How to Build Your Own Decentralised Hard Money (DHM)

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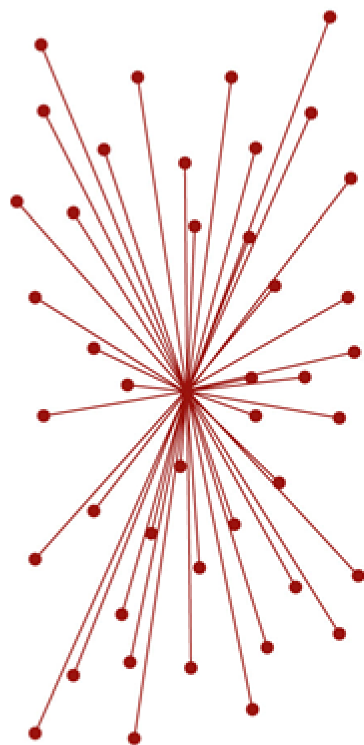
There is a way to build a better world and it starts with stable decentralised money.

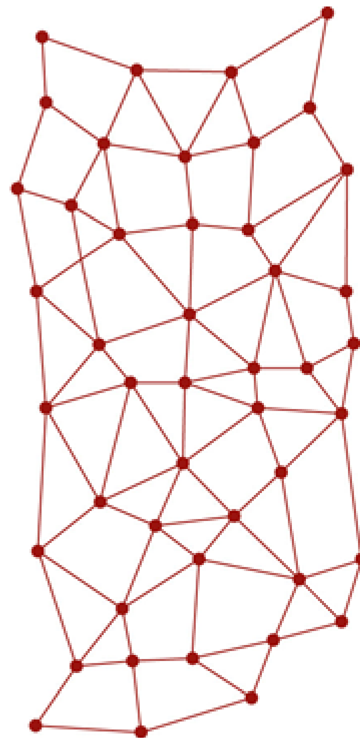
Modern Monetary Theory (MMT) suggests central banks can print unlimited money and governments run unlimited deficits. As 2020 events have shown the result is the end of free markets and the centralisation of power.

Decentralised Hard Money (DHM) takes the opposite approach: multiple currencies, private with stable value secured without the need for centralised authority using digital ledgers (blockchains).

As more DHM currencies are created money takes on the robust features seen today in the Internet where the failure of a single server does not jeopardise the entire system. Their decentralised functioning and stable value ushers in a new age of prosperity without the concentration of wealth, power and control of the fiat system.



Centralised Network e.g. Fiat currency controlled by government and the central bank



Distributed Network e.g. Many stable currencies operating independently of each other

Components

A DHM currency has the following characteristics:

Stable value – the currency maintains a stable value by pegging itself to gold. Gold is the one substance that has kept a stable value for thousands of years.

Market-driven peg – the peg to the stable unit of value is maintained by users of the currency. There is no collateralization and no control by an external third party.

Decentralised Record Keeping – ownership is recorded on a distributed ledger, a blockchain.

Setup

Any person or organisation can create a new DHM currency. The setup process consists of:

Hard cap – Supply of the currency is fixed at the outset. This ensures the currency cannot be abused through over issue and removes the need for any centralised control once all the tokens have been distributed during the start-up phase.

Free equal distribution – at start-up all tokens are distributed in equal parts to all applicants who submit their public key (the way a person's wallet for a currency is identified to others on the distributed record keeping that is called a blockchain). The sole role of the issuer is to issue these tokens at no charge. The issuer can retain 1% of tokens as payment for their efforts.

User driven adoption – it is in the interests of currency holders to promote the free distribution of tokens to others. If all tokens are not distributed the currency is not able to take on the monetary value as people can always request free tokens from the issuer rather than pay the pegged value.

Privacy – People only need to submit a public key to receive the new tokens.

Transparency – A list of public keys and percentage of tokens issued is open for all to see. Anyone can confirm the allocation to a public key through the lookup facility of the blockchain.

Operation

A new currency starts being used once all tokens have been freely distributed. At this point currency owners give the tokens the value determined by the peg. For example if the purpose of the currency is to have 100th the value of an ounce of gold and gold is at USD$1,300, then people start using tokens at the value of USD$ 13 each. This is not difficult. People have kept gold at a (relatively) stable value for thousands of years.

End of issuer role – with all the currency distributed the role of the issuer comes to an end. Users should be able to source the currency's current value from various sites not maintained by the issuer.

Expansion of use – owners of the currency have a vested interest in increasing the utility of the currency. Its ability to be used as a means of payment, money transfer and loans increases as owners develop new apps and retailers adopt it as a means of payment.

Result

The result of the process is that a currency has been created that has:

Stable value – will buy the same goods year after year and not be prone to inflation

Decentralised – ownership does not require confirmation by an external authority

Private – ownership is determined solely by a public key.

You as the Issuer

Creating a new currency means that you are the Issuer. You need to make sure you understand the regulations around this for your country. Key points to remember are:

- You are issuing tokens with no value
- People using the tokens, not you give the tokens value
- Your role ends as soon as you issue all the tokens
- Use of the currency does not rely upon you in any way.

Economic Expansion

Economic expansion increases the demand for currency (base money). With DHM this demand leads to the launch of new currencies as the supply of existing currencies is hard capped at inception. New currencies follow the same launch protocols. The eventual result is the creation of a network of currencies similar to the network of servers that make up the Internet. As the value of each currency is stable switching between currencies is straightforward without undue price volatility, i.e. the exchange rate between currencies is likely to also be stable.

Managing Risk

There is always the risk that a currency may fail. Demand for the currency may fall due to economic downturn or another currency offering better ease of use. Users manage this risk by holding more than once currency. Like a diversified portfolio of investments, holding more than one currency minimises losses if a currency loses its value.