

The Barterist Manifesto



The Barterist Manifesto

By

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General Purpose:	To elucidate a new paradigm for economic opportunity.
Specific Purpose:	To show the necessity of the use of the barterist platform and the inevitability of such an emerging platform with the simultaneous rise of <i>blockchain trading</i> and <i>cryptocurrencies</i> .
Central idea:	Cryptocurrencies create opportunities to democratize commerce using e-markets – broadening wealth creation, providing a counter balance to longstanding capitalist concentration of wealth – in particular when these cryptocurrencies are backed by assets. The platform allows the use of non-monetary assets to create value through exchange, mediated by asset-backed cryptocurrency.
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Preface

Barter deserves a new look as a solution to inequality of opportunity. The vast majority of opportunities go to those with monetary access in major commercial centers. This does not serve most people particularly well. The modern development of science, engineering and technology have opened huge opportunities to mediate this inequality. Social and economic relations around the world have not enjoyed commensurate progress, and in too many cases have even clearly degraded. This sharpens the contradiction between social and economic relations and technical progress. Socio-economic problems have already begun to damage international relations, and trade policy in particular. If such trends are allowed to continue, this leads to a severe damage to trade, and in turn damage our socio-economic fabric. This Manifesto maps a new path to alignment of scientific and technological progress, and through that to better social and economic relations. The Manifesto will home in on the potential for barter with the aid of technology: Neo-Barter. We call for Neo-Barterists to unite from Chapter II onwards.

Value creation rather than money accumulation

Technology can solve specific problems we face in our lives and in our economy in a big way. This is common knowledge. The digital revolution has magnified this phenomenon in the rise of the *Internet of Everything*, *Fintech*, and many other realms. However, modern society focuses much of its development on the further accumulation of money rather than the creation of value. Moreover, in this process money is being concentrated to the detriment of many. How can we adjust this imbalance by harnessing digital technology, instead of pressing for yet more regulation, political theatrics and the like? In this Manifesto we propose a tool. It is based on the elevation of the ancient concept of barter with the help of present-day technology.

Barterism

In this Manifesto we describe a *digital trading and immutable record storage platform* that enables people to create value without “money” being the limiting factor it has otherwise become for so many. Enabled by technology, we have become *Neo-Barterists* and we call you to action. The movement that we envisage we have called *Barterism*.

In this Manifesto we promote a market-based practice -- and movement -- that creates its own cross-over appeal among libertarians, conservatives, and liberals. In a world increasingly limited and regulated by the rules of money, we conduct our commercial and social business on a barter platform using asset-backed cryptocurrencies. Less regulation, more opportunity.

Shortcomings of money-centric systems

This Manifesto has been written by people who witnessed ground-breaking technological development during their professional work, covering more than 40 years. We cannot help but note that during this time, the monetary systems that influence our daily lives have increasingly failed to help many people better their lives. This situation has arisen because it is so difficult for them to succeed economically if they do not have the money to qualify for opportunities – even with ample non-financial assets and abilities.

Design team

As seasoned experts in distributed computing, analytics, and security, our team members had the *know-how* to create a secure, distributed *trading platform*, supporting information systems, and cryptocurrency with the backing of assets that have intrinsic market value. These well-trained experts (with each having more than 40 years of experience) are Andre Szykier, a

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mathematician working in analytics, artificial intelligence, and security with roots in the USA, Europe and the Middle East, and Dr. Marek Podgorny, a particle physics and computer security professor based in the USA with roots in Poland. The platform that they designed gives an entirely new life on the legal concept of barter. In this, the 'high-tech' platform supports an entirely different medium of exchange than money, as we explain in this Manifesto.

Legal avenues

As we will see, there is a legal watershed between barter and the medium of exchange called "money." This fact has manifold consequences and opens up huge new opportunities for trade and creation of value as much for the common good as for individual reward.

Trading platform

In this Manifesto we explain why a 'high-tech' *universal trading platform*, as we promote, is as unavoidable in today's world as roads, bridges, and schools. We also explain that such a trade platform helps to respond meaningfully to various challenges facing society worldwide, from emergencies to persistent poverty to under-employment.

That said, the background as well as the role and position of the *universal trading platform* that we describe in this Manifesto, is explained in the light of the objective of the platform, which is not only commercial, but also social and down to earth. This platform is intended to facilitate:

- barter;
- barter with *asset-backed* cryptocurrency (being a 'good');
- the creation and use of *asset-backed* cryptocurrency (being a 'good');
- the creation and use of *virtual tokens* (being 'goods'); and
- the exchange of *cryptocurrencies with intrinsic value* to fiat currencies and vice versa.

Nature of this Manifesto

While the platform that we promote will have its own ongoing evolution, we believe that this Manifesto will be helpful in its own right. It addresses the continuing mismatch of the monetary system by lowering the barriers to generating value – for individuals, as well as for organizations, and socially. This Manifesto promotes a way out of the dilemma for the ever-growing number of outplaced by bringing a revitalized, simple trade system into the public commons. The Romans called this form of trade 'barter', but as we restyled it using distributed computing technology, we have called it "*Neo-Barter*" because of its non-monetary means of exchange. It is a step in the social-economic development of an *alternative economy*; this being an economy that coincides next to the money driven economy but that nonetheless intertwines well with fiat currency if desired. In this way Neo-Barter reinforces and cements money driven economies, while providing opportunities for more.

Next step for you

We have designed a *universal trading platform* to spark easier access to fairer trade in commodities, goods, and services. Our aim for the platform is to bring new opportunity for people everywhere. For this it is important that you, too, become a '*Barterist*'.

[Reynier Overhoff \(NL\)](#), [Dave Keller \(USA\)](#), [Fedor Popov \(RU\)](#), [Andre Szykier \(USA\)](#)

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Source: Nova.com

I. Introduction

Barter has a rich history over millennia. It's a system where things of value are exchanged for others without using a separate measure of value. Archaeological studies have shown past societies have used barter without creating a medium of exchange.

Prehistoric bartering used goods like skins, salt, minerals and obsidian tools as the medium of exchange. Value was established, right at the moment of a negotiation or trade. With the formation of agriculture, with concentration of people in permanent locations and the introduction of husbandry of animals, bartering became organized or more relevant as a trade practice.

NOVA condensed the origins of currency in a novel way.

9000 - 6000 B.C.: Cattle

Husbandry of animals required the creation and storage of crops as forage. This led to the need for agriculture to set the value of animals in bartering.

1200 B.C.: Cowrie Shells

The cowrie is the most widely and longest used currency. Its value was based more on its scarcity than its practical use. Understanding this, the concept of scarcity and not practicality, laid the foundation of our appreciation of hoarding things that are perceived as having value, gold being the obvious present-day metal.

1000 B.C.: First Metal Money and Coins

The Chinese were considered the first to cast bronze and copper cowrie imitations at the end of the Stone Age. Historians consider these replicas as the first realization of a currency. Metal tool money, such as knife and spade tokens evolved later, again in China and became stamped coins with holes that could be put together like a chain.

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500 B.C.: Modern Coinage

Outside of China, the first coins developed out of They first appeared in Lydia, (Turkey), and further refined by the Greek, Persian, Macedonian, and Roman empires. Unlike Chinese coins which depended on base metals, these new coins were made from precious metals such as silver, bronze, and gold, which had more inherent value.

118 B.C.: Leather Money

Leather money, again in China, appeared as pieces of white deerskin with colorful borders. This could be considered the first documented type of banknote.

806: Paper Currency

The first known paper banknotes appeared in China. spanning from the ninth through the fifteenth century. Because of the ease of producing notes, rampant inflation caused its decline. Then beginning in 1455, the use of paper money in China disappeared for several hundred years. This was still many years before paper currency would reappear in Europe, and three centuries before it was considered common.

1816: The Gold Standard

Gold was officially made the standard of value in England in 1816 so that the government could control a non-inflationary production of standard banknotes each of which represented a certain amount of gold. In theory, the holder of a banknote could convert its value to a set price of gold. Banknotes had been used in England and Europe for several hundred years before this time, but their worth had never been tied directly to gold. In the United States, the Gold Standard Act was officially enacted in 1900, leading to the establishment of a central bank.

1930: End of the Gold Standard

After the Depression of the 1930s, the gold standard was revised, and the price of gold was devalued to a nominal price of \$35 per ounce. As national currencies became global standards of exchange, it quickly became obvious that the amount of gold available for repatriation by currency holders was not practical and nations such as the United States moved away from treating their currency as a promise to exchange for gold on demand.

Barter and Trust

A central concept of bartering and its equivalent in currency is **trust**, that what it represents can be used as a measure of value that parties can agree upon. By holding a currency, a party can execute a purchase of a good where the owner agrees that the currency value is legitimate and then can be held for transactions with other parties in the future. But with any economy, its collective value is based on many entities contributing to its growth.

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This introduces the dual issues of scarcity of goods to be exchanged, and the effort required to produce goods, as reflected by the concept of inflation. Economists like to call this duality (effort production and scarcity) the friction measure of creating wealth that is measured in the cost of capital and labor.

With scarcity, demand increases make the costs to satisfy demand higher. Technology plays an important role in making production more efficient as measured in the reduction of labor costs.

Government policies attempt to stimulate or control the mechanisms to manage growth often with fiscal policies that make the use of money, in the form of borrowing, more or less costly. The financial world treats currencies as a means to measure the strength of the economies they represent. Trading platforms take positions as to the future movement of currencies relative to each other.

Such a speculative view is rarely rational, based more on trader moves than government actions. Governments inject policies to keep currency movements within acceptable ranges and financial institutions execute agreements to lend or reserve their assets to third parties as investments or in transactions. This leads to the concept of tracking currencies which all other countries peg their currency to. Up to now the US dollar with policy control, through the Federal Reserve, and the EU currency have been the major tracking currencies. The Chinese and Japanese currencies have been secondary but will move into a primary currency based on the emergence of Asia trade as the future of global business.

Fiat Currency and Cryptocurrency

With the introduction of cryptocurrencies such as Bitcoin and its siblings that offer tokens of some perceived investor value, there is a movement to use these proxies in the same manner as fiat currencies issued by governments. The question is what value do they represent, and can they be trusted in commercial transactions? Simply put, how does one determine the value of crypto A currency and convert it to crypto B currency? Frankly, this is how fiat currencies are traded.

Barter Today

Bartering establishes value *pari passé* (at an equal rate) between economic goods such that quantity x of good A is worth quantity y of good B. One hundred thousand tons of copper is equivalent to 2 billion cubic feet of natural gas. Or one month of mowing your lawn translates to two oil changes of my car. Whether the value is measured in a fiat currency, a cryptocurrency or an agreement bartering parties can execute a contract without necessarily involving a financial entity unless security is need by an insuring party.

Economies that globally use digital transactions, establishing a non-fiat currency that is relative to defined assets that can be instantly measured, make the need for fiat currencies less relevant. A new trading platform to support *asset-backed cryptocurrency trading* represents a starting point in this reality. Various aspects of such a trading platform are discussed in the next chapters of this Manifesto, as well as the environment in which it operates and why it emerges.

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II. Barterists of all Countries, Unite!

1. All people falling short of their individual and communal development potential, unite!

To clarify, we put it to you this way: All people with potential, untie from money. Money had a good run for the last 3000 years, but it now serves too many of us poorly. There are now, thanks to technology, better ways to create value for both the individual and as communities. No need to be cryptic here: barter is back, but in a new form.

This is an invitation to all who are denied opportunities due to lack of money or excessive regulation, as is often implemented through governmental controls on money. What we promote leads to business for both the individual and the common good under the laws of barter applied to the online exchange of goods and services. State of the art technology in 2018 and the internet, in combination with emerging legal opinion, now permit individuals to participate on a more equal basis in economic life. In this way better personal and company development can be pursued by exchanging directly via a decentralized platform on the internet, and without money. Barter is the ticket to ride on a new wave of participation in opportunity creation, and now with a better matching of barterers than has ever been possible.

The marginal economy

2. While worldwide elaborate financial systems have been developed to provide capital to entrepreneurial initiatives, the facts prove that such capitalism tends to accrue gains narrowly, denying opportunity to many with the will to reach their potential, but lack the means.
3. For those held back from opportunity by the lack of access to money, the barter platform offers a new means to opportunity. Whether you approach this individually, as a company, or even a village or county, we all have something to offer, and something we benefit from in exchange. We have time, abilities, know-how, and often specific assets. If only these can be exchanged easily, with money out of the equation, we can create value rather than waste opportunity.
4. The standing, official, economy has resulted in many locations in a 'marginal' economy for many people and institutions. Indeed, you may argue that the qualification "marginal" means different things in different situations. Underemployed people in the top decile economies obviously face a different situation than at the bottom. In the US in 2016, 34% of the labor force was working outside of traditional employment, a number which is expected to reach 42% by 2020. Some call it the Gig Economy, others call it freelancing, but it provides few if any fringe benefits, and most workers are constantly looking for new opportunities. In a major metro area in a growing economy, they can get by. In other areas there are relatively few opportunities. We believe secure online communications tools and trading platforms help people match, and work in cryptocurrency, where we can offer the best acceleration of development.

Reset economy for better exchange

5. Economic activity has three components, namely: money, assets, and human effort. Changing how these components interact is the secret to new optimization of opportunities. Since money is the primary means of control, mitigating money issues removes the limitations on opportunity imposed by such control. When operating without money, the laws are often different, and more open. To the extent that demand is limited by money, removing money can increase demand, and supply will increase

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if there is beneficial exchange. What remains is that market mechanisms do efficiently allocate resources, even when money is not at hand. To the point; there are many cases where removing money *improves* allocation of resources.

6. The enabling technology for this shift to 'allocation of resources without money' is already available and at relatively insignificant cost. It is a milestone in itself for those who opt to use it. We mention the following landmarks towards this achievement.
 - a) The combination of blockchain trading systems with digital currencies is one of simplest ways to realize change.
 - b) Most governments have chosen to designate digital currencies as "goods" instead of money. The ability to trade now virtually anything over low-cost peer-to-peer networks is well proven. Thus, barter now has a means of exchange and means of accounting that replaces the role that money has served for at least 3000 years.
 - c) The "Sharing Economy" demonstrates that assets and efforts can be shared at great joint social and individual benefit, while preserving ownership of private property – enabled by electronic means.
 - d) Transacting in *digital currencies* incurs no significant costs to transacting parties, and *electronic wallets* can be maintained by anyone with a phone – solving the problem of the unbanked. It also solves vendors' problem of paying fees to payments companies that are part of the money economy.
 - e) The first generation of e-markets did rely on money, but proved the platforms work well. In particular, E-Bay, Craig's List, and Amazon have enabled many businesses in traditional e-commerce.
7. Through exchange, we prosper, because no one person can do everything. Enabling exchange betters people anywhere. Those who have been marginalized in the money economy will find new opportunity in helping to create, produce, and assist in supply-chains and distribution-chains that operate through barter -- both locally and across borders.
8. The structural disparity between those who need capital and those able to provide it is diminished by barter exchange and the sharing of what one owns. In some cases, the sharing economy and barter economy can be the same, and in other cases separate, but the rise of new economic models is critical to the masses whose potential has been limited. While the demand for capital is often rooted in the desire to develop or improve goods or services¹, the lender or investor traditionally wishes no other than a sizable profit in terms of money. By removing the factor of money, we can see that the (remaining) real participants are those who are actually responsible for creation, production, and distribution of goods and services.
9. As much as the lenders and investors love their profit in money terms, regulators have come to exert influence through the instrument of money. Whether controlling or taxing its flows or defining what may be done based on money being involved, the centralization of both wealth and power rely extremely heavy on the monetary aspects. The rules do change based on whether I get money for an action, or not.

¹ As opposed to all who are in the manipulative and speculative side of financial transactions, somewhere within the context of financial markets.

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System review

10. While banks were once regarded as a store of trust, as old textbooks still may say, their primary motivations are now profit for its own sake, and not fiduciary. This does have effects. While regulators around the globe may review this system to curb the worst abuses, customers are reviewing the financial system, too, and looking for alternatives. The grave effects of the well documented Financial Crisis of 2007/2008 have destroyed too much, while revealing that Banks had turned into stores of greed. And as leveraged institutions, they pose a huge risk to the public. Too big to fail is a global issue. With lobbying often undermining regulation, we are better off by disintermediating much of what banks have previously done.
11. To underscore the above with an example, we note that in The Netherlands the Dutch *Financial Supervision Act* comprises more than 220 pages of printed text, fully covered with 1227 plain articles (explanatory notes excluded). This is just the beginning of the regulatory avalanche. In addition, there are 13 related Royal Decrees (again full of detailed articles), which require decision making on cabinet level, and 11 Ministerial regulations² related to the *Financial Supervision Act*. In all and again hundreds of articles. The enormous wall of regulations that has been set this way marks a clear *no-go area* for potential market entry initiatives for years to come – that is to say for those who transact in *money* and provide services in this sector.
12. The outburst of regulatory activity is only addressing the tip of an iceberg. Insurance companies, accountancy firms of world class standing, major law firms, real estate companies and many other sectors and individuals had their skin in the game that led to the fully destructive and breathtaking disasters of the crisis in 2007/2008. Gigantic fines³ have been issued to some companies that misbehaved. Even public institutions were intermingled in all this mess. And so, here too, the politicians insisted that much more regulation had to be installed to recapture the most precious commodity for trade, named trust. However, all this regulation has added little safety, is already being undermined by bank lobbyists, and for customers seems to have only raised fees and made credit harder to obtain. The banks can be left to their money games; the public needs a new direction to realize opportunities. The answer is not in money, but rather in a focus on exchanges that add value for all concerned.

A redirect to barter

13. To directly capitalize on assets, whether intellectual, tangible, or labor, we suggest exploring a green field that is rapidly emerging in barter trade. The immense tectonic activity of technological advancement of recent decades has opened up a completely new space. We call it *Barteron*. Please feel free to enter, become a barterist who operates in this space, rediscover your potential and unite with other barterists around the globe.

² This massive column of regulatory artwork is based on 165 articles of the European Directive ‘on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms’ (Directive 2013/36/EU), which is periodically (in fact ‘constantly’) under review – at the moment related to the national implementation of the EU Directive ‘AMLD4’ (Anti Money Laundering Directive – 4).

³ The fines ran from hundreds of millions to billions of dollars or euros per settlement. Nonetheless, most of these companies still exist and thrive.

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A 'redesigned' internet with Edge AI

14. In Barteron we give a new perspective to barter. We call this 'Neo-barterism' because it relies on advanced information technology that removes the problems inherent in classic barter. This technology is far more secure and far less expensive than the server-centric internet models. Barterists make use of a *decentralized concept of internet* consisting of end-to-end encrypted connections. On that secure foundation is layered related software expertise, known as 'Edge AI' (meaning: Artificial Intelligence at the edges of the internet, and stored in billions of devices).
15. In this way Barteron will also push back on the endless infringements of privacy by not only hackers, but also advertisers. What to think of the hack of *3 billion accounts* of the users of Yahoo (USA) in 2013. Can it get worse? Yes, it already has, but we need not recount that here. That said, it is remarkable that there is no effective government support of privacy, major corporations monetize our privacy, and both hackers and agencies are given free reign. How come? Between the surveillance minded and lobbyists for the advertisers, our privacy has been usurped. Fortunately, self-defense of privacy is possible, thanks to how the technology platform for Barteron is architected. Governments wish to fully control every citizen that they govern for, but there is no need to make that much information available to them. The same goes for the corporations that monetize our privacy. In the Netherlands, as in the USA, security services are nearly openly allowed to sift through our records stored on computers and phones. Do we care? That is a personal matter, but for us, privacy is top among our principles. It is therefore imperative that in our own platforms we ensure real security, not to be undermined by over-reaching authorities.
16. It is the manifest destiny of barter that we open new access to commerce through *Neo-barter*. This is a natural thing to do, and barter laws are relatively clean of the over-reach of regulation that is now a primary feature of the money economy. Receiving an exchanged or temporarily swapped good is an ancient practice which has stood the test of time. How to *compensate and facilitate efficiently without money* is a question with less history, but that is now enabled on the Neo-barter platform.

