has proven to be problematic. The benefits the ability to create and issue large amounts of money to fund projects are overwhelmed by the caustic effects of inflation, and the exponential growth of interest obligations.

Issuing fungible and trustworthy asset-backed money based on individual or collective wealth has until now been out of reach. The technical hurdles, and the opposition of entrenched political and banking incumbents have been insurmountable.

The time has now arrived where we are able to surmount these obstacles:

- Technology to implement reliable and performant decentralized monetary systems is here.
- The public will to accept decentralized value-stable money is rising.
- The government and bank opposition to sound money can be legally and technically overcome.

Contents

1 Executive Summary

The widespread use of alternative sound money hinges on solving three problems:

1. Paying and accepting sound money in realistic, non-ideal circumstances.
2. Creating units of sound money dynamically, without central authority.
3. Improving the definition and implementation of sound money over time.

2 What is "Sound Money"

"The gold standard makes the determination of money's purchasing power independent of the changing ambitions and doctrines of political parties and pressure groups. This is not a defect of the gold standard; it is its main excellence." – Ludwig von Mises

Reliable convertability of money to something of value – resistance to debasement – is a major (often subconscious) requirement users have of Sound Money.

Some methods result in wealth being exchanged for units of money:

1. Directly using the valuable commodity as money (eg. gold coinage, barter)

2. Trusting some central authority to issue/redeem money for some valuable commodity (eg. gold-backed money)
3. Exchanging wealth for some other money with certain desirable properties (eg. Bitcoin, Fiat currency)

These are all analogous to "selling" wealth for money in Fiat banking. The wealth owner loses access to the wealth, gaining only the money (or what it purchased). This is typically the only form of money ownership available to the general population.

Alternatively, the creation and attested ownership of wealth can produce money; the owner retains use of the wealth, and units of money are created (which must be redeemed, in order to sell or transfer the attested wealth):

1. Using money representing confirmed ownership of wealth (eg. securitization, tokenization)
2. Creation of credit balances of money in Mutual-Credit systems.

These are mechanically very similar to "borrowing" in Fiat banking terms; a lien is established on the underlying wealth, various guarantees are assured (insurance, proof of title, etc.), and the credit balance is created. The balance created must be returned if the wealth is sold, or destroyed (triggering insurance). This type of money ownership is primarily reserved for the elites, except at very onerous terms and high interest rates (eg. Mortgages, demand loans).

Most oddly; the issuers of these loans (commercial banks) create these deposits out of thin air; they have no collateral other than that provided by the borrower. In return for this amazing government-mandated monopoly, they can charge interest for creating these new units of money.

2.1 Sound Money vs. Debt Money

All of these forms of Sound Money have a couple of significant deficiencies vs. debt-created Fiat money:

They are typically not *fungible*; "tokenized" chickens have a different value than some "mutual credit" units or "silver" coins.

As a consequence, accumulation of large pools of money is very challenging. Any large pool consists of various types of money, with a dynamic value vs. each other, and also vs. the acquisition target of the pool.

Debt-created Fiat money, on the other hand:

1. Is fungible; all assets are converted into money, which can be pooled interchangeably.
2. Is easily created; bonds can be issued and sold in large markets to raise funds.

While a Fiat money supply retains its convertability to wealth, this works well. But typically, such convertability ceases as soon as the politicians controlling the treasury and central bank can manage it.

As a final result, the Cantillon Effect produces a fountain of unbacked money the flows through the hands of those closest to the treasury and central bank, allowing them to purchase wealth with current dollars, while the ultimate sellers end up with debased dollars in exchange.

2.2 Competitive Sound Money

All of these forms of money creation will continue to be available.

We propose making the creation of Sound Money available to the general public, through the attested ownership of wealth, without interest – completely out of the control of central planners.

The public can choose to take their collateral wealth and sell, convert or lend it to create traditional forms of money, if they so choose.

But, by making it possible for the general public to create balances of value-stable wealth-backed money on demand without interest (through the attested ownership of wealth and assurance of guarantees), it is likely that they will quickly convert any available wealth to sound money, and pay down their interest-bearing debt.

3 Proposed Transition

3.1 Establish Non-Fiat Payment Options

Immediately prepare and begin to roll out:

1. Cryptocurrency based payment rails for both vendors and buyers.
2. Recommend ongoing pricing in Gold & silver coin.

All non-Fiat savings can be hedged against conversion losses in the traditional Fiat futures or options markets, if necessary to protect future Fiat denominated obligations.

