

The Federation VIP Treasury



The Treasury is mandated to fight [deflation](#) by releasing currency for [intellectual property](#) royalties.

The total currency in reserves and 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 policies. Even if inflationary, the Treasury should establish a minimum intellectual property distribution.

Intellectual property funds are released through the 10-year moving average [quadratic voting](#) categories and via account trees developed by the associated [VSGs](#).

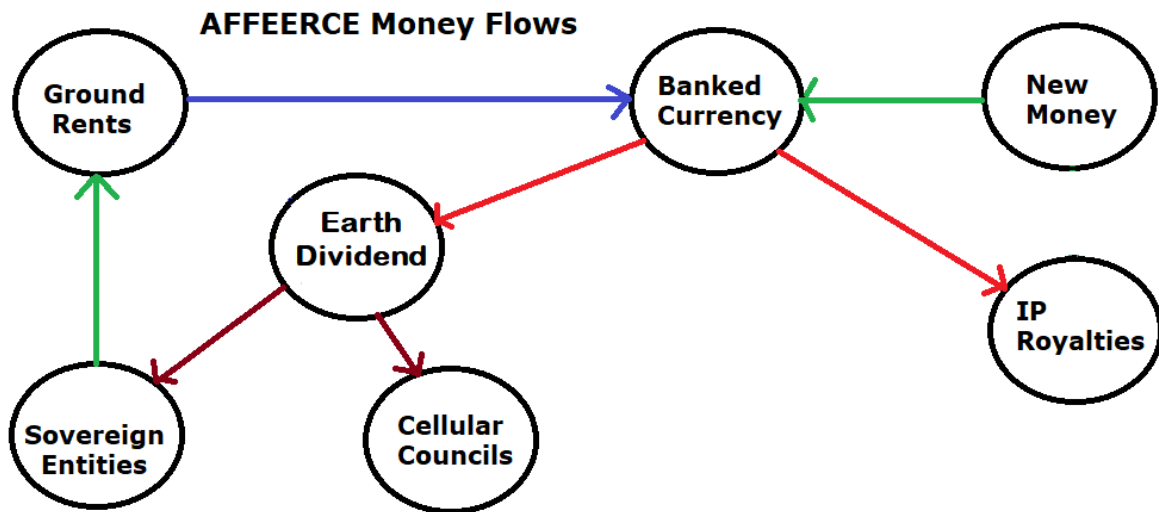
It is expected that due to the [Phase II hyperdeflation](#), the [present value fund](#), which becomes the Federation reserves, will hold at least 63% of all Elsie. That is, the [world economy bank rate](#) with the Elsie will be at least as great as today's bank rate with fiat currencies. This would be true if for no other reason than the greater velocity of the Elsie.

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 much larger than the necessity economy, rents are expected to exceed Earth Dividend distributions.

The VIP Treasury will constantly struggle with deflation as rents pull money out of the economy faster than the Earth Dividend puts it in.

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

Suppose the ratio of the intellectual property distribution to the Earth Dividend distribution becomes too high. In that case, the VIP Treasury will 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 arrow's color 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 directly to the Treasury's reserves.

Due to rent increases from population and progress, new money goes to the reserves. The reserves pay out the Earth Dividend and intellectual property royalties.

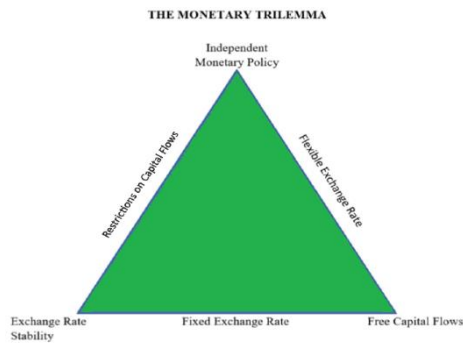
A Drop in Land Value

With the hyperdeflation of Phase II and the subsequent revaluations of the peg, ground rent will equal or even exceed 5% of Elsie's. After the first [federation](#), the equation that Elsie's equal 20x ground rent is strictly enforced. Should rents fall, which is expected to be very rare, Elsie's in the reserves must be destroyed to maintain the equation.

However, the Treasury is tasked with countering deflation by releasing funds from the bank(reserves) into circulation with the intellectual property distribution. The bank gets hit from both ends (destroying more Elsie's and releasing more Elsie's). This situation cannot last many years, or the bank will run dry.

The natural process of rent increases under this kind of stimulation will counter it. This is a good deflation, while falling land values generally are not. Should the assumption that humanity is essentially productive prove false, this assumption could prove untrue.

The Monetary Trilemma Before Worldwide Federation



Economists have shown that monetary policy can support 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 Elsie to counter deflation) and allows Elsies to be invested outside the federation and foreign currencies invested in the federation, then exchange rates must be flexible. How does the trilemma impact VIP Treasury monetary policy before and between the first federation and [Worldwide Federation](#)?

During Phase I, the Elsie 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 cannot create Elsies outside of those backed by land in the [commons trust](#), which is exogenous to policy. However, policy can control the kind of land purchased into a commons trust to help balance the demand and supply of Elsies. [Phase I](#) is the bottom leg of the trilemma triangle.

In [Phase II](#), the VIP Treasury still has no power to create Elsies to stop [deflation](#), which becomes [hyperdeflation](#). Phase II is the bottom leg of the trilemma triangle as well.

In the process of federating, fiat currency is converted to Elsies at an exchange rate. It is a poor exchange rate for the fiat currency, but it still represents the first time Elsies can be created outside of purchasing property. However, no Elsies will be created if the hyperdeflation is sufficient to give everyone in the federating nation an Earth Dividend and pay the currency exchange.

After federating the first large country, Elsie inflation may briefly appear before Elsie deflation, and then hyperdeflation return. Converting to the new intellectual property paradigm 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, transfers money from the

present value fund (the bank) into circulation. There is no money creation outside the one-shot per federating nation, and not always.

Until there is Worldwide Federation, deflation from Elsie [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