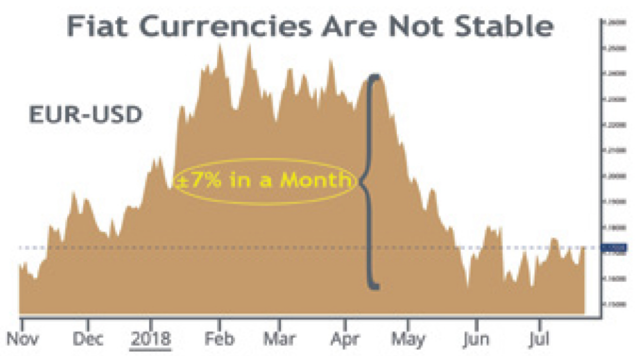
INVENTING BETTER MONEY

by Kevin Kirchman, CEO Worldfree Software Corporation, Ltd

Let's say that you want to invest in a foreign security. Maybe in an emerging market—perhaps to diversify your fund's portfolio, to spread risk over different market segments, or even to catch a potential market opportunity. After careful, prudent planning, you make your move by exchanging your country's money into the other state's currency in preparation for making your commitment.

Wait a minute: currencies such as the USD can vary in value 7% or more in a month, or even 2%+ in a day! They have in 2018, as shown below. If you are right about your investment, are you also right about exchange movements? An ROI of 6% in 6 months is a score—a successful investment. But 10% exchange volatility in that same time frame could wipe out your success and expose your fund to losses.



What an absurd situation. Whole societies—pensions, businesses, investment funds—all forced to expose their capital in a world where the currency variations can wipe out any gains. What prospect is there for rational investing? It is difficult enough to assess the future value of companies or other assets. Determining the future value of currencies is nearly impossible, as any kind of event—political, monetary, economic or even social—can have drastic effects on foreign exchange rates. Manufacturers face the same problem—they get an order, fill it a month or so later, while their margin may have evaporated.

Can we not, as a civilisation enduring increasing globalisation, do better than that? As societies, we have come to accept currency volatility as normal. It slips up on us—little by little as we focus on our day-to-day challenges—we don't see things happening to us on a larger scale.

It hasn't always been that way. Volatility snuck up on us with the demise of the Bretton Woods agreement in the 1970s when President Nixon's administration removed the assets that were backing the major governments. Where once currency had intrinsic value, because it could be redeemed for gold, for example, subsequent to this sleight-of-hand, currencies had 0% asset-backing. Currencies have only tenuous extrinsic value because others opt to accept them as a value, giving rise to instability.

What can we do?
We all face the risk and have badly needed a sound solution for a very long time.

Consider Bitcoin. Yes, Bitcoin also lacks intrinsic value, again, having value only because of the fickle opinions of a market that temporarily grants it, like a fad or the latest style. Yet Bitcoin was only an important first step—a hint that we might create genuine value to function as a medium of exchange in the virtual world, to transfer value in the physical world.

The Bitcoin experiment showed us why volatility destroyed economies. When the value of Bitcoin went up, owners held it, rather than spending it. Likewise, when it went down, sellers of goods and services refused it or demanded higher prices to reflect the risk. At a point in 2017, Bitcoin dropped 20% in 20 minutes—a taxi driver could not reasonably accept this kind of digital currency that changed so much during a single journey.

But just as the Bitcoin showed us how value could be transmitted immediately over the internet, it demonstrated a problem that had to be solved before digital currencies could be used as a general medium of exchange. The question is 'How can we make currencies more stable?' It is a general question, and as the above examples show, it needs a solution because not only is volatility stunting the cryptocurrency economy, it is also stifling the global economy.

The FreeMark is a new digital currency that differs because it reconnects the value of a digital currency to the physical world, in a scientific sense. Newton's laws, Einstein's theories and the advances of many others who sought to identify general principles of knowledge, provided the basis for all the many technologies that we have today. Without science, we could not enjoy these applications that better our world.

The FreeMark uses three principal ideas at its foundation:

1. STABILITY—necessary to reduce risk, protect savings, allow use as money

2. ASSET-BASED—for a more legitimate, real-valued medium of exchange

3. VENTURE RETURNS—for early users to incentivise viral use and network effect.

If you are in a country with 15% inflation, that means that next year you will pay 15% more for the same things. The devaluation of currency is also another big problem, as it erodes wealth over time—the opposite of what intelligent investors are trying to accomplish.

First, to protect purchasing power over time, a medium of exchange must have little variation in value in relation to goods and services. It is these things that we want to connect a currency to so that it does not exhibit economy-stunting volatility.

Because most goods are raw materials, and most raw materials are commodities, connecting the price of a currency to a diversified basket of commodities provides a new and unique currency that is much more stable concerning goods and services rather than government currencies, not just other cryptocurrencies. Since any individual commodity varies in price because of effects of supply and demand, using a 12-month moving average of many rather than just a few commodities (with the highest trading volume) averages these market swings and provides additional stability.

Commodity	%Weight	Peg Amt	12mo MA	Total
Rice	5.0%	0.082170	$11.65	$0.048
Sugar	5.0%	0.075765	$12.35	$0.047
Wheat	5.0%	0.002177	$491.0	$0.053
Corn	5.0%	0.002769	$366.3	$0.051
Coffee	5.0%	0.008198	$114.0	$0.047
Soybean	5.0%	0.001028	$935.0	$0.048
Oats	5.0%	0.004008	$255.6	$0.051
Cotton	5.0%	0.012717	$82.16	$0.052
Tin	5.0%	0.000049	$20,084	$0.049
Silver	5.0%	0.059493	$16.23	$0.048
Copper	5.0%	0.000147	$6,587	$0.048
Aluminium	5.0%	0.000465	$2,125	$0.049
Nickel	5.0%	0.000078	$13,212	$0.052
Zinc	5.0%	0.000317	$2,934	$0.047
Iron Ore	5.0%	0.014968	$67.76	$0.051
20 Total	100.0%			$1.0047

Second, restoring intrinsic value, by supporting a digicurrency with a regulated, audited liquidity fund makes money genuinely valuable again—liquidity is imperative to support price stability.

Third, as a basis for an investment opportunity and as an incentive to change behaviours, a digital currency must be engineered with a venture return for early adopters. Recognising the principle that people need a reward for risk, currency should be designed to better fulfil people's needs as a medium of exchange.

No currency can be perfect, but this ground-breaking approach is the start of an explosion in the use of virtual mediums of exchange.

freemark by worldfree

The whole world is enduring additional risk because of volatile fiat currencies. This risk undermines economic activity, potentially reducing investor returns, and lowers GDPs.