3.1.1 Crypto Wallet Setup, Security & Reliability

3.1.2 Crypto L2 Payments

1. Bitcoin "Lightning"
2. Ethereum Roll-Ups

3.1.3 Precious Metals

3.1.4 Barter

3.2 Develop Mutual Credit Community Based Money

We propose developing a Holochain-based framework for deploying community-based Money. Credit balances will be created directly through the community's attestation of wealth (proof of traditional valuation, insurance and liens).

3.2.1 Insurance

The insurance required to assure the integrity of the community money may be provided by external insurers, or may be provided by the money's authoring community for a fee. It should reflect the actuarial risk of the assets (a car on the road vs. silver in a bank safe deposit box), the net balance of the account (proportion of the asset value being insured), and the risk of the owner (historically how likely is such an owner to default, defraud, etc.).

These estimation techniques are widely known in the risk community, and should be adjusted from time to time to ensure stability of the insurance fund.

The triggering of payouts from the fund should be prompt, to maintain the net zero balance of the mutual credit currency. They may be automatic (eg. triggered after a certain threshold and/or time period of negative balance), or manually triggered, as desired by the community money's organizers. However, valid mutual-credit operations in process must remain valid, so long as they were entered into before the account fell into arrears.

3.2.2 Convertability

Conversion to other Cryptocurrencies and to/from Fiat is accomplished through integration into the existing Ethereum ERC-20 DeFi exchanges platforms (eg. Uniswap).

A centralized community exchange controls conversion between Mutual Credit units and ERC-20 units on a one-to-one basis. This would be run by the same community organization in charge of the attestation of wealth underpinning the community mutual-credit currency.

3.2.3 Value Stability

If desired, the definition of the community currency can be defined to be value-stable in terms of some reference basket of wealth.

When wealth is pledged to create a credit balance, the process is:

1. Estimate the value of the wealth in its primary market (eg. USD\$)
2. Estimate its assets' uncertainty function over time (eg. reduced value since attestation).
3. The community responsible attests to the wealth, and the presence of necessary insurances.
4. Apply the money's current credit multiplier to compute the credit balance, reduced by the uncertainty function, regularly (eg. daily or hourly) on all credit balances.

A closed-loop control function (such as a PID loop) measures and corrects money unit/basket value:

1. The current value of the proposed wealth basket (eg. in USD\$/basket, in their markets)
2. The current value of the community money (eg. in USDC/unit, on DeFi exchanges)
3. The control function computes the new money credit multiplier due to in/deflation
4. All credit balances are adjusted due to the new credit multiplier
5. Any accounts with negative credit balances must attest more wealth, or purchase money on the market to restore net positive balance.
6. Insurance contracts are executed to make good any account persistently in arrears, using traditional means to recoup losses.

4 Financial Projections

We propose an aggressive R&D plan over a 1 year period, resulting in several prototypes followed by an operational deployment of a Holochain-based community money system.

4.1 1st Year: \$1,000,000 Cost

Over the first year, R&D and community communications and collaboration are costs, with no income from system operations to offset them.

4.1.1 Initial R&D: 6 Months

I foresee the first 6 months of the year dedicated to:

1. Designing and testing currently available near-term systems and solutions such as Lightning Network
2. Producing PR and travelling extensively to communicate the long-term plan, and advise on near-term solutions.
3. Producing 2-4 prototypes of the community money system, with increasing functionality
4. Designing an integration with traditional insurers to provide re-insurance

4.1.2 Operational Deployment: 6 Months

Once an operational mutual-credit community money system is accepted, and the community money ERC-20 exchange is operational, initial deployment can begin.

A small set of vendors with some large willing clients is chosen, to invest a subset of their trade through the community money system. Instead of settling in cash, the clients either create community money (through attestation of wealth) or purchase it using the Fiat USDC to ERC-20 token DeFi, then exchange for mutual credit units via the community exchange.

Then, they settle client to vendor transactions using community money instead of Fiat.

Finally, the vendor cashes out community money via the community money to ERC-20 exchange, and then the ERC-20 DeFi pool to receive USDC, when can be converted and deposited to Fiat accounts via any Cryptocurrency exchange.

Alternatively, the vendor can purchase wealth using community money payments to other vendor(s). Then, by attesting the newly purchased wealth, they can create new community money (interest free), and cash that out, as described above.

