Satconomy:
Background Information for a Trusteeship-Oriented, Ledger-Based Currency Design

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Introduction

Observe the history of current market frameworks where participants voluntarily organize into independent entities – business firms, proprietors, corporations, government units, nonprofits, cooperatives, school districts, communities, trusteeships, villages, religious groups, tribes, etcetera. Now, what would happen if each entity *independently* issued and managed its own currency brand, instead of the whole market using a handful of currency brands to conduct transactions? Why would a market entity want to issue its own currency brand? How would such a system work? In order to arrive at possible answers to these questions, the study and practice of satconomy is proposed. Satconomy is a conceptual framework that promotes the use of independent currency brands to represent a sustainable diversity of specialized market entities.

Glossary

Currency – any symbolic notation or concrete object that is *intended* to be used as a generally accepted form of payment for market products

Currency Units – any quantitative measure of economic value that symbolizes contribution and obligation among recipients of credits and debits, respectively; not to be confused with *currency brand*

Currency Brand – a symbolic representation of the issuer of credit-debit pairs; the entity through which economic valuations are made; not to be confused with *currency units*

Independent Currency Brand – an entity or organization that administers its own currency brand and is self-sufficient in its ability to issue, assign and use currency units

Sustainable Diversity – as used in this document, a market ecology that is characterized by a dynamic population of competing and cooperating currency brands, where overall brand demise and consolidation are sufficiently counterbalanced by the creation of new brands and brand spin-off into separate entities

Core Assumption

> A sustainable diversity of independent currency brands would lead to a highly robust market economy that promotes self-determination among its participants.

The ‘robustness’ assumption is analogous to the effect of having more than one stock exchange system - NASDAQ, NYSE, foreign exchanges - and each system having a diversity of stock issuers. Diversity in any context spreads overall risk, while the independence of a brand from another permits the weeding out of an unsustainable entity without necessarily taking other entities down with it. Of course, a diversity of currency brands would be harder to manage by a central authority, but it is also assumed that any entity that wishes to independently issue its own currency brand would develop the necessary skills to manage itself. In this decentralized model where there are no guaranteees of currency redeemability, incompetent or unpopular currency brands would naturally wither due to lack of public trust and support.

The promotion of self-determination is another assumed benefit from giving any market participant the ability to belong to existing independent currency brands. Similar to garage start-ups that become stock market giants, highly motivated market participants with timely vision and appropriate skills could also create currency brands that eventually receive widespread market support. How this assumption might work in practice is discussed later.

Sustainability Assumptions

The following currency brand sustainability assumptions form the basis for the accounting model of viable independent currency brands:

1) **The most sustainable form of currency is ledger-based.** Currencies or payments that are tied to physical forms such as tender notes or commodity backing are less flexible and harder to manage. In contrast, ledger-based currencies that are issued and used directly through simple credit-debit notations are much easier to implement and promote.

2) **Any organizational entity has the potential to issue and sustain its own independent currency brand.** A currency issuer may take on any structural form as demonstrated by the different types of economic entities such as business firms, sole proprietors, corporations, government units, nonprofits, cooperatives, school districts, communities, trusteeships, religious groups and etcetera. The main challenge is *not* how to arrive at a one-size-fits-all organizational structure, but how to convince an organization, of any form, to commit to issuing its own currency brand.

3) **A brand gains widespread trust and sustainable support through the transparency of the organization behind the brand and its effectiveness in fulfilling its mission.** This assumption is

related to the standard financial performance reporting of publicly-owned companies. An entity that exposes itself to diverse elements and the possibility of close scrutiny will be more likely to identify and correct its missteps and to thrive under unpredictable socioeconomic conditions.

Proposed Accounting Model

Based on the sustainability assumptions, the following accounting model is proposed for an independent currency issuer:

1) Organize Accounts (Establish Brand)
2) Create Currency Units (Increase Credit and Debit Limits)
3) Assign Currency Units (Allocate Credit or Debit Limits)
4) Use Currency Units (Decrease Credit and Debit Limits)
5) Publish Results against Periodic Goals/Milestones

The following brief explanations do not adhere to standard accounting terminologies, but later implementation examples should enable a better understanding of the proposed accounting framework. The accounting stages are listed in order of least to most frequent activity and include answers to questions that clarify additional modeling assumptions.

Accounts Organization (Establish Brand) – A market entity declares its market specialization, mission statements, currency brand, organizational form, periodic goals and milestones, credit recovery mechanism, accounting units and method. At this accounting stage, the entity qualifies its mission, i.e., the market niche it seeks to fill or the perceived needs that it seeks to address.

Why would anyone bother issuing or joining an independent currency brand? With the potential of acting as an independent currency issuer, entities could become more independent of competing market forces and sustain its members through positive public opinion. Market participants, especially those considering career alternatives, are likely to appreciate new models for sustaining a market entity or organization.

Currency Units Creation (Increase Credit and Debit Limits) – Ledger-based currency units are issued as credit-debit pairs. For a given accounting period, the issued credits represent the entity's expense budget to be spent on any work that contributes to its mission. The equivalent amount of debits represents the entity's target revenue, which is the amount of credits it expects to eventually receive from the beneficiaries of its product. This accounting stage could be likened to a publicly-owned company issuing its performance goals or a government unit declaring its budget allocation.

