Value of Money 2

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Money Stretches Further in 2071

The previous blog has shown how financial wizards and promotors add to retail prices by 13% and 7% respectively.

Investment bankers lend funds for assembly lines that will produce new widgets. Makers can't wait and use accrued profits for capital outlays because the delay would let competitors steal their niches. In practice, makers must borrow to keep pace, and the added costs are dumped on consumers.

Likewise, adverts are endemic to free-market Capitalism. Retailers won't get shelf space unless their products have "brand" recognition. Even generic products bear ad costs or indirect backing by parent entities, such as a grocery chains.

The cooperative agenda is based on different incentives and criteria.

SOAR co-ops compete for goods and services in the prototype phase.

They vie for an exclusive license to sell a specific good or service. They must achieve highest scores adjudged by a rigorous modeling program. The **Framework** assesses products for social and ecological responsibility as well as value-to-cost and consumer approval.

The Framework collates data from many disciplines: economics, ecology, industrial organic chemistry, systems efficiency and chaos theory. But the Framework is a far cry from being self-aware. It's more like a dumb accounting ledger that weighs social-health needs against cost-benefit scales to choose the very best co-op, which will gain a five-year charter to produce the good or service in question.

After five years, all competing co-ops face off once again with updated versions of their prototypes for the next five-year charter.

There are four consequences with this approach.

First, SOAR consumers can be confident of buying the highest-performing and most durable products at the lowest reasonable prices. They needn't look elsewhere for better bargains, since none will be found. Nor do vendors need to spend one-nickel on adverts. They can use the money saved to improve product documentation and to provide user-friendliest helpdesks. Any problems users have with products will be marked against the co-op when it tries for another five-year charter.

Second, co-ops keep their proprietary secrets only until they submit specs to the Framework, after which all proposals become public knowledge. Co-ops that win charters have already disclosed step-by-step fabrication methods, including materials, intervals, outsourced items, temperatures, catalysts and human resources, anything that contributes to the final product. This saves competing co-ops from wasting funds on parallel research. It also puts biz spies to pasture and relegates industrial espionage to an archaic curiosity.

Third, winner-take-all in the prototype sweepstakes has improved the SOAR'S flow-through efficiency. There are no rewards for products rushed to market, so retail goods suffer fewer defects caused by undue haste. Nor are there incentives to abandon one product line for an upgrade that offers no backward compatibility. Successful co-ops must plan for future charter showdowns, so their design frames often allow for speculative improvements and add-ons.

Fourth, the Framework ensures community health in general and consumer health in particular. All new industrial molecules are judged unsafe and potentially hazardous unless proven otherwise. Co-ops that introduce new molecules must buy insurance bonds against future health issues that may occur during the product life or after disposal. While this surtax limits molecular additives, it doesn't stop progress since the insurance premiums spread risks among many innovators. Meanwhile, it accrues funds that will clean up toxic waste sites and develop cures for the casualties of maladies. Funds for industrial responsibility underscore the Framework's mandate, which is to guard consumers' health as well as to satisfy their demands.

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Free-market capitalism has proven stressful for everyone on the food chain. Top execs fear competitors who plot to upstage them. Bad choices in the stock market oblige high rollers to seek bankruptcy protection. Challenges for middle managers are even greater. They spend most of their workhours fighting over turf. New generations of robots and 3-D printers have turned the most loyal and productive of shop workers to endangered species. Bottom feeders must survive on whatever the food chain deems worthless.

SOAR's cooperative milieu minimizes workplace stress for six reasons:

First, all **metics** earn the same “spendable” wages which furnish modest but comfortable lifestyles. Personal incentives are focused on supporting fellows and achieving the goals of co-ops. Co-ops spread workplace stresses among all members. Whether a product charter is won or lost, members continue to earn the same “spendable” wages.

Second, the Framework sets basic co-op income to cover production costs, raw materials and operating costs which include wages paid to current members of the co-op. All costs reflect the data which the co-op has made public via the Framework. “Bonus” income (often 50% above normal wages) is nonspendable, nominated as shares of co-op equity and distributed among co-op members. In practice, co-op members give “bonus” shares to their most productive colleagues. Bonus shares are added to basic co-op equity which reflects longterm co-op assets. All members buy **co-op shares** with funds deducted from their monthly wages.

Third, the Framework uses co-op proposals to set the basic retail prices of goods and services. If demand outstrips supply, Framework can add 25% to the basic price until supply catches demand. Likewise, if supply outstrips demand, Framework can discount the basic price by as much as 25%. If the lower price doesn't generate sufficient demand, Framework may ask the co-op to cut production and/or membership. If demand remains soft, the product can be removed entirely and declared unneeded for consumers.