4.1.3 Technical Team Lead: \$200,000

4.1.4 Holochain Full-Stack R&D: \$200,000

4.1.5 Monetary System R&D: \$200,000

4.1.6 Community Interface & Product Owner: \$150,000

4.1.7 Social Media, Communications & PR: \$100,000

4.1.8 Hardware, Software: \$50,000

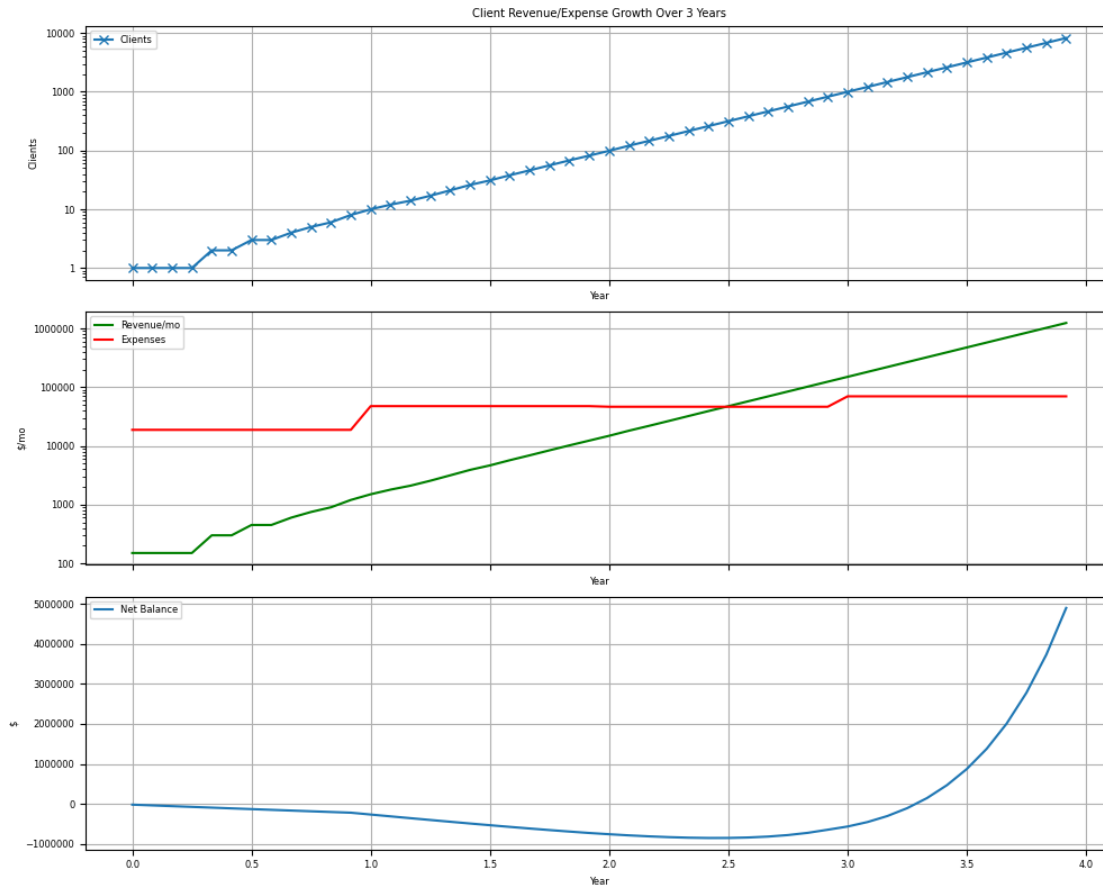
4.1.9 Travel, Misc. Expenses: \$100,000

4.2 2nd Year: Neutral

Wider community uptake results in insurance fee revenue collection filling the loss buffer, and sufficient to pay for maintenance and further R&D of the operating community money system.

4.3 3rd Year: Profitable

Fees on wealth attestation insurance begin to stabilize, and are automated using PID control to yield a revenue stream to support the ongoing operations of the community money system, while maintaining a buffer against adverse insurable events (eg. natural disasters)



5 Conclusion

An aggressive plan to develop a viable mutual-credit community currency is proposed.

A 1-year plan to research, develop, deploy and test the community money system establishes a group of vendors and clients to test the prototype deployment using real money, in preparation for the second year's opening of the system to further vendors and clients, who can either purchase or create community money through attestation of wealth.

Let's build this future together.