The Elsie

The Elsie or VIP$ is a digital biometric currency, ultimately backed by the land value in a commons trust. This biometric currency can never be lost or stolen. No wallet or phone is needed to use it. It is neither worthless fiat currency nor obsolete commodity currency but a revolution in currency every bit as epochal as the invention of money itself.

Users pay no transaction fee. The ground rents cover its cost. In theory, it is historically superior to all other currencies. The Elsie will destroy all fiat currency rivals through a natural and ultimately unstoppable process called Elsie hyperdeflation. It marks the transition from debt-based capitalism to land-based capitalism.

How the Elsie is Created

ABC Commons Trust *and* Phase II commons trusts	Total property value (including structures) when land is purchased into a commons trust.
At federation	As a replacement for fiat currency at the natural exchange rate.
After federation	Total currency in circulation and reserves always equals 20x ground rent.

The Elsie Toolkit provides facilities to maintain the currency, biometric identities, accounts, applications, and a 100-year record of all transactions. Most of these facilities are automated or available only to VTLM employees.

VIP is an acronym for Voice, Iris, and Palm, but the currency will use the latest biometric technology. Elsie users can also use their smartphones to take snapshots of QR codes to enter a transaction. During Phase I, Elsies are held in a password-protected account. This is the only option in year one, precluding no-wallet, no-phone transactions in the first year. See the module VIP Identity for a more thorough discussion of biometric identity.

Earmarking

Earmarking restricts the set of products that can be purchased with Elsies but is not a feature of the Elsie itself. It is a feature of an account holding Elsies. The producer of an earmarked account can add or remove Elsies. The consumer of an earmarked account can only spend the Elsies according to the terms of the earmark. See the Earmarking module for further details.

Monetary Policy

Currency is a claim on wealth. Many economics texts consider it a store of value, but this understates its economic muscle (and is technically incorrect). As a claim, it has much more power than many economists credit.

Monetary policy is the art and science of manipulating these claims to achieve an economy's goals. In debt-based capitalism, the goals of the economy and those of working people are often and increasingly at odds.

The Elsie is historically superior (qualitatively superior) to fiat currencies. A historically superior currency renders the claims of an inferior currency worthless and, in time, completely supplants that currency.

An orderly transition to a new world requires a monetary policy that slows down this possibly sudden transition. Nevertheless, hyperdeflation of the Elsie cannot be postponed indefinitely.

Initially, the Elsie suffers from inflationary pressures, not deflation. After all, the ABC pays total property value (including structures), but the Elsie is only backed by the value of the land.

Adding to this problem, the ABC ram and jam operation will flood the market with Elsies. Monetary policy in Phase I is all about reducing and controlling this Elsie supply. Various arbitrage opportunities increase demand for the Elsie in Phase I.

As Phase I matures, deflationary pressures increase with the growth of the Earth Dividend Subsidy Fund and the present value fund of awarded Earth Dividends. Fiat inflation and property appreciation, including new development, contribute to deflationary pressures.

Appreciation of the peg is not allowed in Phase I. Only when conditions for Phase II are met and the ABC enters Phase II can the peg be appreciated. Should high deflation occur in Phase I, it will motivate property sales into the commons trust and bring about the conditions for Phase II, where peg revaluations can bring the Elsie back to 99% of the peg.

The Earth Dividend reallocates productive resources away from luxury goods and speculation into food, housing, merit-based education, patient-based health care, police and fire protection, streets, sanitation, local government, etc. In a few short years, we will undo the damage done by half a century of central bank money printing for the wealthy.

In Phase II, people will demand to sell their land into the commons trust for valuable Elsies, mainly since only Elsies can be used in an Earth Dividend auction. Despite political objections from special interests, they, too, will want the valuable Elsies for their property as the fiat begins to collapse. The outcome is inevitable.

Hyperdeflation is inevitable because, at the original peg to the U.S. dollar, all the land value in the world is equal to about one-tenth of the present value needed to fund an Earth Dividend for the world's population. It takes time to reallocate productive resources or for rapid development in developing countries, so there will ultimately be hyperdeflation.

Pegging

Initially, the Elsie is pegged at 1:1 to the U.S. dollar. That is, an individual Elsie is worth $1.00 U.S. However, the market value of the Elsie is held at 99.05% of the peg, or $0.9905, through ABC Elsie sales during ram and jam. Market makers will attempt to deliver Elsies 24/7 at 99.15% of the peg. Should market maker inventories be depleted, a delayed disposition inventory at 99.16% is available to handle extraordinary demand. A high-market value creates a sell-side arbitrage that sucks land into the commons trust as it restores the Elsie to 99.05% during ram and jam. However, if the ABC is politically or logistically unable to purchase land at a fast enough clip, the value of the Elsie could reach or even exceed its pegged value.

Potential investors are far more concerned with the opposite problem – insufficient demand for the Elsie. Many of the upcoming modules explain buy-side arbitrage opportunities and their effect on the market price.

Once revaluations begin in Phase II, it is too confusing to price Elsies in this manner, especially when the peg is undergoing rapid appreciation. Instead, Elsies multiplied by the peg to arrive at the value used in commerce.

In Phase II, if the Elsie trades at 1 Elsie = $2 U.S., 0.5 Elsies (internally) displays as $1Ꮭ in commerce. In Phase I, the two notations are interchangeable. In Phase II, most trade will be in Elsies as the international reference currency, so the notation $1Ꮭ will be of limited use. Instead, the notation Ꮭ0.5 will be the merchant's listed product price and an accurate debit of the Elsie account. However, if products are priced in a fiat currency, such as €20, then €20Ꮭ would automatically convert using the U.S. Dollar peg and the market price of Euros in U.S. Dollars.

In the U.S. dollar market, the value of the Elsie is measured as a percentage of the peg. If all is well, the Elsie is held at 99.05% in Phases I and II. This is the goal of monetary policy until Phase II reaches the hyperdeflation event horizon.

There will be many revaluations of the Elsie before federation. With each revaluation, the present value fund can support additional Earth Dividends. Revaluation aims to hold off hyperdeflation until productive resources are reallocated to support Earth Dividends for the world's population.