RanchiMall
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Linking Consumption to Blockchain tokens

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We present design of an economic system
that can directly transfer value
from consumption to blockchain tokens.

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Consumption is the source of all value
in an econonic system.

The theme of this design is to split the value
generated by consumption to producers,
investors, and even other consumers.

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1. Production & Consumption

Take the case of the following two products :

Bread and an app on the Internet.
Bread is produced once and consumed once, but an app is produced once and consumed many times.

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We need a metric that can measure the consumption verifiably and without fraud for produce once-consume many times, per item.

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2. Metrics of production valuation are established

Anything with value has to have a token representation in the case of Blockchain.

The tokens represent total production cost of all the parts of system. The total value of that tokens represent the production valuation.

It should be possible to compute the production valuation just by querying the blockchain.

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3. Metrics of consumption valuation are established

Consumption valuation is true valuation of the system. Market valuation represents the future consumption valuation of the system.

Technology has to be able to measure both production and consumption.

Valuations of systems that have stabilised in consumption is lower than valuation of systems that are growing in consumption

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4. System valuation

System valuation = Higher of the production valuation & consumption valuation

In initials days when the consumption is low then the only basis of valuation is production valuation because no system will sell for lower than what it cost to produce it.

Over time as the consumption increases, consumption valuation will take over.

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5. Ownership tokens, and its relation to system ownership & valuation

The valuation of ownership tokens represents system valuation. It means all financial gains of the system operation go to ownership token.

If the system valuation is growing it means the system is gaining financially.
And if the system is gaining financially it means value of ownership tokens will grow.

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All financial gains of system operation will accumulate in ownership tokens.

Your market valuation is the future consumption value.

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Assuming our production valuation is Rs. 20000,
and our consumption valuation is Rs. 10000,
then the current system valuation is Rs. 20000.

Now if the ownership tokens are traded in
the market and the market discovers
the valuation to be Rs. 100000,
then this 1 lakh rupees represents the future
consumption valuation of the system.

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However in system data we can only measure present consumption valuation and present production valuation.

We cannot measure future consumption valuation and future production valuation.

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6. Free markets are the the only instrument to discover future consumption valuation

This implies that if we want to measure truly want people want, then the only way to measure it is through free markets, that is why evolution of crypto markets is such an important event in human history. It has enabled every small activity to discover future consumption valuation.

The mass use case of a token system is individual future consumption valuation.

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How do you discover future consumption valuation of anything?

It is only through markets, markets are the truth. The current prices of anything is future consumption valuation as seen today.

People need information on present consumption valuation trends to make a judgement on future valuations.

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7. Reserve tokens

Reserve tokens are designated (currency tokens like FLO, BTC, rupee#, Tether). These tokens will pay for present and future expenses.

Blockchain addresses where details of the number of reserve tokens available in the system will be specified.

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8. Initial investors

Initial investor is brought in, who will pay for production valuation. If you do not have initial investor, there is no one to pay for cost of production.

This is a very important role in the economic system, so we have to find out who is the initial investor.

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9. All ownership tokens initially are released due to production valuation

If the system becomes successful,
the people who gain the most are the people who invested when they are paying for production valuation directly.

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Their cost is present production valuation which is very very low and they can sell at future consumption valuation when the tokens are traded in the market.

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For such an investor, the cost is present production valuation and returns is future consumption valuation, where as for market investors their cost and returns are both future consumption valuation.

Where as if you paid at a time of production valuation, your cost is only present production valuation and returns will be on future consumption valuation.

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10. The ownership token trading system & its valuation

A trading system is essential to create a market for the ownership tokens. The tokens are traded in this market to obtain a valuation of the tokens. The market will decide the valuation of the ownership token.
It is expected that the market determined rates will be higher than the production valuation of the ownership tokens.

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11. The reserve pool

Since the ownership tokens own the entire financial gains of the system, the ownership tokens also own the reserve pool.

Ownership tokens gain by price increase in the market and whatever money gets accumulated in the reserve pool.

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The difference between the cost of production and the market rates will accumulate in reserve pool.

Since the ownership tokens own the entire financial gains of the system, the ownership tokens also own the reserve pool.