Barteron as a community - social and legal foundations, as well as commercial

17. The above introduction to The Barterist Manifesto could also be read as a political initiative or social statement. But we are not leading an overthrow; we are realizing an alternative that can peacefully coexist. As barterists, we are not seeking a regime-change of the capitalist society, nor from any other dogma. We certainly support liberty and libertarian thoughts, but barter is a tool with which value is created and shared, as opposed to the hoarding of money. We stand strong against oppression that violates privacy and denies opportunity. We are not interested in power as such, but rather in empowering those who will create, share, and exchange whatever is of value. We are interested in unleashing pragmatic and vast potential in order to further the goals of all who contribute. That is barterists' objective and ultimate legacy.
18. In fact, we believe that this type of new barter will serve as a stimulus for the existing financial sector, bringing participants more fully into the economy. To the extent that any governing regime embraces this unleashing of exchange, a great and beneficial force is realized. The so called 'multiplier effect' will not be missed for existing money-based economies. For the governments that cave to the lobbyists of rent seekers, we can only predict that they will fall further behind or become even more ridiculously over-reaching.
19. In Barteron a new exchange mechanism is added to existing instruments of financial markets, one that has a number of advantages. In classic barter, a goat might be traded for a knife, but it was hard to make change, and such trade did not scale well.

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Nevertheless, barter served mankind well for untold millennia. The Romans did an excellent job of codifying barter law. With today's technology of distributed computing, including blockchains and cryptocurrency, we have a key new tool. Now that public authorities around the globe are declaring this to be a "good" instead of money, we can tokenize anything of value. Let us be clear; we do not support Bitcoin or other digital currencies that lack intrinsic value. Barterists first and foremost are about the **creation and exchange of value -- both tangible and intangible** (such as viewing art, culture, sports...or use of *Intellectual Property*). The distinction here is that in our case cryptocurrency must have intrinsic value of some asset. Energy, gold, labor, intellectual property -- it does not matter. We are people of the market. The value of all things fluctuates with demand and supply. The principle is clear: we do not leverage assets backing the currency, and currency must be liquid into benefits.

20. In this way we can elegantly exchange a coffee for a digital token or, if you wish, a shipload of commodities against other tokens, cryptocurrency or, say, physical goods, or even labor. Applying the laws of barter in a world of frictionless trade on mobile devices, we enter into a new era of Neo-barterism, in case you were still doubting on what is coming. We mention some aspects of the new wave that is building:

Equality

- a. In Barteron the disbalance between those who are seeking funding and financiers is resolved. This disparity does not exist in barter, as such. This is so as the *specificity of the value added* by the commodity that is on offer on one side is no longer matched by a demand *for profit with no regard for efforts of a seller*. In the money world it is common to hand off money and wait for the profit. In Barteron this is not the case. What we have in Barteron is an alignment of interests to create value and share it. In Neo-barter, both parties wish to obtain a *specific* commodity from one and other. This puts both trading parties on a more equal footing. We might also focus here on the collaborative aspect of barterist commerce, and the sharing in the fruits of the harvest based on the contributions required to realize it.

Trust

- b. In Barteron the trust is in the hands of the trading parties. The cryptocurrency used is fully backed by assets. There are no rent-seeking intermediary parties, because the platform has a high degree of transparency. Only those who add value may participate. Trust is not any longer reliant on contractual documents (as is often the case in the money economy), but in the history of our actions as burned into the transparent blockchain and smart contracts⁴ for all participants to see.

Openness

- c. In Barteron it is self-evident that one knows with whom one makes a deal. The expression *Know Your Customer* (KYC), as well as the technical support for doing so, is therefore a natural ingredient for any barter arrangement in Barteron. Moreover, with big data enabled on the barter platform, the tools are there for all to prevent criminal activity, terrorist actions, and fraud. Our reputation is the measure of trust evidenced in our history.

⁴ Smart contracts allows automation of trade documentation and processes linked to payments. See also Glossary.

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Compatibility

- d. In Barteron we would also not wish to shy away from the privilege to live in the countries that we live in. So, we will make our barter deals compliant with the laws of barter, its taxation, and the prevention of crime. We are well aware that oppression is a reality that affect laws and justice. As our tools are also intended to assist those who are disadvantaged, and to contribute to the common good, we leave the use of these tools to the people under any regime to use in finding a means of bettering the situation. It will never be easy, but we collaborate with those who contribute to a better future.

Sharing & growing Barteron

Welcome to users and designers

21. The nature of the electronic trade technology used allows barterists to grow the benefit from the work done – even if they are not particularly technically inclined. While the team who programmed eBay were world-class technicians, there is no need for its users to be. This is even more the case on the barter platform. Still, millions of coders can contribute work in improving the functionality and usability of the decentralized platform around the globe. The trade platform that is available in Barteron facilitates and encourages this to happen. As you will see from using the envisaged platform, barterists can execute a deal, but there is room to equitably share in the rewards of the value created.

Openness

22. That said, the barter society is intended as an open community. Those who wish to support dark platforms are advised to stay dark on their own. The design of our trading platform will support openness to the extent reasonable privacy permits. But you are invited to climb out of the dark and participate. The driving principle behind trusted and successful trade is transparency of information. On the side of privacy protection, no infringements will be allowed in Barteron. You are in control of your privacy, and you will reveal what you need in order to have the trust required for collaboration.
23. As you will see hereafter, we will make clear what approaches the trading platform is designed for, and how the security of the barterists is protected.

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III. An overview of the money landscape from a Barterist perspective

24. Money is generally defined as a means of exchange, a store of value, and method of keeping accounts. These are perfectly innocent objectives. The problems with money arise in the context of money-based economies. Once we live in societies in which everything is seen in terms of money, we become dependent on it. Those who have money have both power and control. From there it is a short jump to oppressing those with less. In a society without money, I don't feel poor if I have access to food, shelter, and a mate. Once I have a government to answer to, then taxes are inevitable. If that weren't bad enough, the next step is that if I do things for money, the government increasingly wants to regulate me. And if I do things for money with a private party, the payor expects a great deal of control. This is not necessarily evil, but these things do tend to go wrong. This is the woe of economic man. It might seem better to live in a pre-economic society, but people with money have killed most of those people and stolen most of what they had.

25. As long as mankind lived communally, sharing the work of acquiring food and shelter among small groups, there was no need for money. Even when one group had an excess of something, barter trade came naturally. Life became much more complicated when people started to want more than the basics. For some, it was about objects of utility. For others it was about what we might consider "cool stuff;" nice looking shells, for instance. Archaeology informs us that about 17,000 years ago pieces of obsidian began to be an object of great desire; perhaps the first fad. This very cool-looking shiny black rock was also easy to keep sharp. You can imagine a pitch man talking up his obsidian: "It slices, it dices!" This was not just a local fad; around the Mediterranean area, the product sold up to 900 kilometers from its source. Many things were traded for it in barter, and as the most popular object of its time, became a sort of currency.

26. About 6000 BC gold was being fashioned into jewelry and religious objects. From about 4200 BC copper was being turned into tools, followed by other metals and alloys. By the third millennium BC mankind was producing a tremendous amount of both useful goods and "cool stuff." Pottery, papyrus, agricultural commodities...the list was already long, making barter increasingly complex. Barter was still dominant, but coin money came into use in Turkey about 700 BC, and within 200 years many Greek cities were minting their own coins. While metals were previously used to facilitate barter, the coin, unlike a tool or jewelry, has no other use but as money. Money seems to have captured a great deal of focus, driving many in its pursuit -- which has only accelerated over the millennia. With barter trade routes already established for goods, money proliferated. In some cases, shells or popular commodities served as a means of exchange, but coins appeared. Chinese woodblocks brought in paper scrip, which quickly undermined itself through excessive printing, but fiddling with the minting of coins had already set the stage for the fundamentals of monetarism.

27. Still, until 500 years ago, most economic activity involved the direct acquisition of goods and services. On the Silk Road, a bolt of silk or a block of tea served as both a commodity and a means of exchange. These were simple trades of this for that. But, as organizations became more complex, barter served less well. In 1531 a financial exchange was created in Antwerp, and in 1602 share trading was begun in Amsterdam. The enterprises engaged in a wide range of trade, and dividends needed to be paid. The increase of complexity continues unabated, and hard goods make scaling exceedingly difficult.

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28. The rise of economies, both barter and monetized, made it clear that a kingdom could not only enjoy these goods, but the kingdom could scale to an empire. The larger the empire, the greater the need for laws. The laws quickly dealt with both barter and regulation of monetized trade. While barter has never disappeared, the money economy has increasingly subsumed most people's working hours ever since.
29. Anything that gets us food and shelter can't be all bad. The problem that we face is that with the increased dependency on the money economy, and the increasing regulation of things done for money, many people become chronically under-employed because those with money simply choose not to share it with some others. This is not to say that anyone should pay money for goods or work that is not good value. The problem is when people with valuable goods and labor are prevented from realizing opportunity by the lack of money.
30. This brings us to development economics. When some people are persistently lacking in opportunity and in the basics of life, how best to improve their situation? There are many models, but *Muhammad Yunus* of Bangladesh became a Nobel laureate for his efforts: give people a whole business model involving something they need and want. He started by financing textile workers but needed more money to scale. He took deposits from those who wanted to earn money on their money. When cell phones came, he bought them and trained women to charge people in their village to use them, and then pay back the cost. He eventually expanded into nearly every industry in his country and has gone international from Africa to the United States. Somewhere along the line the government of Bangladesh decided he was a criminal for taking deposits without a license, even though no fraud had happened. No good deed goes unpunished. Let's make a Barterist point here: if he hadn't used money, he wouldn't have gotten in trouble. But, at the time, digital currencies were not viable.
31. Today, he could do this as a Barterist. Barterists would not use Bitcoin, because Barterism is defined as equitable trades of intrinsic value, and while Bitcoin has its uses, it is intrinsically less valuable than the tulip bulbs of the Dutch bubble of 1637. Fortunately, development economics today can back a digital currency with anything from gold to energy to labor, and all of the trade can be transparent on the blockchain-based record system. Settlements and trades can all be frictionless. and now most people have a phone that can access the platform, even in the world's poorest countries and regions.
32. In historical terms, we now have a means of exchange, a store of value, and method of accounts that is not considered money, but rather a "good." In fact, ABC² is more efficient in a settlement system, and has more reliable and transparent records than any money. The costs of this new settlement are less, as well, because banks and payment gateways in the money world have extracted huge rents in this space. And it is fully integrated into a universal barter platform that supports the taking of goods as deposits, tokenizing them as digital goods, and then enabling any kind of financing or settlement. Clearly, this is world changing.
33. How much will asset-backed cryptocurrency change the world? It depends on your world. For a country that tightly regulates outbound money remittances, or suffers from high inflation, it is a huge difference. For a person living under leading currencies, the

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differences fall largely into two areas: 1) transactions settled in money tend to be far more regulated than those that are not; and 2) lending and investment tends primarily to be shared with limited, demographically defined, favored groups (location, race, age, etc.), which increasingly concentrates wealth. We believe that a Neo-barterist system is inherently more merit based because it focuses on the value of exchanges rather than subjective assessment of the borrower or investee. We fully realize, however, that universal justice is always an elusive quarry.

34. Looking at the functions of fiat money compared to cryptocurrencies we can use the following table to understand the key differences:

Category	Fiat Money	Asset-backed cryptocurrency
Law	Monetary regulations by governments and intergovernmental authorities (like the EU), National legislators, treasuries, central banks, and local bodies Regulated sector	As goods, follows barter law, which is, basically, non-interventionist Reduced regulatory ballast
Taxes	Documented ad nauseum Regulated	Exchanges are taxed at "market value, but non-permanent exchanges have gray zones Semi regulated
Foreign remittance	Often regulated in weak economies	cryptocurrency flows freely Reduced regulatory ballast
Asset export	Often regulated in weak economies, especially for financially useful commodities such as gold Regulated	Allows for taking asset as collateral without export, but cryptocurrency flows freely Reduced regulatory ballast
Risk	Leverage increases risk Regulated	Un-leveraged; risk is limited how the backing asset moves relative to other things. Reduced regulatory ballast
Right to create	Counterfeiting is a felony. Banks Can create money under regulation. <ul style="list-style-type: none"> Regulated 	Any asset with intrinsic value to Transacting parties can be tokenized. <ul style="list-style-type: none"> Reduced regulatory ballast
Right to use	Transactions for money are often regulated. <ul style="list-style-type: none"> Regulated 	Transactions for goods are generally not regulated. <ul style="list-style-type: none"> Reduced regulatory ballast

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Cost of use	Cash handling for businesses is a significant cost. Electronic payments by credit/debit, EFT, or wire rails are high. <ul style="list-style-type: none"> Regulated 	Frictionless payments incur little cost, as rent seeking is avoided by the platform. <ul style="list-style-type: none"> Reduced regulatory ballast
Medium of exchange	Determined by each government to be legal tender <ul style="list-style-type: none"> Regulated 	Each seller is generally free to determine what to accept. In most cases, this is a function of liquidity. <ul style="list-style-type: none"> Reduced regulatory ballast
Store of value	This is a function of inflation, real interest rates, and investment opportunities <ul style="list-style-type: none"> Various dependencies 	Essentially equal to the enduring value of the assets backing the cryptocurrency, if liquidity is assured <ul style="list-style-type: none"> Little conditionality's (dependencies) Reduced regulatory ballast
Unit of account	Tracks well for transactions within the fiat host area, but is a risk factor outside the area <ul style="list-style-type: none"> Regulated 	Tracks well internationally within the asset class, such as oil or LNG backing for trades in those industries. May be a risk factor if the backing and the item traded have large, divergent moves. <ul style="list-style-type: none"> Reduced regulatory ballast

35. Beyond the above thumbnail comments on difference, let's return to comparing and contrasting money versus crypto in terms of the classic definition of money.

Medium of Exchange

36. In the current digital era (starting at, say, around 2017) it is perfectly possible to use asset-backed cryptocurrency as a medium of exchange -- to the extent that it has liquidity. Liquidity is of the essence. It is the essence of cryptocurrency in general that it is exchanged, and this pivotal element is no different for asset-backed cryptocurrencies which are in reality backed up by real assets. As various countries regard cryptocurrency as a 'good' - instead of money - the exchange of a good for another good leads de facto and de jure to barter. In short, virtual currency is fulfilling the classic definition of money, even though authorities refuse to accept this. Through the digital commodities trading platform we can support exchanges of goods with cryptocurrency in immediate terms.

Store of value

37. In addition to the exchangeability of asset-backed virtual currency, it has been explained in this Manifesto that such currency is fully supported by assets. How this is achieved is not standardized, but during the lifecycle of the asset, or so long as it is fungible and replaced, the cryptocurrency is a store of value exactly as the asset itself is. As a result, such virtual currency holds a store of value by definition. In this way asset-backed cryptocurrency meets the second test of money.

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38. The specific asset that an asset-backed virtual currency is linked to is clear in every single transaction that takes place through ABC². Such an asset represents a tradable commodity, regardless of whether it is tangible (backing by a patent portfolio might be as valuable as oil). Information about these assets is transparent, and subject to periodic audit. Barter has a rather simple structure ('a goat in exchange for a knife' and 'at the spot'). Moreover, the level of the exchanged value to be can be adjusted at to any pairing of assets exchanged. The parties to the transaction will assess the value of the underlying asset if the value of such collateral has risen or fallen. The state and the terms of the assets backing the cryptocurrency are always germane in a trade -- exactly as was the health of the goat or the condition of the knife.
39. This feature of the adjustability of the exchange modus of barter is much in contrast with fiat currency. Fiat itself has no 'store of value' other than that through sound regulation by the issuing governing body.⁵ A significant number of issuers around the globe do not regulate their fiat well, with disastrous economic results. The European Central Bank has behaved more responsibly than the Central Bank of Zimbabwe. And while the US Dollar and the Euro travel reasonably well, they are exceptional. Note, however, that neither the dollar nor euro can be used universally, whereas a gram of gold or a barrel of oil has clear value worldwide. When transacting with gold used to mean delivery of the heavy metal, there were disincentives. Now that transacting in gold or energy can be done from any smartphone, this is easier than getting fiat from an ATM, or cheaper than paying fiat card processing fees.
40. Regulation of fiat currency is set by authorities – who are unapproachable for the commoner. In contrast, in the case of barter there remains a direct bond with the underlying value of the asset. This includes assets backing the cryptocurrency used in an exchange. The span of control for both parties to the barter is very direct indeed. And the cryptocurrency is void of bubbles, with the exception of a specific asset that may have a bubble of its own. For this reason, we do not back ABC² with Bitcoin any more than we would with Dutch tulip bulbs. This is a breath of fresh air as compared to the money world. Barter distinguishes itself as a very trustworthy form of business arrangement. Why this instrument has been so unpopular in the upbeat financial sector around the globe is a mystery, but for barter using ABC², its time has come in the Era of Neo-barterism.

Unit of account

41. The stability of ABC² is fully assured by the fact that current digital technology can record transactions in a much safer way than physical Banks can protect their reserves. This is so as the described trading platform is making use of the decentralized (and central server averse) blockchain technology, and in combination with other technologies that drive the hackability of the data in store to a speculative fairytale. In addition, in international trades of commodities, differing fiat currency fluctuations only introduce risk. If energy is transacted in energy-backed ABC², or wheat in wheat backed ABC², there is both a reduction in risk, and in foreign exchange fees, and in some cases removes the need and cost of hedging.
 - a. [Accumulation and savings; barter versus money](#)
42. When assessing the role of barter as a means for accumulation and savings of value under the bracket of 'world money' we must pause a moment and make a distinction. Barter as such has only a role to play in the context of an exchange of specific goods

⁵ The gold standard has been withdrawn from the entire worldwide financial system since the USA stepped away from this mechanism in 1971. Since then there is no asset-backed *fiat currency* anymore anywhere in the world.

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and/or services, not in the context of storing value in a general way.

However, asset-backed cryptocurrency can, on the other hand, be linked to accumulated savings in ways that may be superior to money. This is what Neo-barterism can make happen; selecting the specific assets to back a cryptocurrency can be a non-inflationary store of value, although it is subject to swings caused by market forces in the underlying asset.

b. Considerable risks when using un-backed virtual currencies

43. It has been claimed by various commentators and officials that speculators in un-backed virtual currencies run serious risk in holding their positions. As we explain in this Manifesto, the current state of the technology in the trading platform that we advocate diminishes the risk inherent in virtual things; there is nothing to prevent prices from falling to zero. While the prices of assets do fluctuate, they do not go to zero. There is always some residual value.

c. The actual use of virtual currencies

44. It has been said in 2013 that the use of these currencies is very low. In 2012 it was estimated that 65,000 daily bitcoin transactions were performed worldwide, of which less than 1,000 per day in, for instance, the Netherlands. So, the Dutch Central Bank said at the time. In late 2017 the global number is 380,000 per day. If we concentrate on solely Bitcoin, we observe an all-time high valuation of bitcoin in November 2017. The valuation is of a remarkable (or even 'staggering') level⁶, and in particular in view of the bare fact that bitcoin has no asset backing whatsoever, as well as no "full faith and credit" support from any authority. We believe that there is an increasing and lasting interest in using exchange mechanisms on the basis of virtual currencies, but without asset backing currency moves are entirely speculative, and thus unsustainable. The lesson to be learned here is that removing the requirement of banks and some regulations can be a major benefit for certain transaction types. Low transaction fees are very helpful, and the use of the blockchain consensus mechanism is a great innovation for trust. But being an entirely speculative activity, Bitcoin's story, will ultimately be damaging -- detracting value from society. The purposes of trade must be served by asset-backed cryptocurrencies that are well audited.

