The Bank

The bank is an account at the VIP Treasury holding VIP$ no longer in circulation. It is filled by the ABC during Phase I, emptied by the time of the hyperdeflation event horizon in Phase II, and recreated by the Present Value Fund at first federation. No dividends are paid on banked currency.

During Phase I, the ABC adds currency to the bank, as an obligation of its legal benefit during ram and jam and as a market maker offering 99% of peg for the VIP$.

Fiat currency to bank VIP$ is taken from the land fund in Phase I, and returned to the ABC as profit prior to the hyperdeflation event horizon in Phase II. For all practical purposes, banked VIP$ are destroyed and no longer part of the VIP$ supply.

Details of the ABC's legal obligation to bank currency is discussed in the module Holding 99 Percent.

There are two bank rates which predict the rate of VIP$ destruction during ABC operations. The first and easiest to understand is the VIP Economy Bank Rate or VEB. The effective VEB measures the effect of a VIP$ supply shock on a VIP economy in equilibrium. It is calculated by taking the quantity of new VIP$ supplied and dividing that by the total VIP$ in the equilibrium economy. This ratio is then multiplied by the VEB itself to get the effective VEB.

For example, in a $1-billion VIP$ economy, an added supply of $1 million VIP$ will have only a small impact. However, in a $2-million VIP$ economy, $1 million added VIP$ will be a major supply shock. In the first case, the effective VEB is 1/1000 VEB, and in the second, it is ½ VEB.

There is no way to estimate the VEB initially, as the VIP economy is in equilibrium with both supply and demand at zero. Standard errors will be high until the population of VIP$ allows for statistical significance.

In the preliminary business plan, a VEB of 63% is used. However, a deeper understanding of bidder arbitrage showed this estimate to be far too high.

Nevertheless, even 63% gives excellent results. A VEB over 100% would require much more time for ram and jam to kick into high gear, or a larger initial investment in the Land Fund. Bidder arbitrage renders the question moot.

The World Economy Bank Rate (WEB) is of no consequence during the first few years of ABC operation. The effective WEB is the ratio of land value in the commons trust to the world's total land value multiplied by the WEB.

If 10% of the world's land is in a commons trust, the effective WEB would be 1/10 WEB. If 99% of the world's land is in the commons trust, the effective WEB would be 99/100 WEB. The actual WEB is easier to estimate than the VEB, at least in today's economy. The WEB is 1 minus the ratio of world currency to world land value.

While this number might be higher after federation (due to the efficiency of the VIP$), the WEB today is close to 59%. As shown in the reference, total currency equals $90 trillion, while total land value equals $217 trillion. The reference provides source details and calculations. Using these values, WEB = 1 – (90/217) = 59%. In the simulation, 63% is used. Should the VIP$ disproportionately replace the world's fiat currency, they value of the WEB will be lower.

As a greater proportion of the world's land is moved into the commons trust, VIP$ will need to be destroyed to align with the WEB. When the last property is purchased into the Federation Commons Trust, about 57-63% of all VIP$ should be banked.

The cost of that much currency destruction is materially reduced by the sequestration of VIP$ in the present value and advance rent funds. The bank at the first federation is the sequestered Present Value Fund. Dividends on the Present Value Fund are halted at that time.

Although bank rates are useful for business planning, no calculations are needed. Banking is market-driven as part of the ABC ram and jam operation.