Holding 99%

The most important factor differentiating a pyramid scheme from a legitimate economic strategy is the creation of real wealth. AFFEERCE achieves this in at least four ways.

First, the elimination of property taxes encourages development. Second, the 33% premium on structures accelerates this tendency toward development by promising low rents to those who improve or simply keep up their property. Third, the availability of free land much closer to downtown urban areas opens the door to new enterprise. Finally, fourth, movement into the commons trust is an irreversible operation that creates wealth by making land available to the most efficient user of that land, now, or at any time in the future.

The strength of the VIP$ originates with the creation of wealth. Consider rent the most efficient user is willing to pay for a parcel of land. Purchasing that rent at a 1% discount is a source of real demand for the VIP$. However, VIP$ demand from discounted rent is very small.

The rent is transactional and can reenter the U.S. dollar market shortly after it is purchased. This must be assumed true for rent destined for the county, the ABC Land Fund, the ABC operations fund, and the VIP Treasury. It will not be true for rent destined for the sequestered Earth Dividend Subsidy Fund (EDSF). That is 37.5% of net rent or 26.5% of gross rent.

Supply and Demand

Economists explain that price is set where supply meets demand. The supply of the VIP$ and the demand people have for the VIP$ determine what people are willing to pay for the VIP$. The greater the demand, the higher the price. The greater the supply, the lower the price.

The supply of the VIP$ is exactly determined by the amount of land purchased by the ABC into the commons trust. Economists say the supply is inelastic in the short-run. It is what it is. If the supply is a billion VIP$, then the supply "curve" is denoted by a vertical line at the quantity of 1 billion VIP$.

There is another way to represent this quantity on the horizontal axis. Instead of saying that the quantity is 1 billion VIP$, the quantity can be denoted in terms of a percentage of VIP$ in existence. In this case, the VIP$ supply would be 100%.

A 100% supply is not really true. The advance rent fund and EDSF are not available to people who want those VIP$. However, advance rent falls as ground rent falls. If the average rent ends up at 2% of purchase price, then 2% of VIP$ will be out of circulation.

This happens several years down the road when excess supply is no longer an issue. Early on, sales mode will lead to much higher advance rent sequestration. High rents lead to high EDSF sequestration as well.

If the advance rent fund and EDSF sequester a combined 6% of VIP$, then the vertical supply line will come down to the quantity axis at 94%. In other words, 94% of all VIP$ are available for those who want them.

Typically, in Phase I, supply is a vertical line shifting from 76% to 93% (with the end of sales mode) and back down to 87% over the course of 20 years.

Calculating demand for VIP$ is more difficult. However, the concepts underlying demand can be understood. To begin, we need to get a feel for the vertical or price axis. This is the price of VIP$ in United States dollars. But there is an easier and equivalent way to measure price.

The VIP$ is tied to the United States dollar at some rate which does not change in the short-run. This rate is called the peg. Instead of pricing VIP$ at so many U.S. dollars, they are priced at a certain percentage of the peg, like 100% of the peg, 90% peg, or 99% peg.

Sources of Demand

There are four primary sources of VIP$ demand in the first three years of the ABC.

The dividend is a principal source of VIP$ demand in the first three years. Real rates of return, with very little risk, should attract both long-term savers as well as the overnight parking of commercial funds.

The second source of VIP$ demand comes from retail arbitrage. The arbitrage occurs even when the VIP$ is discounted by the expected 1%. The consumer buys discounted VIP$ at point of purchase, saving 1% on the list price. The merchant accepts the VIP$ at a 1% cost, far better than most credit card contracts.

Because of the VIP$ dividend, both the consumer and merchant grow increasingly comfortable holding VIP$ for periods exceeding a few seconds around the time of transaction. A discount in excess of 1% increases consumer demand, but fails to dampen merchant demand because of the huge dividend increase.

The third source of demand is treble arbitrage. The treble arbitrage demand (TAD) curve is hyperbolic, with large increases in demand from small discounts, with rapidly diminishing demand increases as the discount deepens. However, deep discounts are no longer expected because of the power of bidder arbitrage.