In sum

In view of the above we conclude that asset-backed cryptocurrency will tend to behave like money in terms of exchange, value, and accounts. Where it differs is lack of inflation, low transaction fees, a more relaxed regulatory structure, and the potential for use as a universal world money alternative -- not tied to a nation in the way that fiat is.

⁶ The price of a Bitcoin has risen in November 2017 more than 20 times the high level of November 2013.

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Sumerian Numbering System

The problem with money

A. The indifference of money

45. Any tool can be misused, and because money can accomplish just about anything, it can be abused in more ways than anything else. When kids under 12 years of age get a *debit card*, even when this gesture is supported by the state and by major Banks,⁷ a child's perception of value is, no surprise, immature. When the kids use the *debit card*, they do not know the effort that went into getting the money, so all they see is the act of payment, which is trivially easy. The child is indifferent to the real relationship between effort and value. Money used indifferently wastes a scarce resource. As has been observed by the Dutch *National Institute for Family Finance Information (Nibud)*⁸ people who pay (electronically) with a *debit card* spend more than when they pay in cash ... whether or not they are mature. The more that effort, value, and payment are separated, the more misallocation. Money makes things easy - if you have it - whether or not the spending is valuable. This is why people become addicted to money -- it's almost effortless to use, and the shorter-term the benefits, the better the dopamine reward. By divorcing the effort and tradeoffs from payments, money leads to a *quick to have* attitude, crowding out the greater context. Money is the opium of the people. So long as wise decisions precede fast and easy payments, there is no problem. When there is unwise indifference to the long-term consequences, the results are truly damaging. Neo-Barterism, on the other hand, helps transform the consumer society into a new order of value creation and exchange.

B. The problem with money

46. Those who have money can build with it or waste it. But money worldwide, in rich countries as well as poor, is increasing concentrated in the hands of fewer people in fewer places. Many families do not have sufficient money in order to live properly in a money dictated world. And a great many can be short of liquid money, *even* when they

⁷ <https://nos.nl/artikel/2197670-kinderen-krijgen-op-steeds-jongere-leeftijd-bankpas.html>

⁸ The Dutch '*Nibud*' (National Institute for Family Finance Information) is a well-known and respected independent foundation in the Netherlands that gives information and advice on financial matters of private households. (<https://www.nibud.nl/consumenten/het-nibud/organisatie/nibud/>)

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have sufficient assets. The more one needs that liquidity -- for instance the unemployed or under-employed -- the less likely a lender is to provide funds even if secured by those assets. By regulation, custom, and experience, these people simply are disqualified. This is a particular problem for those who are rich in assets, including labor, but lacking monetary liquidity. This is a persistent problem for the majority of people in the world.

47. This is '*the problem*' that we address in this Manifesto; how to use a non-monetary system with all the advantages of a market economy to improve the lives of those who will participate in Barteron. That said, we acknowledge that there are many other difficulties related to money. Libraries are filled with literature about the subject. But whatever solutions these sources suggest, the excessive regulation attached to money remains an effective barrier to improvement. This is where the barterist emphasis on value provides a natural approach that means more opportunity. This is why we navigate this paper toward a 'blue ocean' that allows for relatively free movement for demand and supply to work as people flexibly benefit on the platform of *Neo-barter*.

C. Unemployment and underemployment

36. Here we seek to make a point without getting lost in labor statistics. You may ask to what level the monetary systems are responsible for the numbers of unemployed and underemployed worldwide. There are many ways to answer, but the most informative one is that this depends on location. A German or American worker who is educated and living in one of the top 50-100 metro areas is doing rather well, and somewhat less so in an economic downturn. In non-metro areas, they often are not doing so well. If we look at Europe as a whole, the unemployment rate is more than twice as high as Germany's. The hunger for jobs rises as we go down the national GDP per capita rankings. The non-monetary issue is that in a competitive world of economic creative destruction, both technology and new supply chains are constantly leading to new winners and losers. That has been accelerating, and we should expect that trend to continue. Trying to roll back these changes are as useless as trying to have all deliveries by horse rather than truck.
37. What is really needed here is the ability to prosper by adjusting. Regulations that try to protect workers or producers tend to backfire. How do we adjust to the fact that an industry is no longer viable in a certain place? How do we help people living in places that never have done well do better? Moving the people to megacities is not a particularly good answer. Giving them better opportunities is. When *Muhammad Yunus* launched his businesses, he didn't focus on Dhaka...he took the models all over Bangladesh, and then worldwide.
38. So, what makes a better opportunity? It takes a whole business model, including know-how, inputs, tools and logistics. China has brought more people out of poverty in thirty years than the rest of the world ever has. They did this by building the world's best supply chains, including the know-how, inputs, tools, and logistics. If you are in China with an idea that is within today's technologies, you can have it in production very quickly. This spans a vast number of industries. These supply chains are far more efficient than the older ones they were modeled on in the American Midwest.
39. Now, back to money. Money flows to where it can be more productive. That has been a hard lesson for the workers of the American Midwest. Politicians who promise to renegotiate on their behalf may win votes but won't get anywhere. Supply chains and

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whole business models aren't made by politicians. As Neo-Barterists, we have a transparent platform for trading goods and services. That means know-how, inputs, tools and logistics are available. And unlike the money world, you can get started with whatever you have -- even labor in an effective collaboration. The Neo-Barterist is creating value through exchange for all concerned, while money only looks after itself.

40. To what extent can a Neo-Barterist platform improve the lives of people beyond what is done by monetary systems? The *Global Wealth Report 2017* of the Bank Credit Suisse sheds some light on the numbers, we believe. In view of this report we have to think in terms of billions of people who are in severe circumstances. The following citation is telling:

'(...) Looking at the bottom of the wealth distribution, 3.5 billion people – corresponding to 70% of all adults in the world – own less than USD 10,000. Those with low wealth tend to be disproportionately found among the younger age groups, who have had little chance to accumulate assets, but we find that Millennials face particularly challenging circumstances compared to other generations. Although relatively less severe in some emerging markets, capital losses during 2008–2009, high unemployment, tighter mortgage rules, growing house prices, increased income inequality, less access to pensions and lower income mobility have dealt serious blows to young workers and savers and hold back wealth accumulation by the Millennials in many countries. (...).'

(Source: Credit Suisse Research Institute: *Global Wealth Report 2017*, November 2017; Introduction)

41. The mentioned number of 70% of the adult world population surely requires some correction. It is, for instance, estimated that there are currently 11.7 million refugees as a result of wars that rage the world over (year 2017). This has a dramatic effect on ownership of money. In fact, wars, droughts, floods and other disasters can bring entire nations to their knees. And, indeed, one may also point at other categories of people that should be taken away from any calculation about 'wealth' for obvious reasons. But if we do so, there are still billions of people that are at the floor of wealth that the monetary systems help to produce. The scale of the outplaced is too big. It is unacceptable and demand an answer. If monetary authorities cannot provide help for this giant base of outplaced, nor any official government or organization can do so then people should be allowed to try to help themselves better. This can be achieved by introducing *asset-backed* virtual currency.

While the official economy might find it difficult -or even impossible- to redistribute some meaningful wealth in fiat currency to the mentioned 70 % of the adult world population (for a myriad of reasons) such virtual currency will help to solve this enormous imbalance. The reason for this positive effect of virtual currency is that *asset-backed* virtual currency is **-by default-** a meaningful instrument for any derailed people as every person (including all of the derailed people) has, at minimum, natural assets. What we aim to catalyze with our barterist platform is value creation anywhere -- without dependence on money. By offering work (a service) and/or by offering some other (physical) good that one may have (and that can be (temporarily) put to use elsewhere) these assets can translate into *asset-backed* virtual currency. Such an exchange becomes an exchange of some good with value via an *asset-backed* virtual currency against the value (a personal service or a good) that will better their life. *Asset-backed* virtual currency has the intrinsic value of the asset. The virtual currency converts reliably into the assets, and vice versa.

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The assets required for development are know-how, inputs, tools, and logistics. The use of ABC² will therefore help to give the unprivileged people tokens for value storage and exchange that the standard monetary systems fail to provide. Realize here that a government that prints too much money destroys value through inflation, whereas ABC² does not inflate or deflate because of the intrinsic value; it only fluctuates with the assets in the marketplace.

Note about *wealth opportunity distribution*

In this Manifesto we propose a new approach to how anyone better their life through participation in the Neo-Barterist platform -- *so that transactions can take place anywhere, and need not be concentrated among certain people, or in certain places.* The heart of it is that value creation is not a zero-sum game; we don't need to take from the rich to give to the poor. We know the three richest Americans have as much wealth as 50% of the population, and the top 10 richest has wealth equal to 90% of the rest. Wealth tends to get concentrated in any country, from top ranked GDP countries to the lowest. We are partial to the rich who create their own wealth without undue political power (thank you Mr. Bezos, Mr. Gates, and Mr. Buffet). Money tends to concentrate, and not just among a handful of people, but also geographically, as shown by Pew Research:



The orange, yellow and light blue spots represent 75% of US GDP. Those bright spots are where it is easiest to collaborate. These areas are urbanized, but not all urban areas are so successful. The know-how, the inputs, the tools and the population are increasingly drawn there.

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Our message is that concentration of money happens, and it doesn't matter. Get over it. We don't need to change this map to change the world. We don't need to redistribute money to make things better. Wherever money *does not concentrate* is where we may have the biggest contribution to make.

As Neo-Barterists, we believe in value creation through exchange. Our aim is to extend opportunity using an open, relatively unregulated, platform. Secure internet collaboration tools are an integral part; you can use them from the city or rural areas. Use them in a rich city or a poor country. *If you create value through exchange, all the participants benefit.* Because you do not need money to access the platform, money and location don't matter. Rather than let people sit underemployed or unemployed, opportunities abound. Removing the money barrier redistributes the justice of opportunity. The poor and disadvantaged are not shut out.

More in detail, this Manifesto is about making barter work in the technological context of today's world and earning asset-backed cryptocurrency for the value you create in exchanges. This Manifesto advocates for *redressing justice* in that nowadays we can order a coffee or buy what we need with cryptocurrency - a dividing line between Classic-Barter and Neo-Barter. As we use Neo-Barter, which is supported by technological precision, we can *redress* any mismatch that could have occurred when we would have used classic barter or money.

D. Description of the proposed solution

New approach: think value creation; think barter

48. If there is a certain amount of money and concentrated at one polar point, this means that there is a reduction at the other pole. Existing policies, laws and regulations contribute to this; individuals are not free to create fiat money. The Manifesto offers a fair and legitimate distribution of values as already existing or newly created -- because we speak of creating goods, not money. The process of fairer enabling of value creation through Neo-Barter is not in a violent elimination of the existing system, but rather an extension of opportunity sustained by technology.
49. The described difficulty with money (it being a critical gating factor to realizing opportunity) can be overcome when one starts *thinking 'barter'* for settlement instead of *thinking 'money'*. Barter can bring people back as active participants in the economy and society. Since the majority of people in countries rich and poor now have a computing device in their pocket, we can support these at extremely little cost - the platform uses the power of users' devices in a distributed computing method, as does Bitcoin. The platform supports open development of 'apps' that localize or globalize opportunities, creating trust where it is earned and using artificial intelligence at the edge of the internet to help find exchanges that benefit the parties.
50. As we elucidate, money is a very different economic instrument than barter. We cannot go into a village and create money where none exists -- this is a felony offence. We can, however, create a "*My-Village cryptocurrency*" backed by labor and other assets. Immediately there will be bread exchanged for barbering, in an expanding virtuous cycle. And this is barter, so the laws that apply when doing things for money do not apply. If the bread is excellent, the platform can report it. If it is not, that, too, is transparent. Information transparency through reporting feedback elegantly replaces regulation by third parties.

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51. The advent of *asset-backed cryptocurrency* (ABC²), which is a “good” and not “money,” facilitates Neo-Barter, and is essential. Classic Barter required simultaneous exchange of goods. In Neo-Barter, ABC² is a good so that exchanging it for another good is a barter, and exchanges with other goods via ABC² can take place at another time. This has all the advantages of money, while it has a better electronic transaction system. Further, and most importantly, ABC² is by definition backed by valuable assets (while fiat currency is not).
52. Let’s take the example of an exchange of bread and barbering; they do not need to take place simultaneously in two senses; 1) there is a simultaneous exchange of bread for ABC² and another, separate one of ABC² for barbering; and 2) we can interpret the concept of simultaneity to be a span of time starting with handing over bread and finishing when barbering is done. In the same way a transaction during a football game might take place during several hours, a transaction’s time-span is as long as it needs be. The transaction is mediated by ABC² contract executions -- which upon acceptance of delivery fulfills the requirement of simultaneous exchange.
53. In the following chapters and paragraphs, we will explore this renewed reach of barter (Neo-barter) by homing in on:
- the digital trading platform that supports this type of exchange (barter with virtual *tokens*);
 - the technological environment that surrounds us and that permits these changes to be executed; and
 - the legal environment that poses no hurdles for barter.
54. The centerpiece of the story is played by a newly developed secure, distributed system for communications, transactions, and data storage called the UbiVault Fabric trading platform (or more briefly: UbiVault Fabric). The nature and the objectives of UbiVault Fabric are described later in this Manifesto. This trading platform is the enabling force in barter’s re-emergence as a modern exchange agent (or instrument) for trade. This is so as the platform is built of the newly developed technology for *asset-backed* cryptocurrency.
55. Here we guide you through what comes next in explaining the approach that we advocate. We go step by step.

Note about legal structuring

This Manifesto explains several legal approaches used to back cryptocurrency with assets, and reverse these processes, on the UbiVault Fabric trading platform.

The legal status of cryptocurrency use is widely misunderstood, and in any case continue to evolve. We believe that careful structuring of trade agreements on the platform in combination with selection of legal venues is therefore critical in deployments of the UbiVault Fabric.

To be clear, we are discussing the legal nexus of a cryptocurrency itself, cryptocurrency trading, and *blockchain-based trading* of goods and services using asset-backed cryptocurrencies. In the wake of explosive speculative trading of Bitcoin and other forms of digital tokens, awareness has been heightened. For non-speculators, the successful proof-of-concept studies in commodities trading and record keeping on blockchains is absolutely starting a huge wave of blockchain use.

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In digital currency, we expect asset-backed crypto-currencies to prevail over their un-backed cousins like Bitcoin. We also forecast the rise of blockchain based trading platforms for a wide range of commercial and personal uses that rely on *asset-backed* cryptocurrencies (ABC²) for settlement. The legal basis for this influx differs by country, and the choices of legal structuring will have major impact on our commercial future.

56. That said, let us recap the issues involved in creating and using virtual currencies.
- a) Due diligence on currency use.
 - b) Transaction monitoring.
 - c) Government sanctions.
 - d) Legal Issues Guide ([PDF](#))

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IV. Problem and solution for the next generation of cryptocurrency

57. The first generation of blockchain products promised more in terms of security than they delivered, but they did prove the viability of cryptocurrency, distributed trading platforms, and distributed public records. In our opinion, the next generation of these platforms will need the following features:

- secure transmission and storage of data *off the blockchain*, using encrypted pointers in the chain;
- embedded big data analytics that does not require de-encryption;
- improved throughput and scalability;
- granular control of data by owners;
- asset backing of the currencies to maintain intrinsic value *without direct linkage to money*.

58. These features were not available in the first generation of blockchain products and must be available in the next. As a *solution* for the problem we are defining, we insist that the development of the UbiVault Fabric includes these primary requirements. This has been done.

A. Nature and objectives of the trading platform

59. The above-mentioned features are needed for any blockchain-based trading of assets and services. The objectives are then *by default*:

- *A secure trading and payments* in a *decentralized* online environment that is more resistant to hacking than traditional, centralized trading systems;
- *Transparency of information to platform users*, which not only increases trust but also *enables disintermediation* of parties who add little or no value in the supply chain;
- *Savings of time and money* by replacing traditional sequential trade processes with simultaneous (or near simultaneous) collaborative trading, while using smart contracts and real-time visibility on distributed ledgers among all stakeholders;
- *Frictionless payments* without the requirement for bank intermediaries;
- *Settlement without the risks, costs and complex processes* that are involved in fiat transactions;
- *Immutable records*;
- *Native analytics* for discovery of new opportunities, and to combat fraud or other abuses.

60. To this list, we have added the new requirement of an *asset-backed* crypto-currency, so that transactions do not lack intrinsic value.

B. Nature of the *blockchain-based trade platforms*

61. *Blockchain-based trading platforms* are being proven in trades of many kinds of commodities, products, and services. There is no uniformity of contracts governing these trades, and as major enterprises move to blockchain, this becomes a very serious matter. The parties to a transaction might be comfortable, and be licensed, for securities transactions, for instance. If they are so prepared, then the smart contracts will support this. If, however, the parties want to engage without securities law and

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securities regulation applying, then there are many configuration choices available. Today, in the wider conversation around the issuance and use of cryptocurrencies, some unartful legal work has led to many regulatory issues. Our intent is to clarify the thought process pro-actively, so that traders on the Neo-Barter platform can be mindful of the choices they make. So, they take full advantage of the inherent flexibility of the platform. From here, the following transaction types can be taken in view to be traded via the platform.

1. Securities

Securities regulations are complex, and a major burden for small organizations or markets. For energy companies, financial institutions and other complex organizations, their familiarity with the procedures may guide them to want security laws to apply. This creates difficulties for early stage organizations, or those in countries lacking securities markets. The point is that platform users must be aware of laws and regulations governing all aspects of their trades and make an informed decision about configuration of their contracts. In cases where users choose to trade under securities or commodities regulation, this will be supported by the platform.

2. Barter

In other cases, users may opt for the simplicity and clarity of barter law, and this, too, is supported by the platform. We do make a point regarding barter in combination with ABC²:

there is tremendous economic development potential for people, organizations or countries without monetary resources to digitize many classes of assets in order to finance trade as well as the improvement of productive infrastructure.

This is diametrically different than the speculative bubble that has been made by un-backed cryptocurrencies such as Bitcoin.

3. Asset-backed cryptocurrency

While the UbiVault Fabric technology can denominate and settle trades in fiat (such as dollars or euros) or any other “currency”, it adds the ability to do so in *cryptocurrency* that is simultaneously backed by the underlying assets, *closely* related assets (such as LNG backed ABC² for settlement of LNG deliveries), or even assets that are quite different from the underlying assets.

C. Alternative trade approaches (via assets and ABC²) - less risk and less cost

62. In addition to direct use of assets as a monetary alternative in any form of finance, the additional benefit of ABC² is that removal of fiat currency fluctuations reduces risks in the trades, especially term-contracts, and banking fees will be reduced or eliminated when fiat is not required.
63. ABC² can provide the flexibility and simplicity (and thus lower cost) found in barter law, relative to the complex regulations associated with monetary instruments, securities, and commodities. For traders in countries whose currencies are not widely traded, the

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savings in forex spreads may be particularly significant. For countries under financial limitations, additional benefits can arise – the UbiVault Fabric integrates *Know-Your-Client* (KYC) and *Anti-Money-Laundering* (AML) technology, as well as other compliance solutions.

