The Federation VIP Treasury

The Treasury has a mandate to fight deflation by releasing currency for intellectual property royalties and to reimburse dominions for infrastructure spending beyond the spending from distributions. This infrastructure must, by geographic reckoning, increase rents in the dominion.

The total currency in the bank and in circulation should always equal 20x ground rent, unless there is insufficient currency to pay the Earth Dividend, which is a right and takes precedence over all other monetary policy. Even if inflationary, a minimum intellectual property distribution should be established by the Treasury.

Intellectual property funds are released through the 10-year moving average quadratic voting categories and via account trees developed by the associated VSGs. Infrastructure reimbursement is done via the account trees established by VIP Land Management through objective formulas.

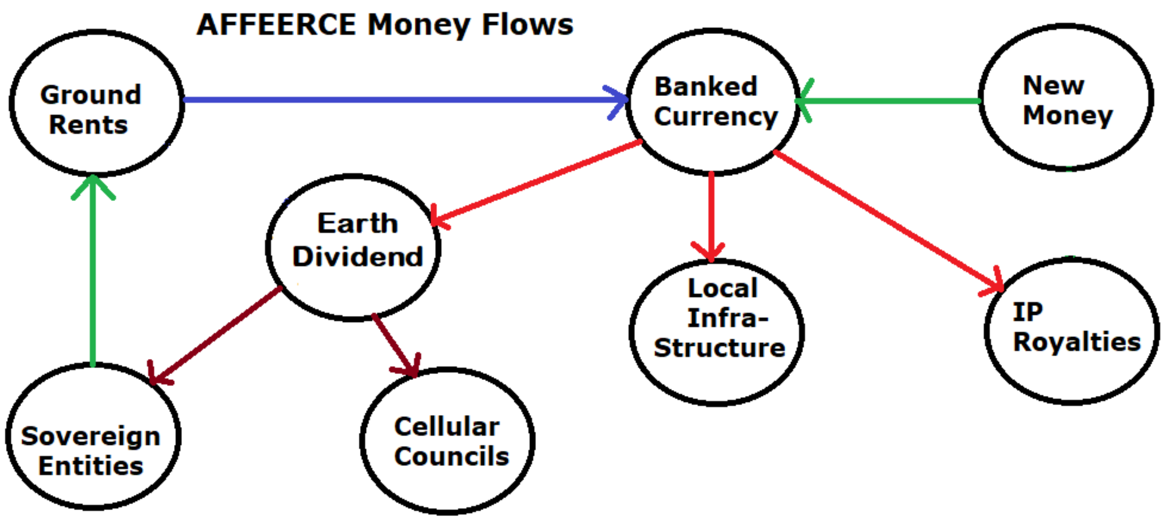
It is expected that as a result of the Phase II hyperdeflation, the present value fund, which becomes the federation bank, will hold at least 63% of all VIP$. That is, the world economy bank rate with the VIP$ will be at least as great as today's bank rate with fiat currencies. This would be true if for no other reason than the greater velocity of the VIP$.

The Phase II hyperdeflation reoriented productive resources to serve the needs of the average person (to profit from the Earth Dividend). Because the actual economy will be so much larger than the necessity economy, rents are expected to exceed Earth Dividend distributions.

The VIP Treasury will be in a constant struggle with deflation as rents pull money out of the economy faster than the Earth Dividend puts it in. Trebled infrastructure built with Earth Dividend funds is also a sink for VIP$.

Deflation (and inflation) are measured by the price of a basket of goods that excludes ground rent. If ground rent were included in the basket of goods, a vicious feedback cycle would develop.

If the ratio of the intellectual property distribution to the Earth Dividend distribution becomes too high, and infrastructure reimbursement is frequently at 150%, the VIP Treasury would do well to raise the Earth Dividend with new money allocated through the annual quadratic vote. This should not be done lightly. Once raised, the increased Earth Dividend becomes a constitutional right and cannot be reduced.



