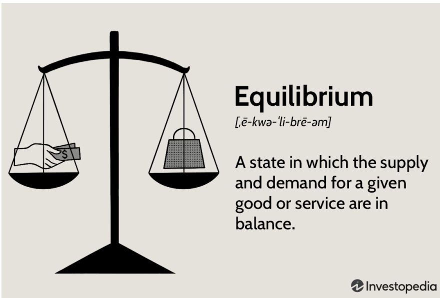
# Equilibrium




The hypothesis of insatiable demand for the Elsie is based on an equilibrium model.

A market is in equilibrium when supply and demand are equal. In some definitions, the market must clear, meaning all transactions have been completed. The spread between the bid and ask price is stable, and no transactions occur. Market equilibrium is an excellent opportunity for traders to hit the head or get a soda pop.

The VIP economy is in equilibrium when the supply of Elsies in circulation equals the demand to hold Elsies. The VIP economy must reach equilibrium. If the supply of Elsies is too plentiful, all Elsies minted from property purchases are destroyed. This increases the rent distributed as a dividend to existing Elsies, raising demand.

Additionally, approximately 50% of all Elsies paid in rent are destroyed or removed from circulation. With an average rent of 2.5%, all things equal, there is an annual deflation of 1.25%. A 5% growth in rents brings that deflation to 1.31%.

Equilibrium must be reached initially. The destruction of all Elsies from the first property purchased into the commons trust creates an infinite dividend yield. If only one Elsie is bought and the rest destroyed, that one Elsie will receive 7% of the ground rent from the property. Far more significantly, one Elsie will receive 7% of the auction proceeds. With expected proceeds of $125,000, Elsie bought for 99.05 cents will get a one-time dividend of $8,750.

On the other hand, if demand exceeds supply, the ABC performs ram and jam until equilibrium is reached. This is a problem if the ability to purchase properties is limited. Logistically, if for no other reason, the ability to buy property is limited, leaving a state of insatiable demand. Evidence suggests this is a natural state of the system.

Evidence implies that the VIP economy must occasionally be in equilibrium. In balance, ongoing deflation destroys equilibrium, and minting Elsies for new property purchases restores equilibrium. There is no way to leave equilibrium with business as usual.

The minting of Elsies for property purchases can be considered a supply shock. The greater the number of Elsies in the VIP economy, the lower the impact of the same-sized supply shock. Regardless of the effects of a supply shock, the market is naturally regulated by the cessation of demand and the destruction of Elsies. However, the market can remain irrational for a time. People can purchase Elsies only to dump them at a loss.

An irrational supply shock can push the price of the Elsie below 99% of the peg. However, an explosion of arbitrage opportunities and the dividend create demand that neutralizes the supply shock, however irrational. Excess supply and the subsequent volatility work to our advantage by increasing the size of the VIP economy in equilibrium.

The hypothesis of insatiable demand holds that an economy that is always in equilibrium and feels a decreasing impact from increasing supply shocks will find a balance at the point of insatiable demand. If our vision of Phase II hyperdeflation is correct, the Elsie is the most critical component of sound financial planning. Rational demand exceeds insatiable demand.

This hypothesis was assumed to be true in version 6.0. We neither accept nor refute it in version 7.0 (the current version). In this version, equilibrium is maintained by natural demand (the 1.31% deflation). Additional demand is assumed to be a function of marketing. A 20-year Phase I is no longer a given but must be achieved.

If the hypothesis proves true, Phase I will be completed in 20 years or less, and the Freedom Tax will be restored to its full glory. Only time will tell whether the ABC's job is straightforward or more difficult.