Trebling allows the most efficient user exclusive access to a parcel of land. When this land capture can be had at a discount, growth in the demand for VIP$ can be explosive.

Perhaps the most interesting feature of the TAD curve is that it maintains its shape in the face of U.S. dollar inflation, and more significantly, when wealth is created through new construction, remodeling, or renovation.

However, both of these serve to increase the scale of the horizontal axis. This axis is the percent of VIP$ demanded for treble arbitrage. A ten-fold increase from U.S. dollar inflation or the replacement cost of structures on commons trust land would change a 10% demand for VIP$ into a 100% demand for VIP$ with the vertical supply of VIP$ unchanged. Such a change could not be handled without appreciation of the VIP$ peg, and possibly not at all.

The fourth source of demand, bidder arbitrage, overwhelms the other sources of demand during sales mode. The auction for sales mode properties leads to a winning ground rent bid at a small discount to the structure value. If this is 50% purchase price on a 40% land share property, and bidders want to bid in discounted VIP$, then should the number of bidders in any auction exceed twice the number of properties purchased into the commons trust, the VIP$ will rise to 99.99% of peg. With the high profit potential of auctioned properties, and the availability of LGATS worldwide, this could lead to a demand imbalance for a year or more.

All forms of demand for the VIP$ other than treble arbitrage shift the TAD curve to the right. However, this geometrically difficult task is equivalent to shifting the perfectly vertical VIP$ supply line to the left.

3

An increase in uniform demand cannot be differentiated from a decrease in supply. The discount ceiling (VIP$-as-percent-of-peg floor) occurs where the new VIP$ supply line intersects the TAD curve. This new VIP$ supply line also magnifies the effects of U.S. dollar inflation and new construction on treble arbitrage.

Ram and Jam

Between rent arbitrage, treble arbitrage, retail arbitrage, bidder arbitrage, and the dividend, the VIP$ is unlikely to fall below 99% of peg under normal conditions. So, why is this module important?

At 99% exactly, the ABC will go broke. At 99.05%, the ABC will be the most prosperous enterprise that has ever existed.

The operation of the ABC is to [ram and jam](#). It buys properties with U.S. dollars, creates VIP$, sells the VIP$ at market for U.S. dollars, buys properties with U.S. dollars, creates VIP$, etc.

The market is literally flooded with VIP$, long before new construction, and before new retail comes aboard. However, bidder arbitrage in sales mode will tend to quickly absorb any flood.

Although there might be a huge excess demand on average, when the ABC is doing its thing, there could easily be an excess supply. Speculators will help smooth out demand imbalances, although there is no guarantee there will be a sufficient number of speculators in the VIP$.

There are about [6 million homes for sale in the United States every year](#). The ABC can purchase property anywhere in the world. If the ABC is able to purchase 100 properties a day during the first year, at $200,000 per house, $20 million new VIP$ will hit the market every day. The total property purchased would be less than 1% of the houses for sale in the U.S. alone.

Ramming and jamming is only indirectly limited by delays at the title company. Time to closing could dampen seller interest, however with VIP$ created at time of contract, it has no effect on ram and jam.

In an abstract sense, here are the steps for ram and jam.

Step 1:

4

From its large dollar cache, supplied initially by [the investor](#), and later by [rents](#) at the [VIP$ market](#), the ABC purchases land into the [commons trust](#). VIP$ are created and placed on the market with an offer price of 99.05%. If they sell, it's all well and good. The money is added to the dollar cache and we go back to **Step 1**.

If they don't sell, 1/5, or 20% of the VIP$ are sent to [the bank](#), never to be seen again (at least until Phase II). The remaining 80% are placed on the market with an offer price of 99.04%. If they sell, the money is added to the dollar cache and we go back to **Step 1**.

If they don't sell, a second fifth of the original VIP$, are sent to their final rest in the bank. The remaining 60% of the original VIP$ are marketed with an offer price of 99.03%. If they sell, money is added to the dollar cache and we go back to **Step 1**.