Why should anyone bother declaring quantitative limits? Each entity's self-imposed credit and debit limits are intended to be used as 'performance yard sticks' for the quantitative evaluation of its progress towards its goals. On the bases of its self-determined limits, the sustainability and self-regulating capacity of an entity could be readily evaluated by informed market participants. These limits cannot be exceeded and thus no 'profits' are targeted or realizable in this accounting model. A highly effective entity could, at most, achieve a 100% periodic cancellation of its debt, and it might be reasonable to assume that a credit recovery rate of 80% would be sufficient to gain public trust. In fact, the publicly acceptable debit cancellation rate might even be lower for certain economic specializations, such as food production and healthcare, which may be described as core components of a sustainable market economy.

Currency Units Assignment (Allocate Credit or Debit Limits) – Credits are assigned by an entity's management based on the recipient's perceived contribution to the entity's goals. Debits are assigned to entity members, such as sales people, or units, such as bursars and stores, that specialize in credit recovery. The limits do not change in the assignment of currency units that have been previously created.

Why not just create currency units directly into accounts, instead of having a separate step for allocating limits or assigning previously issued credits and debits? The assignment of currency is an optional accounting stage that is expected to become standard practice among independent currency brands. It separates the more difficult stage of planning and quantifying longer-term budget considerations from the more frequent step of assigning currency in smaller quantities.

Currency Units Use (Decrease Credit and Debit Limits) – When an entity receives or recovers credits from the market, it uses those credits to cancel an equivalent quantity of debits. For example, a car dealer would use a buyer's credits to cancel part of it self-declared obligation to provide transportation equipment to the market. Another example would be a city government using credits from taxpayers to cancel part of its self-declared obligation to provide public service to its residents. In both examples, the product or service recipient's credit balance would decrease by a corresponding amount. An important aspect of currency use is brand traceability to a particular entity and the acceptance or rejection of credits from that entity based on its reputation.

Why would an entity reject a buyer's credits and lose the opportunity to cancel its debits? Sellers do not have unlimited inventory and should therefore allocate its products responsibly. Ideally, an entity would cater its product towards supporting those entities that sustain a healthy market. Market participants have a direct influence on which brands thrive – i.e., entities whose members are able to use their respective currency brands to conduct market transactions – and which brands fail – i.e., entities whose member are not able to use or redeem their currency brand because of lack of market support. For example, if there is little public support for a market entity such as weapons manufacturers Guns and Landmines Inc., then its members would have a difficult time finding sellers who would accept their currency brand for market transactions. In satconomy, public opinion is expected to have a strong influence on which currency brands thrive and which ones fail.

Publication of Results Toward Periodic Goals/Milestones (Reconcile Currency Activity) – In order for an entity to gain widespread trust and support from the market, it needs to open its books and activities to public scrutiny. A seller may refuse to accept any currency brand that represents an entity with a poorly conceived specialization. Even if the entity's mission is viewed favorably by the public, it must still prove to the market that it is meeting its self-declared goals using acceptable strategy and activities.

The concept of dynamically evaluated currency brands is similar to the analysis of stock prices that fluctuate according to a company's perceived market potential and financial performance. However, it is important to note that in satconomy, currency brands are evaluated in order to arrive at an *absolute* 'yes or no' acceptability rating, *not* relative pricing. In other words, the aim is *not* to influence exchange rates or to convince sellers to provide more units of product for less credit. A reputable currency brand does *not* necessarily translate into a quantitative increase in purchasing power of a particular product, but instead translates into a *qualitative* increase in product choices. The more sellers there are who accept an entity's currency brand in exchange for their products, the more diverse the product options are for that entity's members.

Why bother managing a brand, tracking accounts and publishing results? In this proposed accounting model, the price for having the ability to issue or 'print' one's own brand of 'money' comes to this: act like a publicly-accountable market entity in terms of commitment to vision, mission performance, providing regular updates and disclosing relevant information to the public. Through sustainable market support, an entity and its members become self-sufficient within its declared currency limits.

General Requirements for Implementation

Regardless of the form and strategy used in implementing satconomy, the following short list of common requirements is expected to be observed in practice:

1) **A participating market entity must have a self-determined obligation to provide products – goods and/or services – to the market.** The entity's obligation is declared as mission statements and fulfilled as a matter of market *specialization.* This implementation requirement does not mandate a particular specialization for any entity. It is simply hoped that a diversity of specialized entities would naturally and spontaneously arise to address an ongoing diversity of market needs, basically similar to what is currently observed when, for example, businesses are founded or nonprofits are established. The main difference from the current scenario is the additional expectation that each market entity would also strive to independently issue its own currency brand.

2) **The accounting system used by an independent currency issuer must be auditable by the currency lifecycle of currency unit creation, assignment and use.** The ledger-based currency lifecycle is explained within the Proposed Accounting Model section of this document.

3) **Member(s) of an entity must have access to a recording medium.** The recording medium should permit the accurate documentation of all economic activity that a market entity engages in. The recording medium could be paper-based or electronic; many different types of recording media may co-exist within a given market. Any recording protocol may be used and designed as a separate system from the publishing protocol described in the next requirement. The documentation of economic activity includes organizational accounting of work performed and completed market transactions.

4) **Market participants must have access to a publishing medium.** The publishing medium should provide market participants independent access to timely and accurate information about market entities. The publishing medium could be paper-based or electronic, offline or online, real-time or periodical, or a combination of all of these. As with the recording medium, different types of publishing media may serve a given market. The primary emphasis should be on information accessibility and accuracy, followed by the 'efficiency' of the publishing medium.

Implementation strategies and examples are published at http://tyaga.org.