64. As cryptocurrency or virtual currency is legally often regarded as a ‘good’, we note that such a good can be exchanged against another good. This is irrespective of the question whether the latter good is presented as a physical good or as a service. Exchange of goods is in any case regarded as barter. It is therefore that we hereafter review the instrument of barter in more detail.

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V. The legal watershed between money-based trade and barter

Exploring the scenarios for asset backing of cryptocurrency

65. Several legal and accounting strategies can be used to back *cryptocurrency* with assets. In the same ways that legal venues can be “shopped” to find the best place to base contracts and conduct transactions, legal approaches can be chosen based on the objectives of the users and legal terrain of the countries they may choose. Legal venues that are friendly to the emerging *cryptocurrency* practices can attract economic activity, as well as venues that work best for the accounting of stakeholders. Cryptocurrency issuers and users, however, must remain cognizant of valid regulatory worries over investor protections, Anti Money Laundering, and Anti-Terrorist Financing.
66. Outlining this with a broad brush, we see **four viable legal approaches to converting assets into backing of ABC²**, each with different legal and regulatory consequences. In each of these, either a token or ABC² would be given in return for one of the following asset contracts.

A. Under the *money umbrella*

- (1) **Banking and commercial code.** Traditional bank approach where the owner retains title, with a contractual lien securing interest in the asset. Banking and commercial codes apply. Note the temporary nature of this approach.
- (2) **Securities.** Securitization, using the examples of mortgage backed securities, exchange traded funds, or structured securities can be used. Other versions that trigger securities regulation is any use of derivatives. This approach is the most highly regulated. Note the semi-permanent nature of these structures.
- (3) **Insurance and/or escrow.** Asset titles and/or other rights are escrowed, a status that does not imply transfer. By contract the escrow provider can back the cryptocurrency. Additionally, insurance may be issued to the cryptocurrency holder so long as the asset title is escrowed. Note that these approaches keep a relatively short-term focus on the asset, and possibly a transactional focus, even if it is a long-term contract.

B. Under the *non-money umbrella*

- (4) **Barter.**
Not regulated.

Making the difference

67. The distinction between the *non-money umbrella* and the *money-umbrella* is spelled out in this way in order to clarify that there is a fundamental difference between the way assets can be covered in legal terms. As long as one stays within the barter context (B) one is relatively free of regulatory controls. Contract law (aka private or civil law) is key for barter, not public (interventionist) law by the regulator and/or the state. Monetary instruments (based on money as means of settlement) are constantly monitored. Money transactions are heavily regulated by the state, as is virtually everything in the monetary sector. In the monetary sector ‘it is all about money’. The flip side of this is that money today has become all about regulation.

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68. There is good reason for the described fundamental divide because barter is by its nature always backed up by assets -- not instruments -- at the moment of the exchange. Contrary to this are money-based transaction products. They lack this feature. Money has (virtually) no underlying backing by assets -- it is backed by “full faith and credit” of governments, whose performance varies. In a world with extensive global trade, there must be global ABC² -- just as a village may want to operate its own system separate from its national government. Both politicians and bureaucrats like to exercise power without doing a great deal of work -- and micro-managing anything that touches money justifies their existence. These regulatory controls must therefore compensate for both the missing of assets and the related security those assets provide. Hence the watershed. We are fortunate that the legal framework of barter has survived, relatively unblemished, while money has fallen into its current state.

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VI. The solution in barter

A. Basics of Barter – Clear body of law with a minimum of regulation

69. Barter allows a party to make meaningful use of an asset through exchange that creates value for all participants. This exchange of goods (barter) predominantly takes place without the intermediary use of money. In this way barter, being an act of exchange that is based on the inherent *equality* of the contracting parties (as both parties have a good that the other party wishes to obtain), is also *efficient* -- as it does not require the intermediary facility of money, money services providers, or money-linked regulation.
70. Goods are regarded as *goods* as long as they are acquired for their current value, or utility. If acquired instead for participation in a future revenue event, then this becomes the domain of securities regulation. But this distinction may not always be so clear. Sometimes the exchange of goods is qualified as an *investment of money*, nonetheless, and barter rules do not apply. A legal ruling in the USA has made this clear, even though only goods had been exchanged. The actual appreciation of an *exchange of goods* will, in other words, be affected by the jurisdiction in which the barter arrangement is struck, as well as the nature of the exchange. The following example from the US perspective may clarify this point further.

Example from USA

71. In the USA the following applies. *Tokens* which are sold in a *crowd-sale* are regarded to involve an investment of money at any time, regardless of whether they are sold for fiat or digital currency (or anything else of value). In such a case barter rules do not apply. This has a history that dates back to at least 1946 (see Case below: the 'Howey Test').

“Substance over form”

72. With the 1946 Howey Test, the US Supreme Court created ‘a test’ that looks at the substance of an investment, rather than at its form, as the determining factor for whether a transaction is a security. An arrangement between parties may very well be a *security* under the law, meaning that registration and disclosure requirements apply. This is irrespective the fact that words like *stock* or *bond* are not used in the contractual arrangement. In view of the Howey Test one must specifically look at the economic realities behind an investment scheme, rather than at its name or form, to determine whether the arrangement is a security or not.

Profit seeking objective of tokens

73. In view of the above, note that:
- if an investment opportunity in the issuance and sale of tokens is in principle open to many people, and
 - if investors have little to no control on the management of investment money or assets,
- then that investment is *probably* a *security*. This qualification (*security*) comes from the profit seeking nature of the acquisition of the token(s) in question.

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Utility objective of tokens

74. If, on the other hand, an investment opportunity is made available by the issuance and sale of tokens only to a few close friends or associates, and if these investors have significant influence over how the investment is managed, then it is probably *not a security*. This qualification (*not a security*) comes from the utility nature of the acquisition of the token(s) in question. Thus, a closed market for LNG traders using LNG-backed ABC² need not use securities constructs.
75. Note also that if an asset is exchanged for the token, and the token is simply a means of exchange, and that any profit to be made must come from a separate transaction, securities law does not apply, and we are back to the simplicity of barter. Here too the utility factor of the token dominates, instead of a profit motive. This principle of transaction separation from token issuance is particularly important (as is also further explained in a later Note (see below the Note regarding ‘The Howey-test on an ICO in the food sector’’)).

In sum

76. It is in the interest of users of the ABC² trading platform that this platform can support trading of goods with minimal interference by third parties, such as public administrative authorities. In view of this requirement of ‘minimal interference’ on the trading platform will support the trading of goods, including cryptocurrency and the so-called *utility tokens*. However, for those prepared and accustomed to securities regulation, the platform’s configurations can easily support these needs as well. We simply want platform users to be mindful of the consequences of their decisions.
77. Until later date no trading will be supported of tokens via crowd-sale and the like – except for those willing to be in full compliance with securities offerings – or a utility not-for-profit crowd sale (in which case the compliance with securities offerings is not an issue).

B. Barter: a trade concept under the *non-money umbrella*

78. Given that governments from economically dominant countries are treating *cryptocurrency* already as a “good” -- instead of money -- and that hard assets such as oil and gold are universally considered “goods,” the laws and customs of barter can be referenced in contracts. In this way cryptocurrency can be exchanged for, say, oil.
79. Barter is defined as a “reciprocal exchange of goods.” This has two distinct forms:
- 1) *permanent* exchange of title to the goods; and
 - 2) *temporary* exchange of goods.
80. Illustrative examples of these forms are where two people might enter a barter agreement to exchange a car for a truck – just for the weekend. In this way (‘just for the weekend’) a temporary exchange is made. However, they could also enter into a permanent exchange.
81. The permanent exchange triggers change of title, which is a taxable event. The *temporary exchange* is not treated in the same way. Many aspects of “the sharing economy” come to mind, and one may wonder how the existing body of law may impact *cryptocurrency* backing.

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Note 1 about temporary use of tokens

In this regard, we also refer to the impact of temporary exchange on the Neo-Barter platform. To make the point, we could configure a gold-backed cryptocurrency to involve either a temporary exchange of asset for token, or a permanent exchange. Both may be useful in different circumstances, but we should also expect them to be treated differently for tax and regulatory reasons.

Note 2 about temporary use of tokens

Imagine, for instance, that we have gold which is not supposed to leave a country or have a change of title: a grant of temporary use in an exchange for tokens, and where the tokens may be used outside that country, give the ABC² a tremendous flexibility.

82. As some governments have begun to classify *cryptocurrencies* as 'goods' instead of 'money' this gives impetus to taking full advantage of this. Barter trade is then the ticket to ride with all the legal implications that such a trail brings forward. From a legal perspective, the following should then be kept in mind.

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VII. Revisiting legal aspects of barter: a wealth of advantages

a. Towards 'Neo-Barterism'

83. Classic Barter is, in Wiki speak, a system of exchange where goods or services are directly exchanged for other goods or services without using a medium of exchange, such as money. It is distinguishable from gifts in that *the reciprocal exchange is immediate and not delayed in time*. It is, according to Wiki, usually bilateral, but may be multilateral (i.e. mediated through a trade exchange). It is further noted by Wiki that until now (2017), in most developed countries, barter usually exists in parallel to monetary systems, and is of minor economic consequence. This has to do with the inefficiency of classic barter. Readers will note that *cryptocurrencies* are a means of exchange but remember that logic only goes so far when regulators have determined it to be a “good.” The opportunity here is to use the simplicity of civil law regarding barter and common contract law – enfranchising anyone to benefit from the comparative advantages of trade. This is transformative; while it is market centric, it is not money-centric. This is *Neo-Barterism*, not capitalism. Anyone can create something of value to barter. Any non-governmental entity creating “money” is a criminal, but value creation is not criminal and barter as a method of exchange is completely legal and backed by an extensive body of clear law.

b. A digital game changer for barter as a method of exchange: UbiVault Fabric

84. The previously limited use of barter in developed countries may change rapidly through the availability of the UbiVault Fabric trading platform, which tries to take advantage of the digital revolution to the fullest extent possible. While the so-called inefficiency of Classic Barter has given rise to *money* as method of exchange, it must be noted that the mentioned technically advanced trading platform can position Neo-Barter as an elegant, well-liked instrument for development and other economic activity (wealth creation). The platform enables negotiation, settlement, and immutable tracking of the flow of goods and services from the point of creation to the place of delivery, while also using standard blockchain smart contracts. Through barter we can work around monetary controls, providing liquidity to businesses that need it while providing an appropriate level of assurance to investors and holders.

c. Derivative productization in the barter context – again legal aspects in review

85. Certain features that are naturally available in the fiat financial context (such as the use of *futures*, *options* and *swaps*) require further attention, as these financial instruments do not exist in classic barter. Barter is traditionally seen as an alternative to money, and the concept of barter rests on the idea of *immediate reciprocal exchange of goods*. This means that the goods must be *immediately available*, or assumed to be *immediately available*, at the moment of the exchange. One needs to own or possess a “good” in good standing, otherwise no barter can take effect.

86. In case one wishes to transpose the ‘money’ related concepts of *futures*, *options* and *swaps* into the ‘non-money’ domain of barter, one has to manage contracts carefully. Within the barter context one has to understand that these future bound concepts must be rebuilt on the principle that barter requires the *immediate reciprocal exchange of goods*. This means that the equivalent functionality of *futures*, *options* and *swaps* can only exist as the barter good itself exists at the moment of the exchange of such a good with another good. *The design of the respective contract has to reflect this understanding.*

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87. If so, logic then has it that in case the '*main right*' is a barter arrangement (being a contract under civil law) any '*dependent right*' (such as a barter related '*future*') remains in the same dependent way within the legal category of barter. This is a result of the barter contract, which in turn rests on **civil law**. In addition, *such a dependent right (like a barter equivalent of a 'future')* can therefore not ever be regarded as an independent right that may fall under regulations for the financial sector (as part of **public [interventionist] law**).

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VIII. Derivatives in the barter context

a. Basics

88. The above means that dependent rights, such as a futures, options and swaps, can be defined on the basis of having the actual ownership and possession (or control) of a particular good ('X') at the very moment of the exchange with another good ('y') in the following manner'.

- Future

A. Future: the obligation to exchange a shipment of -for example- a quantity of specified gas on a specific date (or between dates) in return of another good and that is:

- 1) owned or in possession in good standing by the exchanging party *at the moment of the exchange*,
- 2) ready for *immediate (instant) exchange*; and
- 3) based on a specified *non-monetary value* in a) tokens designated in the underlying, or b) in ABC², or c) in a share of the cargo;

- Option

An Option: The agreed exchange of a good **without the obligation** to execute a shipment of -for example- a quantity of specified gas on a specific date (or between dates) in return of another good and that is:

- 1) owned or in possession in good standing by the exchanging party *at the moment of the exchange*;
- 2) ready for *immediate (instant) exchange*; and
- 3) based on a specified *non-monetary value* in a) tokens designated in the underlying, or b) in ABC², or c) in a share of the cargo;

- Swap

A Swap: the contractual **mutual obligation by the contracting parties to exchange goods** at a delivery date (that may be related to an event), or series of delivery dates, on the basis that these goods are:

- 1) owned or in possession in good standing by each contracting party *at the moment of the exchange*;
- 2) ready for *immediate (instant) exchange*; and
- 3) based on a specified *non-monetary value* in a) tokens designated in the underlying, or b) in ABC², or c) in a share of the cargo.

b. Repositioning terminology: from monetary sector into barter trade sector

89. In the context of exchange of goods (that in effect may also take the form of *tokens* or *cryptocurrency* in exchange of goods instead of solely 'goods in a material sense') the terminology of *future*, *option* or *swap* may be confusing. This may be so as their terminology stems from the money-based capital markets. The financial instruments that they represent in capital markets are different from the ones that can be offered in the context of barter (which is not *money*). Nonetheless, the mentioned derivative instruments are helpful concepts in thinking through the modern practice of barter that

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we nowadays (2017) would like to support.

90. In order to make a clear distinction between the markets that can be in play (*money trading or barter trading*) it is helpful to rename the concepts of *futures*, *options* and *swaps* for the barter environment of UbiVault Fabric *commodity trading* in the following manner.

Barter dependent obligation

- 1) A 'future' will be renamed into: *Barter dependent obligation -a Buture-* (i.e. **with the obligation** to exchange at a defined moment in the future);

Barter dependent un-obligated right

- 2) An 'option' will be renamed into: *Barter dependent right to exchange a good— a Boption* - (i.e. **without the obligation** to exchange it at a defined moment in the future);

Barter dependent mutual obligation

- 3) A 'swap' will be renamed into: *Barter dependent mutual obligation to exchange goods - a Bwap-* (i.e. **mutual obligation by the contracting parties to exchange goods at a defined moment in the future**).

91. As it is an essential requirement for barter that the goods in question are instantly available *at the moment of exchange of goods*, it is for any of the *future-related* barter objectives (see above) paramount that such barter contracts must be drafted in such a way that the availability of the respective barter goods is a certainty at the moment of exchange. This aspect of certainty is pivotal for barter. It stands out against any *money* related instrument (such as a *future*) that depends on an uncertain event in the future that lies outside the control of the barter contracting party. Because barter is so much tied up to certainty -- the certain exchange of goods between parties -- aspects like speculation and manipulation are virtually nonexistent in barter environments. This feature of barter is much in contrast with money related trades.

92. In order to assure certainty, we can divide the barter process into phases. The first phase is the search for a match. Phase Two is negotiation and documentation of terms and conditions, including execution of the agreement. Phase Three is delivery and acceptance, and Phase Four is post barter, including support and possible post payment in crypto. Certainty is best achieved by declaring the barter itself (not the contract) to be executed upon acceptance of the delivery. If partial or whole settlement prior to exchange of possession is involved, then we deem this to be a deposit, not triggering revenue recognition. Adjustments may also be due in Phase Four. In the money world revenue recognition for software works well on this basis. If the buyer is not fully trusted, then escrow, insurance, or a barter/crypto version of a letter of credit can be used.

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93. This creates analogs of trade instruments in the barter world:

Money World	Neo-Barter World (using ABC ² and 'smart contracts')
Letter of Credit (against shipping documents and certification of quality and quantity)	Letter of Barter
Guarantee	Crypto-Guarantee
Bill of Lading, Airway Bill	Bill of Exchange
Payments and Collections (based on documents)	Exchange Settlements (based on smart contracts)
Payment adjustments for quality and quantity delivery (terms of replacement, augmentation or return)	Settlement adjustments for quality and quantity delivery

94. Barter is from the onset based on security about the immediate exchangeability of the asset that is in play. In this barter differs greatly, as said, from the classic *money markets* in which uncertain events (outside the control of the contracting party) play a substantial role. Due to this distinction from the money markets the *future-related barter instruments* are by nature so called *dependent rights* (see further below).

95. In *Wiki speak* the position of a '*dependent right*' is clarified for Dutch law as follows:

A dependent right or *accessory right* is in Dutch private law "*a right that is linked to another right in that it cannot exist without that other right*" (Article 7 of Book 3 of the Dutch Civil Code - BW). That other right is often referred to as the "*main right*" in order to distinguish it. Although, strictly speaking, use-rights such as the right of leasehold and usufruct also fall under this definition, they are not counted as dependent rights. The distinction between these rights is that dependent rights are always in one and the same hand, whereas 'independent rights' are by their very nature in different hands.

Dependent rights follow the law to which they are attached (Article 3:82 of the Civil Code) and generally only exist as long as the main right exists. In case the main right is transferred or ceases to exist, the dependent right will *ipso iure* be transferred or canceled. It follows from the nature of the legal text that a dependent right cannot be transferred independently of the underlying good.

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Examples of dependent rights are the pledge, the right to mortgage, bail, and inheritance. The mortgage, for example, is linked to a claim from a loan to the borrower. If the claim is met and is thus becomes null and void, the mortgage lender's (often the bank's) mortgage lapses on the mortgaged property. It has been controversial in the literature what exactly happens with the dependent right if, for example, the mortgagee disposes a portion of the claim. Nowadays, in addition to the traditional belief that the right to mortgage remains with the property owner and is only linked to the "final claim", it is also defended that the mortgage is partly transferred, after which a kind of common mortgage is created. *A dependent right is also a secondary right if the main right is a claim. These examples show how common law, and not securities law, affects pledging of assets – so long as the proper structures are used.*

c. In sum

96. In sum, and again: a **dependent right**, such as a *future* under barter law, follows the **main right** (a residue of fine Roman law and of grand Roman thinking of more than 1600 years ago and beyond). If barter (being a *main right*) is regarded as a non-money concept, then a barter equivalent of a 'future' (being a *dependent right* and therefore a *non-money* instrument) falls by consequence outside the entire public regulatory domain for financial markets. Such regulation has been construed to control the issuance of *money* and the performance of the *money*-based service sectors to which barter does not belong.

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IX. Requirements for technology to lift barter to a modern trade role

A. Legal constructs of ABC² structures and benefits

97. Having UbiVault Fabric as a secure, flexible trading platform for tokenizing assets and conducting trades settled in ABC², the UbiVault Fabric trading platform offers important new efficiencies to many markets.
98. This platform is able to support enterprise-quality transactions and distribution, including documentation for real-world problems of law, accounting, and compliance. There is no shortage of controversy about *cryptocurrency use* in fundraising and transactions. A great deal of creativity is possible, but we are biased toward simplicity and efficiency that aligns with the legal venues you choose to deal with. We start with the basics: select assets, tokenize them, and conduct trade that leaves the world a better place.
99. In these processes, every market player will need to carefully make its own choices, informed by local laws and regulations, as well as the know-how of the counterparties. One of these choices may be a choice between a temporary arrangement and a permanent arrangement, as is explained hereafter.

