

Vermont and Digital Currency - A Review of the Current Landscape

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To be Circulated amongst Vermonters and our Allies

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SCOPE:

This document was primarily inspired by a proposal for a Vermont digital currency from Seth William Francis Pichette, and discussion with Ryan Munn of White River Jct., founder of Interchain Inc. and White River Coworks, and others. Vermont leaders, organizers, on a state, county, town and more local level should be aware of what is going on and what new possibilities exist for their organizations.

MOTIVATION

We are motivated in a broad sense, as a group, to use public digital currencies, as exemplified by bitcoin but not solely, for two main reasons:

1) To Increase our sovereign wealth and stop erosion of Vermont assets.

To make a very long and interesting story short, the use of the federal reserve note as currency in Vermont has enabled a steady erosion of the wealth of Vermonters. While well connected individuals in Boston, New York, DC and elsewhere are able to gain easy access to newly issued federal reserve notes, this has not been as commonly the case for Vermonters. The result is that Vermonters have gradually sold off their assets – land, businesses, and products – to those who have easy access to the currency. Young Vermonters have often left the state to work directly or indirectly for those well connected individuals who have access to federal reserve note issuance.

The new availability of public currencies which *cannot be issued in private by any party* enables Vermonters to escape this trend which has been eroding our wealth. For this reason some plan of action to implement and educate the populace on these currencies is of foremost importance.

2) To ensure our future with wise and conservative investment in times of uncertainty in world financial markets.

Again to make a long story short, there is potential for great turmoil in world financial markets as the rise of public currencies changes the game. Traditional asset classes have been propped up with fiat currency issuance, to some extent. As more and more wealthy folks around the world take positions in these new asset classes, this power to influence markets will change. Many predict hyperinflation and even jubilee, including top international bankers as well as analysts, academics, and politicians. While predicting the exact timing of these shifts is unfeasible, taking conservative positions requires use of cryptographic assets. To have a plan in place to deal with these possibilities is absolutely essential.

RECOMMENDATIONS

Leaders of Vermont governmental, industrial, local, agricultural, and other organizations must immediately proceed to carry out a plan of action to deal with the opportunities and dangers described in the previous section. The clock is ticking.

1) Education

This should be a primary concern and not just for those in the school industry. Students, citizens, and employees should be encouraged to learn about the relevant information technology and how use a cryptographic key, the benefits of open source software, and other relevant information in finances and information sciences. The basics of public key cryptography, and how encryption is mathematically a part of all communication must be taught.

Recommended is the encouraged trial use of a small amount of some public decentralized coin, by way of introduction and practice. Other important exercises include use of an offline or paper wallet (loading and importing), use of multisignature trusts, identification of the essential features of monetary systems, as well as features and dangers of investment opportunities in the age of digital coin.

In terms of recognizing and navigating the landscapes of many digital coins, some knowledge of the differences between decentralized coins (BTC, LTC, BCH, etc.) and company coins (XRP, NEO, ADA, IOTA, etc.) should be taught, as well as differences between different money supply curves, digital signature methods, and algorithms which secure various assets.

2) Savings

For those institutions which rely on some financial savings, it is important that positions be taken in public decentralized coins. Digital coins with some degree of public money supply (commonly called cryptocurrencies) currently make up some ~1% of the worlds liquid money. This means that the most conservative portfolio would be similarly invested, near about 1%. The goal here is not solely to benefit from appreciation of these assets but to cushion your institution from any shocks in the market due to the rise of decentralized digital currency technologies. If an organization is not at least so invested, it finds itself in a risky position and advisers could be considered negligent.

To take such a position it is recommended that individuals hold the keys of the assets, or that multi-signature funds be formed. The formation of a multi-signature trust empowers a group and is one of the best ways to avoid some of the security pitfalls that sometimes befall individuals, whether they are due to attackers and thieves or due to unfortunate decisions and operator error.

3) Valuation and Token Issuance

As was presented in Vermont State Digital Currency proposal, we could consider issuing our own tokens for our own organizations. The technology is here. However the details are not clear, as they depend on the goals of the relevant people and their organization. Whether it makes sense for the state of Vermont to be involved on a central level with such issuance is in my mind unclear, and what implications there are for our data and other industries are also unclear. We should engage in conversation in our own organizations on this topic.

For further information on any of these issues please don't hesitate to contact me lsaul@vtsc.org