Why Lyra?

Most of the writing we do for the Ascension project is about *what* and *how*. What it is, and how it works. We seldom get the opportunity to address *why* the project exists, and why we've been involved with it for so long. (Sean since 2011 and myself since 2008.) So I'm going to take the time to set down some words addressing our long term goals and motivations.

Today more and more people are becoming aware that there is something very wrong with our monetary and financial system. And that this is truly a global problem, not merely a situation localized to a particular country like Zimbabwe or Venezuela. Debts, both public and private, are skyrocketing. Economic growth is stalling. Governments and pension funds are effectively broke. Trade is diminishing as trade wars and sanctions escalate. Uncertainty is rising. Much that once appeared secure now seems fragile and unsustainable. (Ironically even some central bankers are getting jittery about the future prospects; see this article for example.) Perhaps worst of all, the sneaking suspicion grows in the minds of the general population that the entire existing establishment is rigged against their interests, in the service of a parasitic, and hopelessly corrupt, elite ruling class.

Some folks are just beginning to study these issues. Others don't really study them at all, but simply don't like the way things are going. And some of us have been dialed in on monetary and economic concerns for many years. But while study is a fine thing, doing something about it is another.

Sean Daley and I are not academics. We prefer to take action rather than just read about what others are doing. Around the year 2000, we walked away from our mainstream careers (Sean from his law practice, myself from contract software engineering) to work in the nascent digital gold economy. That was centered around e-gold, the largest player in an exciting new commercial space. E-gold's slogan was "Gold is better money." Which it certainly was (and is), in the sense that it cannot simply be created by central bankers at will and without limit. (This is the real reason why President Nixon took the US dollar off the gold redeemability standard in August, 1971.)

But precious metals are only a part of the story. Many who grow suspicious of the stability of central bank money are wont to become "stackers." That is, people who like to exchange their government fiat legal tender currency for gold and silver coins and bars, which they then stack in a safe place. This does succeed in disintermediating value out of the corrupt mainstream economy, which is perfectly worthwhile. What it does not do is accomplish anything in the way of building a new, private, free market economy to replace it. The value merely sits in the safe, inert. Good way to preserve wealth, but a bad way to deploy it. The biblical story of the man who buried his talent of gold and merely returned it, having done nothing useful with it, comes to mind.

The digital gold economy of the late 1990s and early 2000s was quite different. It offered the opportunity to create thriving and innovative businesses using gold-backed electronic money. At its peak, several billion US dollars per year of economic activity were circulating through e-gold and its smaller competitors. It was an economic new frontier which represented a true free market. Unfortunately (but predictably) e-gold, which was run out of Florida, was shut down by the US federal government in 2007. They were found guilty of not having the money transmitter license which the government had three times refused to grant them when they applied for it, on the grounds that since e-gold had no money in its system, but only gold (which wasn't money), they didn't need a license. Nice, huh?

In late 2008 I began working with the head of one of e-gold's smaller competitors based outside the USA. The earliest prototype of what is now Ascension's digital wallet system was born as Voucher-Safe. It was designed to be the next generation of digital gold, without the weaknesses that had doomed e-gold. In our view these were twofold. First, the issuer of a digital currency needed to be logically and legally separate from the payment clearing system. (Just as the mint and banks are separate.) Secondly, the payment system had to duplicate the anonymity of physical cash. That is, once it was put into circulation, money had to be completely untraceable as it moved from wallet to wallet. (Just like paper money after a check is cashed.) Developed on a shoestrong budget, this system was beta tested in 2010, and ready for deployment by 2011. Unfortunately the new service never launched, due to the decline of the rest of the digital gold economy in the wake of the closure of e-gold.

As it happens I was manning a commercial outreach booth at a liberty conference in San Diego in the autumn of 2011, and Sean stopped by the booth. I had a technology looking for a use case, and he was shopping for a suitable technology. So we began working together in 2012, and we're still going!

I won't detain you with the entire history of the past seven year odyssey, but suffice it to say that we've added layer after layer onto the basic payment system to arrive at where we are today with Ascension and CryptoWealth. Naturally, we've had to adapt to the emergence of the successor to the digital gold industry, which of course is cryptocurrency and blockchain, Bitcoin and Ethereum and their many rivals, knock-offs, clones, and satellites.

We're very grateful to the cryptocurrency phenomenon for raising public awareness of privately issued digital currency in a way that e-gold never did, and for recreating that sense of rapid innovation and excitement in a new business frontier, resembling the digital gold years, only on steroids. Never mind that thousands of overhyped me-too coins mixed overkill with competition until a speculative collapse of the market was assured. It's still an accomplishment, because it threw the game wide open, right at the very time (following the 2008-10 financial crisis) when public awareness of the serious defects of the modern banking and fiat currency system was growing. As a direct result, today we have an opportunity that simply didn't exist before. (About which, more later.)