B. Asset -- Crypto -- Exit – The Backing Cycle

100. Blockchain architectures are evolving rapidly, becoming much more sophisticated than the original Bitcoin model. For our purposes, the system must allow for multiple approaches to converting assets to *temporarily* back cryptocurrency. Further, it must facilitate exchange of tokens into other stores of value. When needed it returns full control of the asset to the owner. Which methods to be used are a matter of:
 - a) law and venue governing the activities; and
 - b) accounting concerns of the stakeholders.
101. Flexibility of configuring the platforms is needed to make all means available to platform users, so that these become configurations based on the terms and conditions of any trade. We leave the decisions up to stakeholders in any particular trade and their regulators.
102. While that may seem straightforward at first look, it is not. Let's say we have a large amount of gold and we would like to tokenize it as ABC² so that we can conduct trade outside of fiat currencies. Obviously, legal contracts are needed to assure the ABC² holder has a real store of value. *Written one way, it would be a security, and involve securities regulation. Written another way, it might trigger commodities regulation. Another method might treat it as collateral, which is less regulated, but the tax considerations change by venue, and recording of liens also changes by venue.*
103. Thus, "asset-backed" can have a multitude of meanings; there are methods of doing this that are far better than others. Even after making the above choices, there is still the business issue of whether to allow new gold holders to contribute to the backing pool at any time or only once. Similarly, can ABC² holders exit directly to physical gold at any time, or do they have to wait years to get the gold? There are already a number of gold-backed cryptocurrencies, and *no two operate in the same*

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way. Moreover, none yet have a great deal of traction in the marketplace. What follows is a tour of the legal landscape, and recommendations on where you may want to go.

C. Again: more legal choices

104. The US government is often referenced around the world for legal thinking when innovation happens. From Initial Coin Offerings to the use of Bitcoin, it is setting trends. Other governments who are looking to give their own technologists a leg up, are trying to create as beneficial as possible a legal framework for financial technology innovation – Singapore is an outstanding example. Again, other governments have stepped in to outlaw what they do not understand or cannot control. But things are panning out. Gradually, world trade will embrace ABC² because it is efficient, secure, and relatively stable. Blockchains will have a role in trade and finance because it is transparent and efficient. The best of the US leadership, especially with regard to protections for investors and customers, sets precedents that seem likely to be widely followed. EU and British law also provide important examples of well-considered leadership. The following are the primary examples of determining which body of law applies, and exactly what the boundaries are between the bodies of law.

1. cryptocurrency isn't money according to many regulators – a huge opportunity

105. Law often seems to be a painful form of yoga philosophy. Theoretically, bitcoin can easily be used to buy goods at many ecommerce sites, or even buy a cup of coffee. In reality people buy houses with bitcoins. In any case, it is absolutely a means of exchange. That does not mean this cryptocurrency, or any other, is “money” in the eyes of the law.

106. The legal status of the newly emerged *cryptocurrencies* varies by venue and currently involves legal pathfinding by official authorities and major financial players (banks in particular).

107. As an example of such probing we note that the oncoming *5th European Anti Money Laundering Directive* (already in draft) should clarify the status of digital currencies. This *5th Directive* is worked on while the ink of its predecessor is hardly dry. It will build on the *4th Directive* (now in force; EU 2015/849 (20 May 2015)), which is in itself already more than 115 pages long. This further adds to the *European Service Directive II* (EU 2015/2366 (25 November 2015) where direction is given to the regulation of *electronic money payment services* and, in particular, **not allowing the creation of electronic money** by payment institutions. This European regulatory effort is next to another massive regulatory undertaking, also known as *Mifid II* (or: *Markets in Financial Instruments Directive*). This new footprint in regulatory drafting contains, according to the Financial Times, more than 1400 paragraphs of legal text, just as a start (<https://www.ft.com/content/ae935520-96ff-11e7-b83c-9588e51488a0>) and it will be in force as from 3 January 2018.

108. Meanwhile, in the *US, Germany, and Singapore* the tone has already been set as *cryptocurrency is treated as “property” or “goods,” not money.* **Stop.** Think about that again. There is over \$100 billion in cryptocurrency market capitalization, and it is “not money” according to many governments. **If it is not “money,” it cannot be regulated as “money.”**

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109. Australia, on the other hand, treats *cryptocurrency* as “money” and this along with *in-game virtual goods*. Yes, confusion reigns. However, the market continues to mushroom.
110. In short, in looking at different legal venues, stakeholders need to be prepared to find that regulators may hold principally different approaches about this subject around the globe. As a result, there exists legal uncertainty about the question of whether *cryptocurrency* (or any other form of “token”⁹) can be regarded as *money*, or whether this is a *non-money* subject.
111. In view of statements from administrations in the USA, Asia and Europe (EU) the legal status of *cryptocurrency* will undoubtedly undergo legal contortions in the next several years.
112. That said, there is legal groundwork available that may help to provide an answer to this point. The following may help to understand the quest, and in particular in regard to ‘*asset-backed*’ *cryptocurrency* (*C*²). We obviously must have legal agreements governing either the raising of funds using cryptocurrencies, or commerce conducted in cryptocurrency. **By carefully observing certain decisions, we can create far more opportunities than problems.**

2. Legal boundaries – the Howey Test

113. In law we do observe legal boundaries. It is in fact an essential element of the rule of law that we respect boundaries. These boundaries are particularly in sight when we enter different fields of legal practice.
114. Such a boundary exists when we view the legal domain that sees to the financial markets as opposed to the legal concept of barter on which this Manifesto has been focused.
115. In testing the boundaries, the (1946) *Howey Test* is further helpful -- again. According to the US Supreme Court of that time (1946), which Court gave a binding ruling on this test, ‘an arrangement’ can be regarded as an *Investment contract* (and therefore be subject to US (SEC) Securities regulation) in case that arrangement would meet each of the following test elements. The arrangement would have to be:
- 1) an investment of *money*;
 - 2) in a common enterprise;
 - 3) with an expectation of profits predominantly from the efforts of others.

⁹ *Tokens* emerge in cryptocurrency projects as a way of funding such projects. For the party offering the cryptocurrency tokens for sale this has become a proven way to raise funds for a project in the cryptocurrency domain (the launch or improvement of a cryptocurrency product or service).

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Note - The Howey-test on an ICO in the food sector

How this Howey-test can play out in the current practice of the US Securities and Exchange Commission (SEC) is demonstrated by its 2017-intervention in a \$15 million Initial Coin Offering (ICO) to support a food-focused app that is meant as “a visual guide and social-networking app for food,” aka ‘Munchee’. Munchee contended that its tokens were Utility Tokens, but by applying Howey it becomes clear that they were trying to call a security something that it was not in fact. From the SEC intervention it becomes clear that a pro-active assessment of “the economic realities underlying a transaction” is key if one aims to stay away from SEC regulations and monitoring. The underlying reality is, so we learn from the SEC intervention in question, that token-issuance should then not serve as a share in profit of the issuing company or become subject to speculation and the like. On the other hand, an issued token can give you a seat at the table of a restaurant without having the burden of legalities playing up if one sticks to the adage: a token for a (restaurant) meal. In short: a fine example of fuss-free Neo-Barter using real Utility Tokens.

For more information about this topic, please see:

- SEC Takes \$15 Million Bite Out of an ICO Dec. 12, 2017;
<https://www.natlawreview.com/article/sec-takes-15-million-bite-out-ico>
- As the SEC Looms, An ICO Falls Afoul of Securities Rules
https://news.crunchbase.com/news/sec-looms-ico-falls-afoul-securities-rules/?utm_source=cb_weekend&utm_medium=email&utm_campaign=20171216&utm_content=sub-hero&utm_term=link_ICOsmackdown

116. There is nothing inherently wrong with securities regulation. We say this again. Still, it is a particularly complex area of law with a heavy burden of compliance. This has arisen for many good reasons: unregulated securities transactions have been fraught with fraud. Protections can be needed. However, normal commercial transactions can be much simpler under their own body of law, and cryptocurrency, if not “money,” provides many ways to finance development and trade without the regulatory burden of securities.

3. No securities regulation applicable

117. The barter arrangements that our *ABC² trading platform* supports, do not trigger the Howey Test. Even the carving out of an *interest* is not part of these arrangements. Securities regulation does therefore not apply.

118. The first step in thinking through the legal work is that barter is the oldest form of commerce. However, with the rise of *money* it became less common because having an independent means of exchange was far easier than dealing with the right amount of, say, meat versus vegetables. The now occurring revolutionary breakthrough is that legally, in many venues, *cryptocurrency* is as much a “good” as a vegetable. Thus, buying a cup of coffee is in this way not a monetary transaction; it is a barter. And

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barter law applies. Here, modern law draws on the Roman laws of barter (aka '*permutatio*', as re-instituted by Emperor Justinianus I of the Byzantine Empire; *Corpus Iuris Civilis* (appr. 530 AC)), which are both simple and serviceable. And since cryptocurrency is not money, and not regulated as money, with the help of modern computing and IT technology we can construct what we might call: “**Neo-Barter transactions.**”

119. For example, in the money world, *futures*, *options* and *swaps* trigger either securities regulation or commodities regulation. While the *ABC² trading platform* will support any barter arrangement that may be completed at a future date (in Neo-barterist words: a *Buture*), this particularity only concerns a *Barter dependent* obligation to exchange a good at a defined moment in the future. Such a feature of a modern barter arrangement has, on the other hand, no bearings on *making profit* by any of the bartering parties in question, nor on *making profits by the effort of others*, nor on (predominantly) *using money*, nor on *taking interest* in some way.

120. Measured by the above-mentioned three criteria of the Howey Test, the barter arrangements that the trading platform supports cannot be read as *investment contracts*. The criteria of the Howey Test do not apply, and they cannot be read into any of the barter arrangements that our *ABC² trading platform* will support. In contrast, such barter arrangements have all to do with the exchange of goods that the contracting parties already have and that they wish to exchange between them (in a bilateral or in a multilateral manner).

4. Requirements for the evolution of blockchain trading platforms: security, speed, lower cost, and less red tape

I. Basics

121. A primary aspect of the utility of next generation blockchain systems is to offer a wide range of flexibility for an asset owner to use his asset. The temporary exchange of a good is the most far reaching format as, in such a case, the contractual arrangement may be construed in such a manner that the asset owner does not lose his asset(s). In that case he can remain the owner of the asset for the duration of the *temporary exchange* and, in consequence, he will hold the good in custody for his contractual counterpart until the temporary agreement expires.

122. On the other hand, we can also see the *permanent exchange* taking effect.

Think about a case as follows: If the owner of an oil/gas reserve needs to build facilities or purchase equipment, this can be done directly without a bank and with potentially much less regulation in play. In the same way that many retailers have come to accept Bitcoin (which has no intrinsic value), there are many vendors who will accept payment in fully secured *ABC²*. In this case 'barter law' will also apply. This must be the conclusion when and where major countries regard *tokens* and *cryptocurrencies* as goods. Subsequently the same applies for *Asset-backed CryptoCurrency (or: ABC² (sometimes also referred to as 'ABC2'))*, which term is, as the name reveals, no less or other than *cryptocurrency* that is backed up by real assets (that have intrinsic value). *ABC²* allows the asset holder to make a settlement in an easy manner (as the settlement is based on its own assets while, at the same time, the settlement does not require foreign currencies, bank rules nor regulatory controls by monetary authorities (that are meant to control *money-based* markets, not barter)).

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II. Exchange of ABC² – a plethora of options

123. Opportunities to convert among currencies, crypto and fiat, are numerous and continuing to increase. There is no difficulty for a vendor of, say, equipment to an energy product owner to be paid in ABC² and convert this ABC² immediately into fiat, Bitcoin, or anything else. That vendor may or may not be able to get his supply chain to accept an energy-backed ABC², even if it is available in electronic wallets. This does not matter, because of the plethora of conversion options already available. In this way, exchange is well established for virtually any pairing in which markets might be made. Today (2017), over 130 exchanges are operating *cryptocurrency* trading, with well over a thousand pairings offered, including many fiat choices. Even in emerging markets fiat pairings are common. In addition, 1) banks, 2) foreign exchange institutions and 3) settlements or payments services companies can deal in crypto and crypto-fiat exchanges.
124. UbiVault Fabric technology partners already plan to operate new exchanges specializing in ABC² payment platforms, and our expectation is that the rise of ABC² will both replace un-backed cryptocurrency, as well as increase the overall use of fiat alternatives.
125. While the first order of business is to enable vertical market (such as oil or LNG) stakeholders to trade in ABC², we also wish to provide the market with viable alternatives to unbacked crypto and thinly traded fiat currencies. This means, for instance, establishing markets for *energy*-backed cryptocurrency that are far larger than Bitcoin. This presumes the onboarding of many exchanges, full backing using multiple asset classes, and maintaining an adequate float to ensure adequate liquidity.

Note on choice of wording

Note that we carefully choose the word “backing” in order to avoid the words “collateralized” and “secured”, due to the legal implications they may engender. From a risk management basis, holders of ABC² get the utility they need without the risk of unbacked crypto, which has no intrinsic value.

126. ABC² holders will not enjoy the speculative thrill they have enjoyed in Bitcoin, but neither will they suffer, so we believe, the likely crash when the bubble of *cryptocurrencies* bursts. We believe this to be so as the ‘backing’ value of energy or gold is universal, although, like fiat, it does fluctuate as any free-floating, market-based asset would. Clearly, ABC² has more inherent stability than unbacked crypto, and may have more stability than most fiat currencies. Traders in a commodity are comfortable with the market risk of that commodity; and using *crypto* denominated in the same commodity simply reduces the number of risk variables.

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III. Managing asset-backing inflows and outflows

127. Four principles govern asset backing of tokens:

a. Full backing

ABC² holders must be assured of full backing, by whichever means, of a specific amount of underlying asset classes. This sets its value for trading, as well as its liquidation value.

The critical issue that managers of any trading program using ABC² face is how liquid to make inflows and outflows.

Asset Inflows – ‘Deposit’

Some ABC² products have a one-time backing event, while others incrementally add, and again others are discussing allowing anyone to convert even small amounts of gold into ABC².

Asset Outflows – ‘Withdrawal’

In terms of outflows, some do not allow exchange of gold-ABC² for a number of years, and then allow free exchange. The UbiVault Fabric platform leaves these choices to the issuer; success rests on what incentivizes market participants.

b. Agnostic to product features

UbiVault Fabric, as a trading platform, is agnostic to product features of the underlying asset, and technically supports any terms and conditions that upholds the principle of a fully backed *cryptocurrency*.

In the case of LNG, for example, there will be many asset classes, including reserves, LNG in export facilities, LNG on the water, and in distribution facilities. Ability to come in and out at any time in commercial quantities is needed, especially during the formation of new markets. If the ABC² is also used in retail payments, fractional portions of a coin can be used for small settlements in the same way as is possible with Bitcoin. Thus, there logically must be rules established for each asset class that make common sense in view of markets, both for settlements and for payout in the underlying if the holder prefers this. The beauty of *cryptocurrency* is that it is as easy to let users pay in a fraction of a ton, or a fraction of a billion cubic meters, as it is to buy coffee in a fraction of a Bitcoin. It is not a problem that anyone wanting to exit the cryptocurrency into the underlying asset should face some minimum quantity requirement, as well as maximums.

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c. Compliance for the public good

The UbiVault Fabric platform enables trading stakeholders to efficiently report to regulators, or even allow regulatory oversight in real time, if desired. UbiVault Fabric includes powerful new versions of Know Your Client (KYC) and Anti-Money Laundering (AML) integration to assure criminal, anti-fraud, and anti-terrorist controls are in place. Further, none of this is to evade taxation – the rules for taxing barter are well established. Overall, UbiVault Fabric simplifies compliance.

d. Everywhere, anywhere

It is our expressed, long-term vision, embodied in UbiVault Fabric technology, that people everywhere, on their device of choice, should have the ability to transact in a secure store of value that can be readily exchanged. The benefits accrue to wholesale and retail uses alike.

This goal presumes direct convertibility of assets into backing of crypto, and reconversion or exchange to anything else. All recorded in the immutable, consensus-tested distributed ledger.

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X. Financial specialists in a Neo-Barterist world

What is the proper role of financial institutions and financial services?

128. Certainly, financial institutions are a requirement where ABC² is exchanged for fiat currency. True, the culture of financial institutions is a major part of the problem with today's money economy, and we don't want those practices to bleed over into barterism. At the same time, these institutions have tremendous know-how in structuring financings and managing risk. A major advantage that the Barter platform has is its transparency; if an institution is not adding value, then it will by default be disintermediated.
129. While financial institutions have become notorious for their rent seeking and fees, as well as resistance to better customer service and rights, financial services still provide real value. Disintermediation of the institutions does not mean the services will not be used; rather, the Neo-Barter platform will enable anyone to offer financial services - meaning either financial institutions or non-institutions. Credit of all flavors, derivatives, fraud detection, reporting/rating, insurance, escrow, or any other structuring that aids in the creation and flow of value are welcomed -- from any provider.
130. Approaching this even more creatively, Neo-Barterism creates new opportunities for financial professionals. For example, a skilled banker, or otherwise appropriately specialized person, could work on the platform using Neo-Barterist tools to finance development and trade that would have required a licensed institution in the money world. A person skilled in arranging asset backing, asset loans, and barter non-money derivatives will be needed to put together many transactions. Auditors, insurers, and other specialists have key roles as well, so we envisage. Clearly the Initial Coin Offerings of 2014-2018 are not a long-term model for early-stage business financing, due to the high incidence of fraud and the widespread triggering of securities laws that have many side effects. Thus, as there have been venture capitalists, there will be *Venture Barterists* in the near future. We have seen private equity; now we can see *private asset professionals*. The skills are fully transferable, so long as the electronic marketplace and laws dividing barter from money are recognized.
131. Money transfer services are universally highly regulated to control unwanted activities. Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) are key among these. More repressive regimes use financial institutions to monitor and control opposition. Interestingly, there is relatively little sharing of data about the sources and patterns of fraud. However, in the Neo-Barter platform data regarding, the quality of goods and service and other critical performance information is shared. By including in the trading platform information relating to transaction histories we can transparently gather and share information about counterparties. Further, various biometric data, locations, devices, and history can be a major tool set to protect platform participants far better than financial institutions are doing today. Moreover, artificial intelligence can easily be plugged into the platform, skilled analysts need to work with all these tools to better protect the platform participants. In the same way a company considering granting credit would go to a private credit bureau in the US today, identity and transaction scoring specialists may offer their services on the platform in the future. As an international platform, this data will quickly become far more comprehensive than the national databases available today.