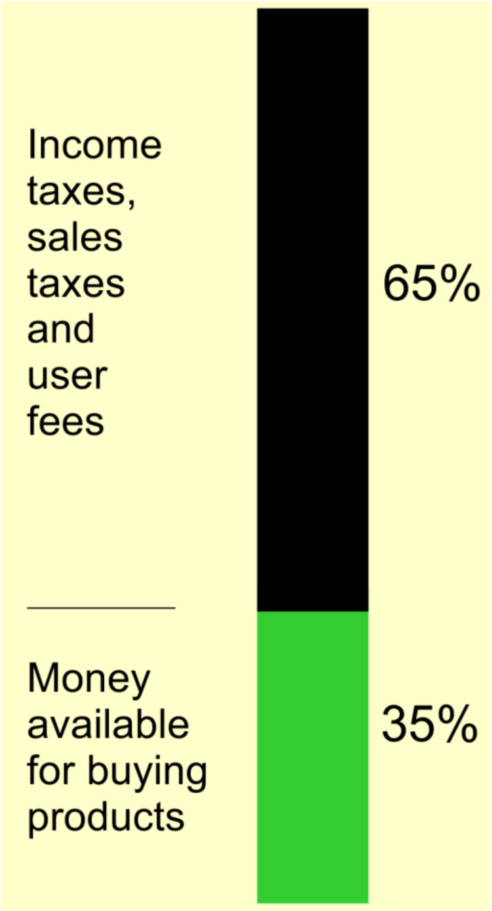
Fourth, gross product income reflects the relative supply & demand, whereas net product income of co-ops depend on the number the active members. In SOAR communities the gross product income is usually higher than the net product income. This “random tax” lets the Framework lend advances to co-ops making proposals or ramping up production for increased demand. It also allows the Framework to underwrite the basic equity shares of co-op members. Only the members holding bonus shares stand to lose equity if a co-op fails. Failed co-ops are those without productive charters and having no viable chance of earning a charter.

Fifth, metics may cash in their equity holdings in one or more co-ops when they declare **august age**. The book value of co-op shares is identical for all co-ops in a similar community. It's easy for metics to shift their accrued equity from co-op to co-op. Some co-ops have more potential than others, so metics will be drawn to better prospects. A high-flying co-op will attract new members until it acquires more members than it needs to deliver its goods or services. Hence, successful co-ops seek to sponsor **child co-ops** which furnish outlets for extra members, especially those with innovative talents.

Sixth, co-op shares cannot grow in value. When co-ops gain charters and/or members, the co-op issues more shares with the same book value as others in the community. Metics of august age cash in their co-op shares to enjoy the fruits of their labors. The cash-in value of shares often trades at a slight discount to book value. If the discount exceeds

10%, false-bookkeeping charges can be laid on active co-op members who own at least 50% of a co-op's declared shares. This constraint ensures the longterm equity is held by those generating the anticipated prosperity.

In conclusion the Framework eliminates insurance pools and investment bankers which cause untold inefficiency in the economy. Yet the Framework encourages plenty of incentives to shift equity funds toward innovative metics. Money flows to where it's needed without financial wizards taking unhealthy cuts. The equity moves by free choice of metics who have created the equity.



SOAR has enjoyed huge profits from its beamersats which have generated funds to create TCP from scratch. Even so, 34%-to-40% of metics' gross incomes are withheld to cover the operational costs of SOAR communities. Likewise metics pay 25% on top of their retail purchases. The lofty taxes reflect lower-than-normal user fees for recreational pursuits. The high taxes are also indicative of the expansion that SOAR is undergoing: such as new soupcans, new colonies on Mars, frisbee capacity upgrades, new beamersats, new asteroid mineral production and aggressive marketing of spacer durables on earth. The **paws** who tweak the Framework expect taxes will be reduced, once SOAR gets past its adolescent phase of nonstop expansion.

SOAR economics will be discussed further in the next report. Stay tuned to this blog.

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SOAR (acronym) Solar Omnifarious and Aspiring Republic. Spacer colonists belong to this economic confederation of member co-ops. Back.

Framework is a computer program that evaluates products for usefulness, resources consumed, assembly methods and the cost of recycling or disposal. Evaluation parameters are tweaked to accommodate the latest and most accurate scientific evidence. Back.

metic signifies a person who has SOAR citizenship. Metics are entitled to a vote on social policy as soon as they've joined a co-op. Inmates of debtors' college may express their opinions but their votes have no effect. August-age metics who have retired outside SOAR communities are likewise ineligible to vote. Back.

co-op share represents the cost-of-living expenses for two days. Cost-of-living covers all amenities necessary for a metic's wellbeing. The amenities include air, water, foodstuffs, shelter, info access and typical recreational pursuits. Cost-of-living is prorated according to normal expenses incurred vis-à-vis one's residential location.

When living in the equatorial spaceports, metics' shares worth one Solar$ (900 crows). When living in TCP, metics' shares are worth one-half Solar$ (450 crows). When living in the soupcans or on lunar surface, metics' shares are worth five Solar$ (4,500 crows). When living in the Martian outposts, metics' shares are worth seven Solar$ (5,400 crows).

Co-op shares are nonspendable until metics declare august age and transfer shares into spendable funds. However, metics may borrow against their equity store insofar as their co-ops allow it. Back.

august age marks the changeover from a full-time service to semiretirement. Metics may declare themselves "august aged" anywhere between the ages of 55 and 75. When the august interlude is declared, a metic's co-op shares become nonvoting, the equivalent of solar bonds. A portion of the retirement stash must be converted to spendable cash in annual installments. Back.

child co-ops are sponsored by parent co-ops. The parent contributes startup funds and shares some of the proceeds if the child co-op wins a product charter. In effect, the parent becomes a nonvoting share holder. Back.

paw (SOAR acronym) Person Acknowledged Widely. Paws signify metics who have made unique contributions benefitting many co-ops. The status of paw is awarded for achievements in fields of science, technology, education or social services. Back.