In the diagram, the color of the arrow helps identify a common source of funds. The Earth Dividend is channeled through the cellular democratic hierarchy to cellular councils and sovereign entities (typically individuals and families, but also larger entities). These sovereign entities pay ground rent which goes directly to the Treasury's bank.

New money, due to rent increases from population and progress, also goes to the bank. The bank pays out the Earth Dividend, intellectual property royalties, and reimbursement for local infrastructure. Typically, reimbursements for local infrastructure and IP royalties go to sovereign entities as well.

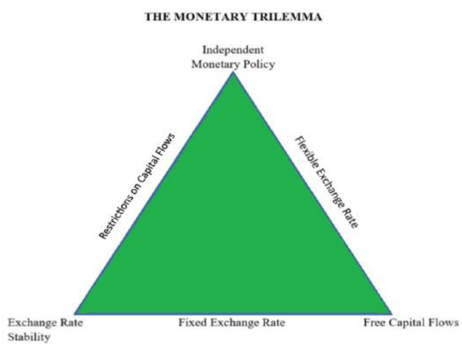
A Drop in Land Value

With the hyperdeflation of Phase II and the subsequent revaluations of the peg, ground rent will equal or even exceed 5% of VIP$. After the first federation, the equation that VIP$ equal 20x ground rent is strictly enforced. Should rents actually fall, which is expected to be very rare, VIP$ in the bank must be destroyed to maintain the equation.

However, the Treasury is tasked with countering deflation by releasing funds from the bank into circulation with the intellectual property and infrastructure reimbursement. The bank gets hit from both ends. Obviously, this situation cannot last for many years or the bank will run dry.

It will be countered when rents are higher than the additional funds needed to counter deflation. This is a good kind of deflation, while falling land values generally are not. Should the assumption that humanity is essentially productive prove false, this could become a problem.

The Monetary Trilemma Prior to Worldwide Federation



Economists have shown that monetary policy can support any two, but not three corners of the trilemma. The line between the two corners supported is described with the necessary restriction on monetary policy.

For instance, if the VIP Treasury pursues an independent monetary policy (releases VIP$ to counter deflation), and allows VIP$ to be invested outside the federation, and foreign currencies to be invested in the federation, then exchange rates must be flexible. How does the trilemma impact VIP Treasury monetary policy prior to federation, and then between federation and Worldwide Federation?

During Phase I, the VIP$ is pegged to the U.S. dollar. There is exchange rate stability and free capital flows. There is very little independent monetary policy. The VIP Treasury has no ability to create VIP$ outside of those backed by land in the commons trust, which is fairly exogenous to policy, although policy can control the kind of land purchased into a commons trust to help balance the demand and supply of VIP$. Forced destruction of VIP$ by the ABC maintains the peg. Phase I is the bottom leg of the trilemma triangle.

In Phase II, the VIP Treasury still has no power to create VIP$ to stop deflation, which becomes hyperdeflation. Phase II is clearly the bottom leg of the trilemma triangle as well.

In the process of federating, fiat currency is converted to VIP$ at an exchange rate. It is a poor exchange rate for the fiat currency, but still represents the first time

VIP$ can be created outside of the purchase of property. However, no VIP$ will be created if the hyperdeflation is sufficient to give everyone in the federating nation an Earth Dividend and pay the currency exchange as well.

After federating the first large country, it is possible VIP$ inflation will briefly appear before VIP$ deflation and then hyperdeflation return. Converting to the new intellectual property paradigm and infrastructure reimbursement program should wait until deflation kicks in. Recall that hyperdeflation must ultimately set in.

None of this moves the federation away from the bottom leg of the trilemma. Combating deflation, which will not be done in earnest, moves money from the present value fund (the bank) into circulation. There is no money creation outside of the one-shot per federating nation, and not even always then.

Until there is Worldwide Federation, deflation from VIP$ sequestration in the advance rent and present value fund should not be fully countered. This is true, even if the productivity of the Earth Dividend sector can supply everyone on Earth with an Earth Dividend.

As countries federate, one by one, the peg should move to the currency of the next nation we hope to federate. As they will come to say:

The Peg is Mightier than the Sword