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132. Banks and payment specialists may well choose to participate in the Neo-Barter platform; their skills will no doubt be valued. However, their rent-seeking high fees for international transfers and payment processing will be circumvented. Financial service providers have evolved, and paid dearly for expertise in granting credit, evaluating collateral, and managing financial risk in complex trades and projects. Since i.e. a “bank” is highly regulated by definition (due to their inherent leverage and operation of money control systems), there is no reason why these functions must be provided solely by such institutions, with their high regulatory costs. De-institutionalization of these skills is possible with the platform.
133. Most entrepreneurs don’t use venture capitalists (VC) today. The role VCs play is channel money to strong teams in hot sectors. VC’s calculate their returns on prospective investments to be very high because they know they are in a high-risk/high-return business. Few of these investments pay off, but enough do. How would a venture barterist be different than a venture capitalist? A venture capitalist raises money from wealthy and institutional investors. A *Venture Barterist* (a VB) would instead look for assets that could be traded or tokenized to back ABC², a transaction in which the asset backer (or “backer”, instead of “investor”) would earn tokens or ABC² for the act. While one might speculate that a barterist would not be so greedy as to be on the high-risk/return scale of a VC, there is no reason to expect that. The VB must help with corporate guidance in the same way as a VC and assure returns for those who put up assets to back the project in a similar way. Of course, the VC’s payoff comes when he can sell the equity capital of his investee, which is a securities transaction. We see nothing wrong in a hybrid model where the VB also takes equity for his efforts and sells it later, but this is a hybrid with the money model. How about a pure barter company? Pure barter financings by the VB may not be necessary, but it is instructive to go through the thought process.
134. Let’s model this on capitalist history before diverging into a new model. Throughout the history of trade, particularly in larger scale operations on the Silk Road, project finance developed so that wealth could be pooled to buy particular goods for resale. From the mid 1700’s, the industrial revolution brought scale not only to manufacturing, but also to finance. The joint stock company became a vehicle where investors, not necessarily requiring royal assistance, could create an ongoing enterprise that worked not just project by project, but could build scale while managing risk. The proceeds were distributed regularly, as they are today by corporations. Enterprises are created with money, intended to accumulate money, and pay out in money.
135. Neo-Barter organizations, if one is to be a purist more than a pragmatist, would have to do all this with value. Assets would be used to back the enterprise, they should accumulate value that will still be in the form of assets, and they could pay out in either assets or ABC². In accounting terms, the balance sheet would look the same. In Barteron, all of the corporate structures have the same validity they did in the money world; corporations, limited liability companies, partnerships, nonprofits, and co-operatives are all valid models. Similarly, incorporated cities are another valid model, as are public utility districts. The difference is whether money is their limiting factor. In Barteron, money is never the limiting factor. Demand is limited by the combination of assets and value creation. Supply is also limited by the combination of assets and value creation. Therefore, to build a business to supply a good, then some kind of asset backing from goods or services is usually needed, along with the skill to operate efficiently. But in Barteron, a village without money is not without wherewithal (meaning: means or supplies for the purpose or need).

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Neo-Barter in the Real World

136. As we envision Neo-Barter and Barteron, this model of trade and finance is applicable globally. The platform will facilitate preferences that parties may have for applying specific legal regimes for the barter programs that they wish to execute.
137. Beyond this vision, there is the issue of operationalizing these ideas. So, we take a detour into the mechanics of trade when Neo-Barterists operate with unreconstructed, standard rules of commerce – and find that this works quite well. *Incoterms* provide the best set of standard trade terms, because they have been adopted by most countries globally. In view of the standards for trade created by the International Chamber of Commerce, the following is noted regarding how Neo-Barterism works within these pre-existing structures:

The **Incoterms** or **International Commercial Terms** are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law. They are widely used in International commercial transactions or procurement processes as the use in international sales is encouraged by trade councils, courts and international lawyers.

The Incoterms are a series of trade terms related to common sales practices and are intended primarily to clearly communicate the tasks, costs and risks associated with the transportation and delivery of goods. The Incoterms rules are accepted by governments, legal authorities and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from different interpretation of the rules in different countries.

138. Incoterms set the rules for trade documentation and settlements, which of course assumed a money world. Does barter fit, when by definition all exchanges must be simultaneous, or dependent on a simultaneous exchange? Yes, but this requires some rather precise steps. This is not more difficult than standard trade, and smart contracts can make it extremely efficient. However, those smart contracts must be written according to certain Neo-Barterist principles.

Trades. A trade can be either a single transaction or sequence of transactions. In Neo-Barter we may want to treat a trade as a sequence of discrete transactions, where in the money world it would be seen as a single transaction with many rules, such as Incoterms provides. The adjustments for quantity and quality would be separate barterers in the sequence, or “dependent obligations.”

Timing of execution. This is the moment that assets exchange possession for each component of a trade. The “trade” is reconfigured into a sequence of barterers executed via smart contracts. The physical trade steps are the same as in the case of money. The simultaneous exchange required of barter takes place when the *possession of goods is exchanged at each step in the sequence. Using ABC² always assures that the principle of simultaneous exchange is preserved.*

Adjustments. If there are adjustments for quantity or quality in a shipment, then each of those is a separate step in the same trade sequence. At the time of the adjustment, the exchange is ABC² for a “good” but that “good” is actually at debit or credit contract for the value of the adjustment. We could also apply the dependent transaction rule on an initial trade, so there will be several ways to write smart contracts.

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Guarantees. A guarantee of an obligation is a credit transaction that requires the same due diligence and reserve backing as any other credit. If I borrow your car for an afternoon, I can offer, say, my house as a guarantee. However, instead of the house we could use ABC² as just another good and, in this way, be more precise in offering a guarantee.

Credit. This is the lending of any asset. I can lend you ABC², a car, or some labor – they are all credit. Note that in Chinese, Japanese, and Korean, the words for credit and trust are closely inter-related, and their history of credit is essentially the same as in Europe. So, this issue is not really about money, but about trust. More specifically, the lending of goods has been part of the nature of early trading. This step in trade dates back several millennia and must have started with the magical factor of trust as a trade-ingredient of cardinal importance. It is also possible to get a credit against projects not yet executed. This is the nature of our Philippines development example. A tribe owns large tracts of land. The tribe wants certified sustainable development of the tropical forest, the minerals in the ground, and agriculture. The tribe creates an ABC² *backed by a combination of the undeveloped assets and the dependent future cash flows*. Buyers of certified sustainable foods, wood products, and minerals buy the ABC². The tribe buys infrastructure and know-how with the ABC², either directly or by some series of exchanges. All this uses civil law of barter and works very much like collateral-based lending for project finance, combined with repayments from proceeds of the project.

How it looks. Barter credit is, in fact, a sequential trade based on temporary transfer, like borrowing the car for an afternoon, in exchange for ABC² — or some labor or a good. If I hand you some amount of ABC² under the agreement, on a date or at fulfillment of other conditions, you will give me back, say, 10% more, or the same amount plus a service fee.

Financial marketing. We can market credit of any kind. If I have a castle that I am willing to put at risk, I can advertise my ability to provide Neo-Barterist financing. This enables my clients to get the labor, IP, other resources, and logistics to create a factory or a product, and I can be repaid either in ABC² or in products. The difference from banking is that a bank can lend out 9 or 10 times its asset base. In Neo-Barter, our preference is naturally to remain fully backed.

139. Thus, Neo-barter has great potential and is not contrary to the Incoterms, which play such a central role in the well-established trade flows that were based on money-transactions. We have further explained that there is no time gap between delivery of goods and their exchange for cryptocurrency, because the exchanged is defined as the moment when asset possession is exchanged, and ABC² fills this role. The counterparties are already potential providers of credit, but any third party can provide it just as well, whether it is a loan, guarantee, or any other dependent transaction based on trust — a service that is even more marketable than banking.

140. So, these mechanics, facilitated by the UbiVault Fabric platform, demonstrate how Neo-Barter differs from Classic Barter, as well as money. It is not just the existence of ABC², but the process of how it is used. In Classic Barter there was no currency, so there had to be a simultaneous exchange of the end deliverables, which is not possible in many cases under Incoterms. In a barter of a 'goat for a knife exchange', the goods had to be exchanged at the same time, which of course can be quite inconvenient.

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141. With Neo-barter, the ABC² is considered a good. 'Goat for knife' now becomes a string of transactions. The goat for ABC², and subsequent ABC² for a knife are each simultaneous exchanges, even though the 'goat for knife' may not be and come in different moments in time.
142. Thus, the Neo-Barter platform that is being offered assumes simultaneous exchange of goods. In the money world, it is commonly thought that in practice this rarely occurs. For example, it is difficult to imagine simultaneous exchange between ordered technical equipment and freshly caught fish. In the first case, a certain amount of time is needed for the manufacturing of the equipment and in the other case we need a speedy sale, and consumption of goods. Therefore, in this case a simultaneous exchange of obligations and guarantees is required rather than an exchange of physical goods. Incoterms defines the delivery conditions, price basis and the terms of transfer of ownership under various supply of goods. Clearly, Classic Barter falls short, but Neo-Barter navigates this elegantly through the use of ABC².

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XI. Concrete examples of ABC² transactions

Nature of the three described examples

144. ABC² and distributed trading systems can be applied to virtually any sort of trading humans wish to do. The above discussion is abstract because of its wide applicability. In this chapter we will explore the applicability for such trading on four concrete levels, namely:

1. a *global level* by homing in on a B2B example;
2. a *regional level* by homing in on the difficulty of access to fiat currency for an underdeveloped region in part of the Philippines and the change that ABC² can make in this regard;
3. a *local level* or *community level* by homing in on the way a restaurant keeper (in The Netherlands) can make use of this new method of exchange to free up cash for building or rebuilding his restaurant;

Note on 'specialty cases'

Further specialty cases can be drawn up, but they have been exempted for the moment. However, examples of such cases may include:

- a. creation of an instant economy among mesh networked devices after a natural disaster;
- b. a food-bank or other charity model to help each local entity better run their operation, while also enabling food banks anywhere to share with each other;
- c. development of an impoverished area;
- d. financial marketplace for barter-only services.

Global example

1. LNG as a global (B2B) example; a general introduction

145. In this section, we give a concrete example of use for an ABC² based *distributed trading system* for an industry, in this case the LNG sector. This not so much because it stands out, but rather because it is illustrative of the opportunities, and of the principles set forth above. We have selected Liquid Natural Gas (LNG) as an example to dive into at some length, in order to explain the mechanics of a major industrial business case on the UbiVault Fabric platform. As detailed below, LNG is now (2017) a large, quite global commodity in the midst of rapid change. Its old methods of trading are giving way to a new flexible, multi-party paradigm – one for which there is not yet an accepted trading platform. Here we explain how the UbiVault Fabric trading platform, as an example of an evolved blockchain commercial platform using ABC², provides a better alternative to classic trading software.

2. Current state of the LNG market

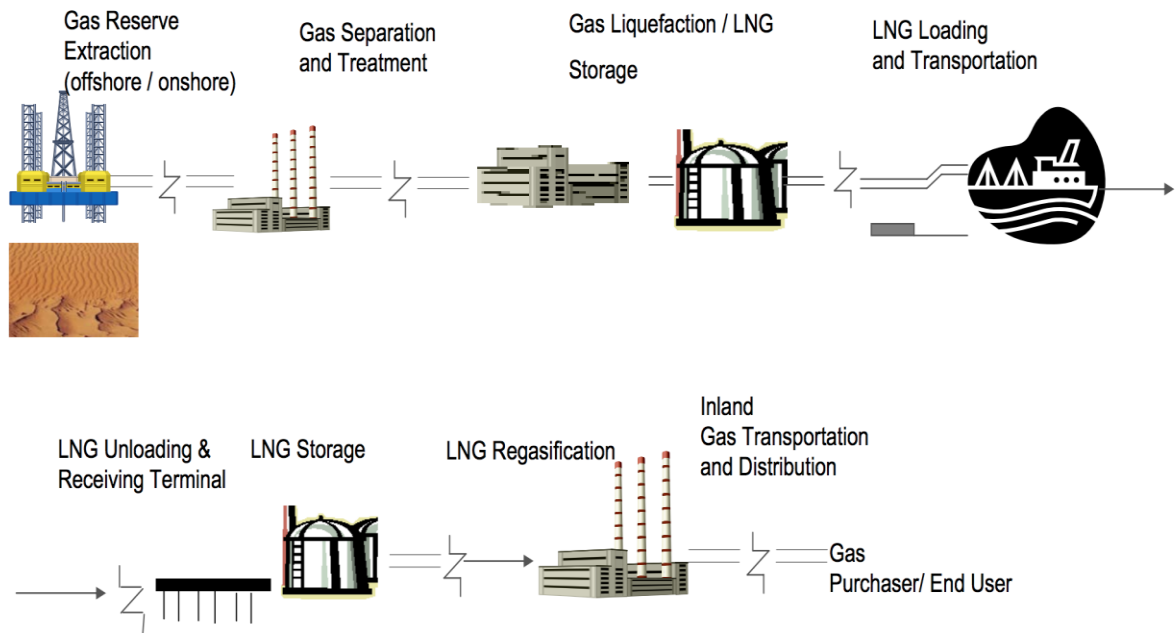
146. Natural gas is not just the cleanest of fossil fuels; it is now the cheapest. While it does require very specialized infrastructure throughout its supply chain, it is a major economic and environmental boost for energy consumers who have access. Natural gas now supplies a quarter of world energy demand, and within gas as a whole, 9.8% is transported as LNG. Shipping requires liquefaction of the gas into LNG, which reduces its volume to 1/614th that of gas.

147. The product flow is as follows:

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Product Flow in the LNG Distribution Chain



A. Low prices will tend to persist, and buyers are changing the rules

148. From exporters' liquefaction to LNG ships to importers' regasification facilities, infrastructure capacity is approximately 30% greater than demand. While demand continues steady growth, competition between established producers and new entrants continues to drive additional expansion of capacity. Obviously, this has become a buyer's market, with prices at record lows. LNG markets are rapidly changing due to factors that go beyond supply and price. We enlist some of drivers for the changes in the market as follows:

1. The rise of gas extraction in the US is not only adding significant supply, but US producers are breaking the tradition of 'long-term contracts with restrictions on resale'. This shift to "flexible" trades reverberates globally.
2. Buyers had long chafed for this freedom from restrictions. As Forbes noted: "Three of the world's biggest buyers, Korea Gas, China's CNOOC, and Japan's JERA, recently signed a MOU to coordinate demands for greater flexibility in procurement." The biggest buyers' coordination has huge implications: they represent **over half** of global demand for LNG.

"The U.S. is leading the way toward destination-free, flexible LNG. Although LNG has historically been sold through long-term contracts linked to the price of oil, some 40% of the nearly 60 vessels that left Sabine Pass last year had gas sold under spot transactions."

Forbes, 4/16/2017

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3. The Russians are expanding from gas pipelines delivering to Europe and China into LNG export as well. Their new Yamal LNG facility on the Siberian arctic coast will be the world's largest, and thanks to rapid arctic warming and new ice-breaking LNG tankers, cargoes can be flexibly directed either to Europe or Asia. Other Russian mega-projects are in planning and development.
4. Not to give up without a fight, market leading producers, led by Qatar, are further increasing their production and making their contracts more flexible.
5. Many older LNG contracts were indexed to oil, but low oil prices have undermined this practice. Low LNG prices, in combination with new floating LNG regasification facilities, is drawing in new buyers in the developing world.
6. Trades were previously *bilateral* deals structured to ensure users a stable supply and producers needed a return on their investments that are typically \$15~30 billion. Today the *market is shifting to multilateral* trading of underlying LNG and derivatives, driven by excess supply in spot and other short-term markets.
7. While most energy trades are in US dollars, this is not the native currency of most market participants. Currency fluctuations introduce additional risks to both exporters and importers – beyond the risks in the underlying LNG fluctuations.
8. There is also keen competition in infrastructure investment. The leading buyers continue to back low-cost production in countries with stable political regimes. China, particularly with floating gasification and de-gasification infrastructure, is backing less attractive opportunities – with a view to stoke development of new markets for its various products and create new sources for raw inputs.

B. This sets the stage for a new platform for the new market paradigm

149. ***Thus, the surplus of LNG will be with us for an extended period, and the nature of the markets has shifted forever. The need has clearly emerged for an efficient multilateral trading platform, as well as a means for traders everywhere to transact without having to rely on US dollars -- using LNG-backed ABC² instead.***

3. Assets in the LNG business and how they are financed

150. Importing countries are now increasingly free to:

- buy what they need; when they need it;
- on best available terms; and resell any excess.

151. This more transparent market where all the opportunities are comparable is a godsend for importers – a night and day difference from even in 2014. For exporting nations and their financiers, bringing expensive new facilities online at record low LNG prices, it is a scary prospect to generate the cash flow needed to meet obligations. Fortunately for the financiers, the 70% of the market that is in contracts lasting between two and 30 years still provides enough stability for traditional finance to work – given a broad market platform.

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Economics of LNG Infrastructure: *Note the concentration on the export side*

	Gas	Liquefaction	Shipping	Regasification	Gas Market
% Investment		75%	15%	10%	
Capex		\$6-10 bn	\$1-2 bn	\$0.6-1.5bn	
Unit Cost (\$/MMBtu)		\$3.0-4.5	\$0.8-1.5	\$0.4-0.8	
Gas Usage		10-14%	1.5-3.5%	\$1-2%	
Note: Upstream capex ~ \$1-3 bn (\$0.5-1.5/MMBtu)					

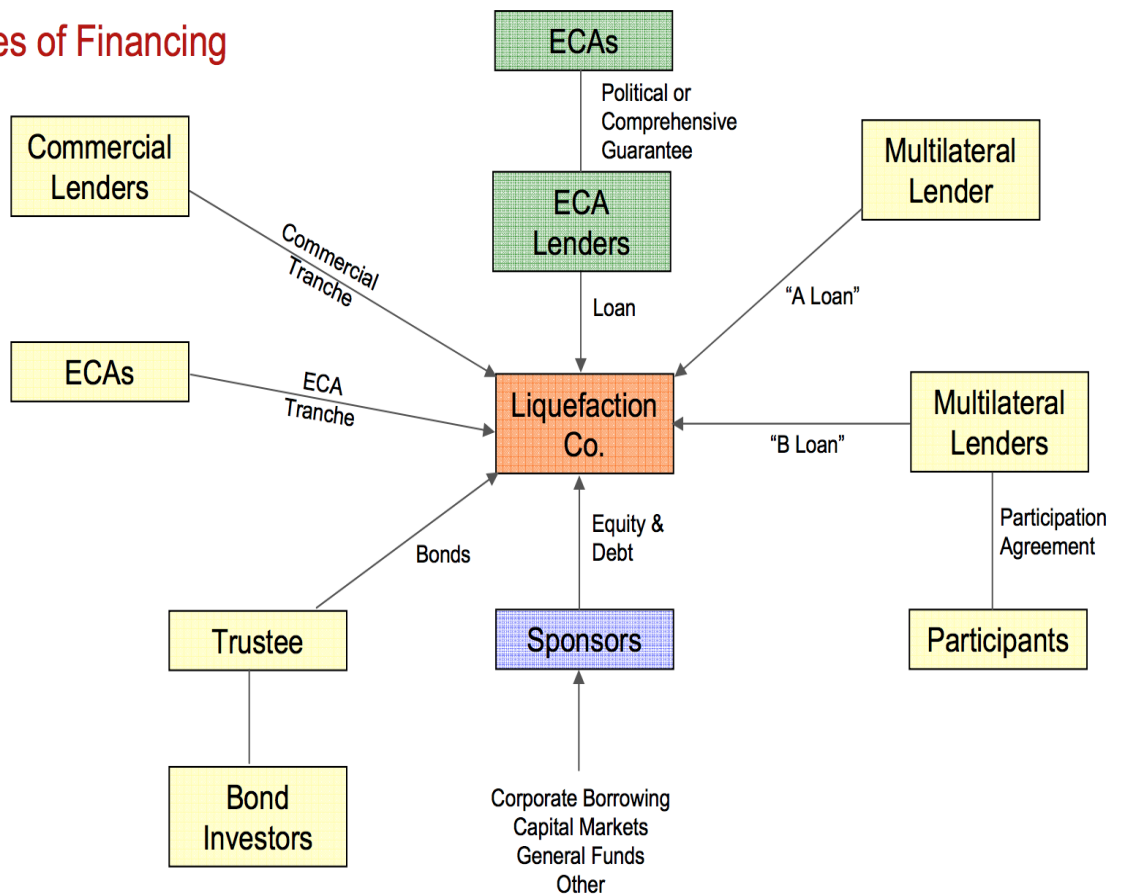
152. The above table shows *typical* capex but projects up to \$30 billion on the export side now grab the headlines. Additional project risk comes from the fact that these huge investments are being made in the midst of changing markets, and a typical project takes up to five years to bring online. In large projects, it is common for *over half* of the funding to come from Export Credit Agencies (ECA), which are government institutions such as export-import banks and development banks whose primary mission is to take on such risk. Beyond ECA's role in funding, their provision of guarantees and insurance is also key.