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Reserve pools can also be enhanced by secondary monetisations like sale of products and advertisements.

The expected increase of the reserve pool will also lead to increase in valuation of ownership tokens. As a result of expected increase in the price of ownership tokens, new investors will come and that will pay for cost of production as well as compensating old investors.

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12. Safety nets

Since the ownership tokens own the entire financial gains of the system, the ownership tokens also own the reserve pool.

Additionally, reserve pools can be enhanced by secondary monetisations like sale of products and advertisements. The expected increase of the reserve pool will lead to increase in valuation of ownership tokens.

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As a result of expected increase in the price of ownership tokens, new investors will come and that will pay for cost of production as well as compensating old investors.

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13. Ownership vs Governance

Ownership token holders will only get financial gains but will not have any say in the administration of the system.

When the system has stabilised, then the administrator may create governance tokens and then the system of administrator is decentralised.

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14. Supply schedule of ownership tokens

The number of ownership tokens should either by fixed right at the start, or a clear supply schedule be published.

The number of ownership tokens should ideally stay at a constant number, or a small increasing number so that valuations gain will lead to increasing value of each ownership token.

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The ownership tokens are initially released into open markets as investors buy them.

The valuation of those tokens are established by consumption process.

The system design has to ensure growth in rate of consumption valuation is much higher than rate of growth of number of ownership tokens.

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15. Priority Order for distribution when a new token investment comes

I. The costs of production including formation of reserve pool gets the first priority for every new token investment.

II. The interests of previously invested investors is the second priority. The proceeds of new investments or consumer payments goes to investors after cost of production has been met.

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III. The system may decide to incentivize consumers financially.

In that case, after cost of production has been met, earlier investors have been distribute, the next share could be given to consumers.

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16. Introducing a new role convestor

It is possible that consumers might themselves become automatic investors.

This is possible only when the consumer is consuming after paying something for the product.

It is not possible to create convestor role when consumption is free.

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When consumer is paying something for the product, then part of the payment can be considered as investment in token system, and he be automatically allocated some tokens.

Then as the token appreciates, it might be possible that consumer might get back almost of all of his product payment amount in form of his appreciated token.

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If the consumer is consuming without making any payment for the product, then all the cash inflow in the system has to come from investors.

So most of the gains must go to investors.

In this scenario, it may not be easy to pay the general consumer himself.

However high quality consumers can be incentivized.

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To summarize till now:

Consumption is the source of all value.

We will capture that value in consumption valuation of the system.

We will create ownership tokens that will own the consumption valuation.

Supply of ownership tokens will either be fixed, or will grow slower than growth of consumption valuation.

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Ownership tokens are released when some investors pays for it.

We can specify unless some predetermined amount is raised, the trading of ownership tokens will not start.

Once the trading of ownership tokens start, then a split can be done to pay for cost of production and to pay for earlier investors.

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We introduce the concept of production valuation to pay for the costs of running the system.

Valuation of system must be higher than production valuation, otherwise the system will not meet its operating costs.

Thats why we establish the rule that system valuation be higher than consumption valuation and production valuation.

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We also establish the concept of reserve tokens for better accounting.

When a new investor comes, his investment will release some amount of ownership token, and part of that investment will automatically create/buy new reserve tokens to pay for cost of operations.

Ownership tokens will also own reserve tokens.

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If we can pay for production costs sustainably, and also get increasing valuations for investors on per token basis, the system will work.
This is only possible if the consumption is also growing.

Growth of consumption is the only driver for the system to work.

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We also introduced a new role called convestor, or consumer-investor. Convestor is the consumer that automatically becomes the investor in the system.

Convestor role is only possible when the consumer is paying for the product, i.e. he is not cosuming for free.

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We established a relationship between consumers, producers and investors through blockchain based ownership and reserve tokens, in a self driven way.

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These days, there is this new phenomena where the investor role pays for entire production cost for any amount of consumption for very long duration of times.

This is achieved by consistently increasing valuation of ownership tokens as consumption grows even while consumer is not paying for full costs.

This process could be replicated through blockhain tokens as well.

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Some new ideas to try:

Consumer is the investor by just consuming.

Investor is the consumer by paying for all costs.

Consumer is the producer by producing
what gets consumed.

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