If they don't sell, a third fifth of the original VIP$ are banked. The remaining 40% are marketed with an offer price of 99.02%. If they sell, money is added to the dollar cache and we go back to **Step 1**.

If they don't sell, a fourth fifth of the original VIP$ are sent to the bank. The remaining 20% are placed marketed with an offer price of 99.01%. If they sell, the money is added to the dollar cache. If not, the remainder of the VIP$ are sent to the bank. In either case, we go back to **Step 1**.

That's it, except for the event the ABC is forced to buy VIP$ at 99.00% of peg. In that case, all of the VIP$ purchased are sent to the bank to die.

The formula for ram and jam assumes an infinite number of iterations, and exhaustion of all funds. The formula for infinite iterations is very simple:
$$VIP\$\ Multiplier = \frac{1}{VEB + WEB + VIP\$\ discount}\ .$$

Banking of VIP$ shifts the vertical VIP$ supply line to the left by the amount banked. In month 16, it is estimated that 1.3% of the VIP$ created will have been banked. This lowers the sales-mode VIP$ supply from 76.4% to 75.1% of existing VIP$.

This market/destruction protocol applies to VIP$ minted after a purchase and VIP$ distributed to the Land Fund from 37.5% net rents.

Operating margins will be met quickly with the sales-only option. Once met, stopping VIP$ destruction is a matter of controlling the rate of purchase. If too

many VIP$ are being destroyed, slowing down purchases will increase demand. This level of control creates confidence.

Savings

Savings are the real magic bullet that allows explosive growth in the commons trust. Every VIP$ of savings demanded neutralizes one VIP$ of excess supply. But the kicker is, 100% of VIP$ are being saved (or are sequestered). How can that be? Savings rate does not only refer to the time VIP$ are kept in an account for the sake of earning a dividend. In fact, VIP$ are always in an account and always earning a dividend. Savings rate refers to the percentage of time that VIP$ are in general circulation, including the sequestered accounts of the ABC.

Non-saved VIP$ are only those VIP$ that are purchased by the ABC at the 99% floor and subsequently banked, or those VIP$ banked when the ABC first tries and fails to sell them at market.

As a percentage of VIP$ in existence, new VIP$ created from ram and jam are increasingly insignificant over time. The market where VIP$ are bought and sold has heavy volume and ABC selling VIP$ on the market has less and less impact on the market.

If the default VEB is 63% and new purchases represent only 10% of the market, then there is an effective VEB of 6.3%. VEB destruction is only 1.08% by month 16. After several years, it is close to zero, but another bank rate (the World Economy Bank Rate – WEB) comes to be the source of increasing VIP$ destruction. By that point the destruction is no longer a financial issue and only exogenous factors will slow down land purchases.

To see these ideas in action, check out ABC-The First 20 Years.

It All Comes Down to Trust

Are we performing our task with utmost transparency? Is this the future of humanity? Do people believe we will achieve our goal? Can poverty be eradicated along with taxation? Can enterprise, land at the margin, content, and ideas be truly free? Is the ABC being run using well-established business principles?

The time required for the bank rate to drop below 1% might hinge on the success of a marketing campaign like in the picture below.

A Few Words about the Future Beyond the First Few Years

This module focused on demand for the VIP$. However, the Earth Dividend Subsidy Fund and Present Value Fund are slowly growing. So too is the bank.

With the VIP economy in equilibrium, any net reduction in supply creates deflationary pressures should the ABC be unable to purchase land into the commons trust at a fast enough rate to satisfy VIP$ demand. The ratio of new construction to original construction and U.S. dollar inflation exacerbates the problem.

When the demand shocks begin, and they will, the problem of inadequate VIP$ demand discussed in this module will seem antiquated. Holding a VIP$ ceiling becomes the mandate of Phase II.

However, if the ABC fails to hold, or quickly return the VIP$ to 99% peg in the first few years, there might be no year 4.