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Simplified diagram of export facility finance

Sources of Financing



153. There are three common business models used to finance and operate an export facility:

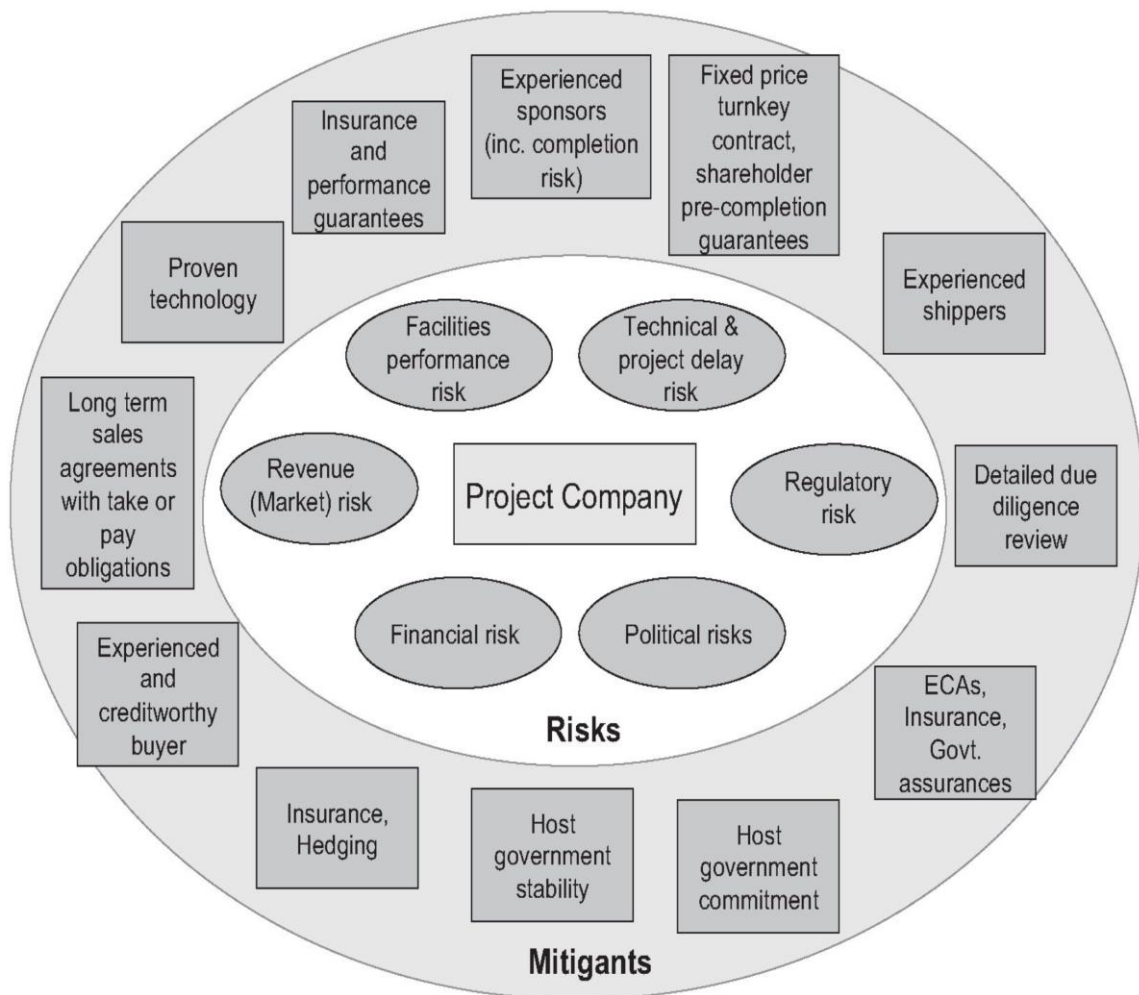
- Upstream gas stakeholders co-invest in a liquefaction company, which buys and resells
- An operating company is formed by various parties, often led by major energy firms and buyer consortiums, which buys and resells
- A tolling company is formed which charges a service fee, but does not take title to the product

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154. The reason that LNG development and trading were historically conducted via bilateral negotiations is that exporters enjoyed a seller's market, and financiers would not build without the contracts in place to secure their loans and investments. It is best to appreciate the sophistication of risk management among the syndicates that finance up \$30 billion. These projects are typically 30% equity/70% debt (with a great deal of variance), and involve government-backed institutional guarantees, as well bank syndication and involvement of large buyers. This level of financing necessitates long-term commitments from buyers in order to de-risk the loans.

Sophistication of risk management in export facility finance



4. Where ABC² can offer relative benefits in the LNG supply chain

155. Our first principle of ABC² is that the industry is better off with a virtual currency backed in assets of the industry – because the US dollar is not native to either buyers or sellers to an overwhelming extent and *removing currency risk is a major benefit*. This is an observation of economic reality, not politics. Our second principle is that when assets of an industry have such clear market value, there is opportunity for direct tokenization.

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156. Energy has become a currency of sorts over the last 150 years, and therefore it has tremendous economic utility around the world -- in a way that not even the dollar or euro can provide. To emphasize: **it has global intrinsic value far beyond any currency.** And, given the rise of hundreds of digital currency exchanges trading over a thousand pairings, including fiat, liquidity should not be difficult to achieve. Let's be clear: it makes a lot more sense for everyone in such a global ecosystem to be transacting in LNG ABC² than it does to do so in the US dollar.

157. So long as an insurer or shipper has ready convertibility of LNG ABC² into whatever else (fiat or digital currency) they desire, there is no reason they should not use it in settlements. True, debt service is often (but not always) in US dollars, and a rise in the dollar versus the LNG ABC² is a risk. But given liquidity and convertibility of tokens when transacting for LNG or related services, ABC² linked to the underlying is less risk for many.

Note on the desired BTU-ABC² ('Energy-Coin or BTU-Coin')

The ultimate generator of liquidity and convertibility would be to denominate the ABC² in millions British thermal units (MMBtu) and offered for both commercial and retail use globally. BTU-ABC² could be shared among LNG, gas, oil, coal, nuclear, and even electrical assets. Value of MMBtu asset classes would be pegged at specific "virtual transfer points" already used in the industry; a sort of indexation that deals with the issue of LNG or gas being worth less the farther away it is from a transfer point in space and time.

158. The BTU-ABC² can be readily understood anywhere in the world. On a secure digital platform, transaction and conversion fees can be far less than bank fees. And, with the large scale of stakeholders in the LNG and other energy industries, the asset backing process could either follow securities law or barter law – the cost of securities compliance is small in the case of LNG – which is quite different than when financing start-up companies or economic development projects.

159. Eventually, even asset-backed lending for infrastructure may become ripe for disintermediation using ABC², but the scale and sophistication of **production-side risk management**, along with a *high degree of creativity in financing* pushes this area toward traditional financing. With the exception of gas itself, the infrastructure is already locked up as collateral. The only exceptions might be sanctions or other special situations that preempt traditional finance – perhaps a situation like Venezuela faced in 2017. With Venezuela's fiat currency relatively worthless, hypothetically, it could tokenize BTU-ABC², and buy gas-powered generators (from, say, Alibaba) to ease its severe electricity shortages. With Rosneft and Chinese companies deeply engaged in Venezuelan energy development and shipping, there is little risk for anyone involved. Although there are monetary sanctions, remember that cryptocurrency is not regarded as money. The UbiVault Fabric platform does enable KYC and AML tracking. This use of ABC² integrated with commodities trading has much more flexibility than a monetary approach. It facilitates well-secured trade and a non-inflationary means of exchange – so long as there are not blockades.

160. The LNG product itself (meaning: separate from the infrastructure) in the export facility or in vessels is already used in asset-based lending, and therefore it can readily be used to back ABC². Even natural gas in reserves or in feeder pipelines linking them to liquefaction facilities may be useful as backing, if there is any flexibility in their collateral status.

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The other viable situation might be related to stranded production in older, played-out underwater fields. New floating gasification plants have made these sites again viable, and their use in ABC² backing should be explored further.

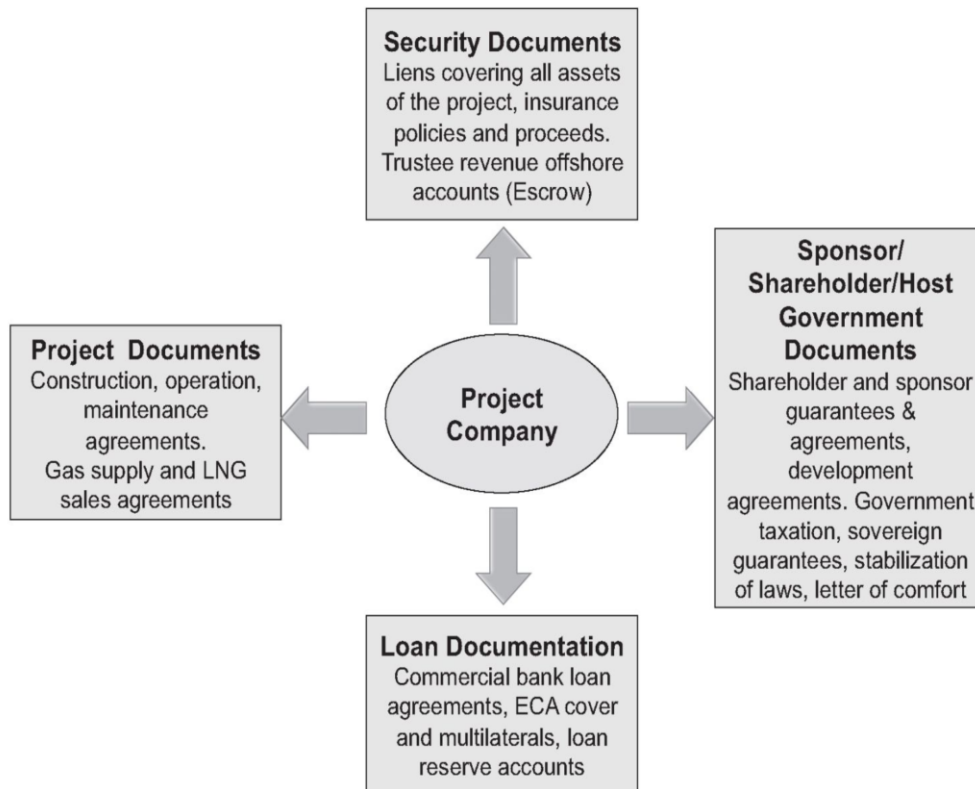
5. Opportunities created by the shift to flexible, short-term markets

161. Thus, the long-term end of the market will tend to have a strong bilateral aspect, but it will continue to erode. Meanwhile, with the largest buyers rejecting restrictions, more of the contracted volume will be flexibly sold on spot or other short-term markets. In the short end of the market, with cargos so close to cash, there is already a trend to asset-based finance; using the LNG itself to collateralize borrowing. **Disintermediation of that asset-backed lending is one opportunity, using ABC².**
162. Spot markets accounted for 18% of LNG traded in 2016. Spot's ratio is forecast to continue to rise, helped by Japanese buyers and government now rejecting contract terms that previously prohibited buyers from diverting or reselling LNG, and other large importers jumping on their bandwagon. The share of short-term contracts (from spot to under two years) has doubled to 30% over the last two years. Liquidity changes everything – first among these being that producer/user relationships based on long-term restrictions.
163. **Import facilities**, on the other hand, are much cheaper, and the emergence of floating regasification plants allows for repossession in the case of failure – **so this financing would logically be the next arena after short-term asset lending to be disintermediated by ABC².**
164. The **next opportunity is the growing need for information and analytics.** In a long-term bilateral contract one seller and one buyer know each other, *and a specific LNG product*, very well. In a multilateral marketplace there is much less knowledge of counterparties and any specific LNG cargo. Like oil, LNG varies a great deal. An oil refinery set up to process light-sweet crude cannot buy heavy-sour crude, and vice versa. In LNG buyers need to know the energy content of the gas, the cost to transport it from wherever it may be to its ultimate destination, and even what kind of vessel it is in – because not every vessel fits in every port. Meanwhile, a buyer may need to be concerned about sanctions, or the poor performance history of a seller.
165. Moreover, a savvy sell-side trader is not going to reveal all of his information to just anyone, and therefore needs granular control over the release of product and shipment data. **The requirement thus emerges for a data management system that gives multiple parties both transparent visibility and analytical access...while simultaneously allowing granular control.**
166. Further, the sophistication of risk management in the industry implies a great deal of documentation, and therefore a major need for both analytics and secure data communications and secure, redundant survivable storage. From the means of exchange to the means of accounting, and the means of data management, a multilateral trading regime implies major changes in data systems beyond what was needed in long-term bilateral contracts.

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Data management requirements beyond transactions



6. From opportunities to requirements

167. The rise of LNG spot markets, and flexible short-term markets in general, means that multilateral trading will come to prevail – as it has in oil. No one trading platform has yet filled that void, and a blockchain-based system would offer compelling benefits in terms of transparency. However, the issue is that standard blockchains alone are lacking key information requirements as they are: 1) not particularly secure; 2) lack granular data control and are; and 3) not suited to direct access by Big Data technologies.

168. The UbiVault Fabric platform fits, on the other hand, all three of these **information** requirements particularly well, due to: a) the large amount of data to be managed relating to each cargo and the related infrastructure; b) desire of traders to only partially reveal data as they go step by step through negotiations; and c) UbiVault Fabric's native big data analytics for data that remains encrypted.

169. In more general terms, we expect that all successful second-generation blockchain trading systems will require a **hybrid** on-chain/off-chain blockchain architecture for complex and information-intensive trading. **The use of ABC² is also a major benefit to the LNG industry for disintermediation of banks and other intermediaries in asset-based lending.** This is so because the following aspects are in play:

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1. Most energy is priced in US dollars, but this is not the native currency of most buyers or sellers. This carries exogenous risks.
 2. International trade and indices are commonly pegged to millions of British Thermal Units (MMBtu) or cubic meters of LNG; ABC² can peg to either or both.
 3. The rising share of spot trades necessitates flexible financing of LNG. Tokenization of the LNG itself simplifies the progression of financing, internal platform accounting, and settlement.
 4. LNG shipping finance is already primarily asset based. Direct tokenization streamlines that financing process.
 5. By taking the next step and making BTU tokens usable in e-wallets by the public at large, businesses and individuals can have a means of exchange that works cross-border without the limitations commonly imposed on troubled fiat. That adds liquidity to ownership of LNG assets, while allowing LNG-ABC² holders to purchase a wider range of goods in their native currency. Outside the LNG industry, this means a stable alternative to Bitcoin as a means of exchange, a store of value, and tracking system for accounts.
 6. For the LNG industry, as well as other users of their ABC², this provides an excellent means of moving value across borders despite currency controls. The mechanism of action is that anything of value in a country with a fiat value can also be tokenized in BTU-ABC², which can be bartered for things outside that country.
170. Because the spot market and LNG in shipment are both heavily involved in asset-based finance and are *in-and-of-themselves cash equivalents*, their tokenization is a relatively simple step, even if it is a radical disintermediation. Since all LNG is in shipment at some stage of its product cycle, and because spot trading has topped 18% of the market and continues to climb, we see this as the *primary arena for tokenization of LNG* to start. Longer term, it may become a primary financing vehicle, but that seems unlikely in the near term, except in special circumstances – simply because of the scale of financing needed for infrastructure projects, particularly on the export side.

7. LNG trading mechanics

171. Given the strong data management capabilities that we see as a primary requirement of second generation blockchain trading systems, the LNG implementation can go far beyond trading. It extends to management and analytics of all related data, use of LNG ABC² in accounting, and trading of ABC². Both sales processes and collateral are all within the system. We see the following as primary supported feature sets:
- A. **Law.** The process will be similar whether the contract language and venue dictate barter law, securities law, or commodities law, or a combination. As noted above, these are decisions based on venue and the required licenses, if any, of the parties to the transaction.

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- B. **Backing.** Many asset classes can be used to back LNG-ABC², in the same way that a bank may choose to lend against anything that might be liquidated for value. And in the same way, a fair number of appraisers are likely to be involved, as will be auditors. The closer an asset is to ready liquidity, the less of a discount need be applied. The process will be driven by smart contracts. Security and insurance are important components of value. In the case of LNG, we expect consideration of the following:
1. **Gas “proven reserves”** – in the ground, but minimum quantity and quality are clear, and cost of production is clear.
 2. **Gas in feeder or other transport pipes** – extracted, in pipelines. Volumes and quality are clear.
 3. **LNG in export facilities** – gasified, fully commercial
 4. **LNG in tanker** – quantity and quality are clear. Value is affected by location, or more precisely the distance in days to the buyer.
 5. **LNG/gas in import facilities**
 6. **Gas in distribution system (inventory)**
 7. **Accounts receivable of a gas distributor**
- C. **Tokenization.** Tokens are issued to the asset owner. The trading platform needs to ensure usability and convertibility of tokens to have value. While traditional mechanisms (such as market makers) are part of the answer, we see an open currency usable by anyone and anywhere as a more useful solution. Our favored approach is to calculate the British Thermal Units (BTU) of gas and turn this into a widely used currency. Obviously, the BTU could see broad acceptance if it also encompasses oil, electricity, and other energy sources – ready for use in any e-wallet. If it is widely used, then a token received for asset-backing of cryptocurrency can be used for everything from infrastructure to freight to insurance, to payroll. Obviously, convertibility is also key.
- D. **Negotiation on the platform:** Once gas or LNG is produced, traders can negotiate both spot and term contract deals, revealing small amounts of information at a time. The virtually unlimited, redundant, secure storage of data enables asset holders to keep any and all information available. Despite UbiVault Fabric’s sharding and encryption, the embedded analytics system can perform big data analysis at any scale without decryption. Locations, quality statistics, test results, boil off, transport statistics and all other information is available for revealing as needed by the information owner. The multilateral trading enables the broadest possible market participation, and with more supply coming into the market, buyers can pressure for more flexibility in delivery. Index based pricing, such as Brent or WTI in the oil markets, becomes easier, including trades based on various virtual transfer points around the world.
- E. **De-Tokenization.** Like backing of ABC², when the pledged asset is eventually released from backing, de-tokenization is automated with *smart contracts*. The lien on the asset is released, and the token is deactivated.
- F. **Settlements** made in LNG-ABC² or BTU-ABC² avoid the exogenous risk of fiat volatility. The UbiVault Fabric platform and its ecosystem are committed to the promotion of BTU-ABC² for the broadest possible use, both commercial and retail. This liquidity ultimately makes tremendous sense as a safe and stable means of exchange for businesses and consumers worldwide.

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Regional example

The use case: region

172. Imagine a region in a tropical country with several million inhabitants. Extensive terrain is held by indigenous people who belong to one of the most impoverished regions in the country. Meanwhile, the region is well known for its wood-based economy and its rich mineral deposits such as iron, gold, silver, nickel, chromite, manganese and copper.
173. For a variety of reasons, it is difficult to get access to the fiat currency for development programs of this underdeveloped region. Bringing in the wrong development partners would lead to permanent environmental and social damage, as has been common in resource-based economies. And, as is also common in underdeveloped countries, there are seemingly endless regulations, and demands for bribes.
174. The Barteron solution is simple. There are mineral deposits, tropical hardwoods, and good soil and water for agriculture. The tribe is positive about ecologically sustainable development and organic agriculture. Regional buyers for food and international buyers of ecologically certified products are lined up by facilitators on the platform. Product buyers acquire tokens backed by rights to the assets. The tribe uses token proceeds to set up extraction and processing, guided by facilitators, and develop transport to ship the products. Buyers pay for the products in ABC² in transparent ledgers that make demands for bribes publicly visible. The capture of value-added by the trade then funds more extraction of gold, silver and copper, which back more ABC² issuance. A virtuous cycle of production, education, and infrastructure is accompanied by better healthcare, and the area become a showcase for how development can benefit the people as well as the land, air and water. Throughout this process, records of the good farming, forestry, and mining practices are stored in the distributed secure data management systems, giving buyers the assurance of the wholesomeness of their purchases.

Local example

The use case: local

175. A restaurateur's venue has been destroyed by floods, ruining the interior of the successful meeting place. He had considered changing the location of his business to a better spot but encountered myriad difficulties in funding such an operation. His insurance company accepted the claim, but compensatory funds were too little, too late. And again, the banks did not help in providing the much-needed funding, as small restaurant keepers are rarely eligible to receive credit facilities for start-up.
176. Again, the Barteron solution is simple. While the keeper has no tangible assets, he can issue virtual tokens that can be used for meals or catering. By selling the tokens at a discount to his fans and their friends, he gets into a new lease on higher ground. He uses the tokens with willing vendors and converts others to buy the rest of what he needs. Because the tokens are legally 'goods' and the issuance were bought for utility rather than profit, the regulatory burden is minimal. As the platform is increasingly used in his village, his entire supply chain is satisfied through barter and ABC² settlements. The banks lose their intermediary roles, start to restructure, and the people they lay off come to work for the platform. And the village thereafter, eating well and often at the restaurant, leaving tips in ABC² prospered without exclusive dependence on money.

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Social embodiment of Neo-Barterism

A. What it looks like

177. Neo-Barterism is an empowering movement that is made possible by the grace of technological advancement. It builds on the digital revolution, but it is a socio-economic revolution in its own right. It allows for alternatives where money-capitalism falls short. The primary mechanism of action for Neo-Barter is that when people cannot access opportunities due to lack of access to money, and for money-linked regulations, it provides a means to use other assets and labor instead, as well as a less-regulated legal regime. Thus, Neo-Barterism is an equalizer that freely enables value creation shared through mutual exchange of benefits. This leads to a virtuous cycle of growing wealth and personal development. And, this is organic, enabling those with the will to do better and with an effectiveness that social (governmental) schemes cannot match. While Neo-Barterism may indeed bring a systemic enrichment that will stimulate any economic community as it is representing a new era of handling data in the IT domain, this barterism is not a 'revolution' in political terms. Barterism is a technologically driven movement and it is not aiming to influence power structures, political realities or individual lives. But we do accept that Barterism is a product of '*cumulative cultural evolution.*' Barterism is about handing on, extending and developing the available repertoire of IT knowledge and 'Edge AI' to assist in improving the efficiency of the trade platform. This with the objective to allow a process of cultural evolution to unlock people, organizations and countries from monetary shortcomings as well as from dominant IT set-ups that infringe people's economic potential and even their basic rights. Barterism is a cultural strategy for all to better survive.

178. At the same time, Barterism allows money based economic models to grow further. As the economic pie gets larger, all means of realizing opportunities will be used. Barterism will stimulate more people to create and share value, and with easier exchange, the economic velocity also rises -- lifting all boats. In addition, Barterism will uplift people, organizations and countries hampered by poor financial systems and/or excessive regulation. In economic terms, it is better asset utilization and labor participation. Socially, the effect on self-esteem and mutual respect will, undoubtedly, be a treatment for the anger that currently comes from economic frustration.

B. The benefits

179. The benefits of Neo-Barterism are manifold. We name four.

a. Immediate and concrete results

We track one example of the three concrete examples that we discussed in this paper in Chapter XIII ('Concrete examples of ABC² transactions'). We mention here the described case of a region with many people living in a precarious economic situation. Their economic outlook can change overnight to the positive when proven reserves of a region (in, say, precious metals) are leveraged as a part of *asset-backed cryptocurrency*. The case in question further solidifies when this ABC² can be issued by the indigenous people that control these resources (see above under: The Use case: region). In Barteron, we value this as an enormous bonus as such an immediate leverage can be difficult to achieve via regular monetary instruments, if any. More importantly, the original asset owners often lose control of their assets as part of the bargain for money.

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In this case, using our barterist method indigenous people remain in control of the development of their region while exchange of cryptocurrency takes place in return of delivered goods or services at the moment of barter.

b. Less stress

We maintain that a barterist encounters less stress than when he operates in the money world. Our thoughts are as follows:

1. In money-dominated economies there is a dense body of regulations that protect the interests (or whims) of the government, and entrench economic incumbents, no matter how little dynamism they exude. Trust in the currency is generally linked on the skill of the regime to maintain low inflation while increasing money supply enough to keep the economy expanding. Relatively few countries do this well over time, and none do it perfectly. When overregulation coincides with unstable prices, trust evaporates. And because there is no world trade platform with global currencies in place, the result is often wide-spread destitution. The absence of real assets that backup the currency becomes an issue when trust diminishes, there are no freely convertible assets that back fiat money.
2. In fact, a system of backing (by any asset) has been effectively absent since the USA left the gold standard (as the underlying asset for the US dollar) in 1971 -- and even that was meaningless because there was no free convertibility. The entire monetary system and its elaborate control process are not designed to broadly spread welfare and well-being, and instead tend to concentrate or cluster money and economic activity. While the regulations supposedly protect society, in actuality, they weaken it, when combined with fluid dynamics of money. Yes, money flows in a path of least resistance, and those on the river banks do far better than those on the hills, who only get a nice view.
3. The economic destruction of the Financial Crisis in 2007/2008 presents another example. Credit and derivatives expanded rapidly from 2001 to 2007, but relatively little value was created in the process. Instead, bubbles in asset prices, particularly real estate and luxury goods were created. The bursting of those bubbles ended many companies and many jobs. The personal and business dramas are well described by now (2017), and they are endless - and worldwide.
4. In Barteron there is no need for such stress as described above, as it is not a leveraged system. This is because barter can only succeed by exchanging goods or service that both parties find of greater mutual benefit than not doing the exchange. Trust is built at each and every moment of execution of the agreed barter. Barter is by its nature a self-fulfilling prophecy of a virtuous cycle, and, in contrast of the money dominated economies, it is not dependent on leverage.

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c. Change of intent: me-centric to mutual?

While the money world is measured by what one can *take away* from the arrangements that one makes, the barterist is measured in the mutual value created. The nature of a barter arrangement therefore has different dynamics, both in mechanics of perception of the reward and the utility created. In the search for opportunities, barter provides more choices than money -- and this flexibility is a primary advantage. A money transaction is more me-centric around the person spending the money, and a barter transaction is more mutual. This change of mind does make a difference.

d. Cementing trust

In Barteron the trust factor is by default part of any barter exchange. Barter exemplifies proven trust. Barter takes place when parties actually exchange the agreed commodities to one and other. While trust as such cannot be traded via the UbiVault Fabric trading platform, meaningful trust is built on facts about historical performance, which is at the heart of this technology. One can argue that validated trust is 'priceless' and is embedded in any successful execution of barter by definition. With the growth of barter arrangements there will be an inevitable growth of demand for documented, proven trust. The volume of trade enabled by this is a function of how much we can simplify complex workflows. Among the most important workflows is verification of trust in the goods, counterparties, and chain of custody. A barterist has to deliver the commodity per all terms of the trade. Otherwise no exchange will take place. And in Barteron -- which is all about exchanging goods and services -- a failed barter exchange will be manifest on inspection. There is no escape. So, in Barteron one has to deliver as one contracts to do.

The trust aspect of barter is a world away from the trust factor in the money world. As trust in the financial sector has been undermined in many ways, for example in the Financial Crisis and data leaks (if we pick two of myriad examples), the regulatory landscape became more intrusive. The money world reacts to make up for the absence of trust that ominously emerges. It is said by politicians and officials from the sector that by 2017 they have it all under control, but there is still a stream of stories about undue practices of unimaginable proportions in financial markets. Neo-Barterism solves the trust problem with information and technology, rather than by over-complicating regulations.

What we are concerned about is the systemic and recurring culture to mislead in the money world. Apparently, trust and loyalty to customers are subordinate to money profits. This addictive nature of money near-at-hand often overrides the long-term value of building trust. In contrast, this cannot exist in Barteron. And this is a moment to pause and reflect on that difference. Barteron is a realm of performance transparency. It is not about trades executed off the public exchanges, or data without transparency. Every counterparty's history, or lack thereof, is there for evaluation. As Neo-Barter -- by its data-driven nature -- gives little room to imposters, fraudsters, speculators, manipulators, or "rent seekers," the platform is where trust is grown. And success tends to build on trust. So, to the extent that Barteron simplifies trust and trade, it offers great promise.

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C. The Checklist of Sound Principles for Asset Backing

180. In late 2017, Venezuela, who has pushed its fiat currency to hyperinflation and run up staggering debt, announced it will issue an asset-backed cryptocurrency. Clearly, Venezuela is extremely rich in oil, gas, and minerals, so on the surface this makes a great deal of sense. Unfortunately, it is easy to lose trust. If so, this will adversely affect the ability to use cryptocurrency. This is so because trust requires audit of all documentation related to the collateral. In the case of Venezuela, there are -- according to public information -- over two hundred billion US dollars in foreign obligations. It is somewhat unclear how much of that debt includes prior claims on those same assets. The latter would clearly be a blocking factor for the introduction of a viable asset-backed cryptocurrency that could have been based on the natural wealth of Venezuela.

181. So, as discussed above regarding trust, history must help us determine who our counterparties should be. What could go wrong? The list below serves as a checklist to determining whether a program can be regarded as sound:

Principles	Venezuela example
To what extent is there a <u>reasonable expectation that the program will contribute to sustainable, organic growth of the economy</u> and the general welfare of the people involved?	Despite vast resource wealth, the country has become increasingly impoverished for numerous reasons. There is as yet no significant change of policies. If the program does create growth, will it be undermined? <i>We look forward to proposals on how the country will rectify these issues.</i>
<u>Rule of law</u> : Are laws -or other practices- changed to disadvantage asset holders?	Holders of Venezuelan assets have been poorly treated under the laws, and the laws change without concern for asset holders. <i>We look forward to proposals on how the country will rectify these issues.</i>
Are the <u>assets auditable by a trustworthy third party</u> , and are they free from impairments?	It is difficult for foreign nationals to operate freely to do audit work. In terms of asset impairments, the existing creditors are not being repaid, and such assets will be needed to do that. It would seem this is another way to hurt existing creditors, so one must assume ABC ² holders will be the next to be hurt. <i>We look forward to proposals on how the country will rectify these issues.</i>
Are the <u>assets freely convertible by the ABC² holder</u> ? Under what conditions can the holder get assets in a reasonable location?	This is the most critical aspect. If I can go to an affiliate in various regional centers to swap my ABC ² for actual gold at any time, this is a good sign. If I have to wait years, it is a yellow flag. If it only is paid out on some default, and only available in

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	Caracas, then it is a red flag in which I have no faith. <u>The barterist principle of immediate exchange is important.</u> <i>We look forward to proposals on how the country will rectify these issues.</i>
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Drawbacks

182. Socially or economically negative points of Neo-Barterism are hard to imagine. Clearly, if overzealous regulators suddenly move to strangle barter, it becomes more difficult to realize the benefits we propose. One drawback in particular must be kept in mind:

Dependence on apps, virtual exchange of goods and IT environment

Handling cryptocurrency and virtual tokens does mean that one has to be proficient in handling the related IT environment, such as handhelds, computers and the processes of getting access to the internet. Successful programs will be dependent on excellent economic design, and equally design of user experience. However, this point also increasingly applies to handling money. Is this then a negative point that specifically applies to asset-backed cryptocurrency and virtual tokens? We do not believe this is a difficulty that is specifically addressing Neo-Barterism. However, we do understand the critique that Neo-Barterism is highly dependent on *IT*, much as it is on civil law. This new movement brings an opportunity to free us from the densely regulated culture and many drawbacks that have been stamped on us by the workings of money-based economies. This freeing comes to us through Neo-Barterism while leaving the money-based economies intact and adding to their success. As said before, the new movement of Neo-Barterism represents a huge opportunity to unleash subliminal economic potential. That is not a drawback but a great leap forward.

A. Steps ahead

183. In order to participate in Barteron and become a barterist we suggest you consider an instance where you can realize the benefits of Neo-Barterism on the platform. Do you want to change a village? An industry? Create new opportunities in the workforce? Develop a continent? Create an alternative economy? By what metrics will you judge success? So long as you are helping people in terms of food, environment, housing, transport, education, healthcare, and wellbeing, there are no wrong answers. We encourage you to engage. Please bring your ideas, proposals, dreams and questions to visit at least one of the following websites:

- a) www.UbiVault.com

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B. Questions representing opportunity through labor

Labor, exchange, money, and law

184. In most countries there are complex labor laws. In many cases they vary at the local level. In Neo-Barterism one of the important issues is the use of labor as an asset, and without monetization. Helping a friend without being paid is of course never regulated and doing a job for a salary has many regulations. In between there are huge gray areas, which we will consider to be opportunities so long as all participants are bettered through the exchange. **It must be the will of barterists to prevent the mistakes of money-based regulation from intruding into barter. We must all be active.**
185. In the EU, labor laws apply when “money” is involved. How does that change when “money” is not involved? Consider the following cases as to the sorts of issues that will arise:
1. I want to work in exchange for cryptocurrency.
 2. I want to work for food, accommodation, or a service.
 3. I want to work for an object, such as art or a consumer good.
 4. I want to rent a tool or car and pay for the rental fee in labor.
 5. I want to volunteer my time in return for tax credits.
 6. I want to broker someone else’s service and I take a commission in crypto or classic goods.
 7. I want to have someone’s full-time assistance but want to pay them in crypto or classic goods.
 8. Reverse of the above; I want to terminate someone’s full-time assistance but want to pay them in crypto or classic goods.
 9. I want to set up a two-sided online labor market where laborers post their skills and hirers post their openings (note that I did not use the word “employer” or “employee” because I assume that this could trigger regulations).
 10. Is this all of the above a feasible way to set up more flexible labor markets?
 11. What happens legally if we expand this labor market into a hybrid money-barter economy? The use case from *Muhammad Yunus* 30 years ago would be that I earn some cryptocurrency by working odd jobs. At some case I have enough to barter for a telecommunications device and service. I then rent it out for crypto. As I scale up, I let others barter these objects for rental or sale from me paying in labor.

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XII. Summary & action

Summary

Disruptive and not-at-all disruptive

186. Barterism is disruptive in terms of breaking the paradigm that our welfare is dependent on money. In other senses it is not disruptive at all; it calls for no political overthrow, or redistribution of money. It merely is a way of organically creating and executing opportunities without monetary constraints. Under-utilized man-hours, organizations and countries can better be turned into value that benefits the whole economy, including the money world.
187. Barterism is disruptive in the sense that monetary mechanisms that have originally led to the denial of full participation can be circumvented, but money-people lose nothing in this process. We simply make the pie bigger. For those who received insufficient credit, were denied mortgages, or were held to unforgiving, unrealistic contracts, Barterism can bring new alternatives. Barterism is therefore a way of becoming more inclusive. That is good news in itself. Barterism is in this way an additive movement to find new energy and opportunity that unlocks value creation.
188. With Neo-Barterists, organizations or countries will make their comeback on their own strength, through very normal efforts. Simplicity of informed exchange is the secret to the new economy created by transactions in Barteron.
189. In Barteron there is an *exchange of commodities* (goods and services), not an exchange with *money*. As barter takes place at the level of commodities (goods and services), barter poses no competition with monetary instruments that are based on money as the medium of exchange. In addition, monetary regulatory measures -under which securities regulation- are not required in barter arrangements -- although one must be careful in structuring.

Current players can play a different game (in addition to what they already do)

190. For those who are fully participating in the economy, as a great many parties are doing, Neo-Barterism provides a new, supplementary avenue for both demand and supply of goods and services. Beyond doubt, the barterist route will be much more flexible than traditional monetary solutions.

Technology

191. The Information Technology (IT) on which Barterism builds is in itself a combination of standard IT practices with new innovative aspects. Barterism is an example of '*cumulative cultural evolution*', as scientists may say. Most striking is the combination of decentralized computing, Edge AI and ultra-secure handling of data in rest and data in motion. While on the one hand the technology model is essentially open and transparent (based on bitcoin fundamentals), the trading platform that we promote will aim to protect privacy in the best possible ways possible, legal requirements permitting. The aspects of openness (transparency) and privacy protection are essential pillars for driving trade, and that is what we promote.
192. On the basis of this technology platform, a barterist can make his own cryptocurrency, her own virtual tokens, exchange commodities (goods and services), and exchange cryptocurrency against fiat money and vice versa.

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Law

193. The Neo-Barterism that we promote is not shying away from the legal requirements that barterists have to meet. The trading platform that we promote therefore explicitly supports the concepts of KYC (*Know Your Customer*) and AML (*Anti Money Laundering*), as well as legal initiatives to combat terrorist activity.
194. We have introduced new innovative concepts that can be serviced with Neo-Barter. These concepts have been labeled *Buture*, *Boption* and *Bwop*. These instruments have been described by us as *dependent rights*. In all we found that barter enhances legal security.

Action

195. The commodities trading platform that we fancy is not dark, but it is a transparent platform where trade is burnt into any ABC² that is used. This platform is revitalizing a very ancient method of exchange that the Romans termed 'barter'. As IT is part of every aspect of the web-based commodities trading platform we have called the new way of handling barter: Neo-Barterism. We invite you to become a barterist and create mutual value in exchanges on the platform. You may find that the living is good in Barteron. In any case, we hope you will be a happy barterist while helping to implement this Manifesto. We therefore repeat our call for joint action once again: Barterists, untie from money!
Barterists of all Countries, Unite!

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Glossary

Smart contract Term used to describe computer program code that can facilitate, execute, and enforce the negotiation or performance of an agreement using blockchains. The process is automated, acting as a complement or substitute for legal contracts. The terms of the smart contract are recorded using a set of instructions that are executable through a computer process. In simple terms, the contract terms are processed as data using a registered, protected set of computer instructions (program) all managed using a blockchain method.

Document information

This Manifesto has been drawn up by persons who are also closely related to IOTA Holdings LLC (USA) and to Resonex Energy BV (NL). These companies undertake to execute ideas that are laid out in this Manifesto.