That said, there are three principal problems with blockchain cryptocurrencies, which all need to be overcome.   First, blockchains record all transactions, and make them public – forever. I like to say that this is like giving a copy of the receipt you get in a store to everyone who has ever shopped in that store, plus everyone who ever *will* shop in that store. Every coin literally carries the history of every wallet it's ever been in, like a snail carrying its shell on its back. There is simply no privacy. (Even various clever methods of obfuscation through mixing transactions together are now yielding to sophisticated analysis.)

This of course explains why government regulators, state-funded think tankers, and big financial firms are so eager to issue their own blockchain currencies. While I don't believe that such people were behind Bitcoin to begin with (mostly they're just not bright enough for that), it's easy to see why they like it for its “mark of the beast” qualities. Add a blockchain-based cashless society to a social credit score system like the one they're deploying in communist China, and you have a totalitarian's dream. Ascension's wallet tech, on the other hand, presents the diametric opposite case: *even we can't track* the flow of money between our users.

The second problem is that blockchains don't scale well. In our whitepaper from last year, we go into this in excruciating detail and explain why Ascension provides a solution here, too.

Thirdly, the permanent scarcity model implemented by Bitcoin (and many others) is far from ideal, when your goal is fostering the use of a currency that can fuel a parallel economy. This is because permanent scarcity essentially guarantees that the value will go up forever, so long as there's demand. Predictably, all but a few of your true believers will hold coins (or "HODL" them) for speculative gain, rather than ever spend them as money. (The same thing can happen with gold, though the market is much broader.) This makes it all about speculative investment, so ultimately the cryptocurrency has to come out of the hoard and get sold for the very fiat currencies it's ostensibly trying to replace, in order to make a profit for its owner. Which is fine, but rather self-defeating if the goal is to get people to use cryptocurrency instead of fiat for their daily economic activity! And if this transition from fiat to crypto never takes place, eventually at some point the speculative demand will peter out, and the price will crash violently. Which is exactly what occurred in early 2018 (and several times before that).

This is why Ascension utilizes a uniquely different approach. I say unique with care, because as far as we know, nobody else in the space is doing it this way. We are minting Lyra coins in response to demand, essentially selling it into existence. In order to create temporary scarcity, we limit the supply available at a particular price. For example, there are 1 million coins available at $1, 2 million coins available at $2, 4 million at $4, and so on. This technique accomplishes a couple of important things.

First, it harnesses the power of speculation without commiting to it in perpetuity. The simple fact is that most people won't buy something unless they perceive an advantage for themselves in doing so. This fact is the essence of free market economics, and remains true no matter how scintillating your technology might be. No matter how good your product is, buyers won't want it unless they can either consume it, or profit from it. Right now, it's very difficult to use cryptocurrency, because it isn't widely held or accepted by many merchants. (Indeed, even most merchants who "accept bitcoin" actually don't; they merely have a merchant account at a service which receives the bitcoin for them and instantly converts it into fiat currency deposited to their bank account.) Which leaves future profits as the best motivating factor to acquire crypto -- Lyra included. We accept this reality, simply because it *is* reality. Our "inverted pyramid" marketing model frankly bakes in profits for those who bought in the lower price tiers.

Secondly, the model also does something else: it rewards early adopters. The 18th century economist Richard Cantillon defined what became known as the Cantillon Effect. He noted that newly created money is non-neutral, and always benefits most its early recipients. In the central bank fiat system, the early recipients are always governments, financial center banks, big corporations, and the shareholders and bondholders of all of these. In short, the wealthiest and most politically-connected strata of society. The Cantillon Effect is the reason why 85% of the $30 trillion in gains generated by the US Fed's policies since 2008 flowed to the top 10% of the US population, and roughly two-thirds of the gains flowed to the top few percent. Only crumbs get spent on anything which benefits the vast majority. Instead, the public gets stuck with the resulting inflation. In sharp contrast, because it issues new money not from the top down, but from the bottom up, the Lyra economy benefits the right people, and in the right order. The sooner you come on board (and the more you spread the word), the more you can potentially benefit.

Given all of that, what is the end goal here, granting that it certainly can't go up forever? The goal is that at some point a critical mass is reached, and the number of people holding and circulating Lyra rises to a quantum where merchants will be incentivized to start accepting Lyra as payment for goods and services. The merchants will know that the target market of Lyra holders is large, and that they can always exchange their Lyra back to local currency as needed. This may happen for charitable organizations even quicker than it does for merchants. Eventually, exchanging back to fiat will no longer be required for some transactions, as the entire circle of producers and consumers will lie within the Lyra economy.

The Ascension Foundation will, naturally, spend its net revenues from the sale of Lyra on further technological R&D, on marketing and branding, business development, accounting, legal, and everything else that a successful business normally does. It will also allocate a significant budget for philanthropy and beneficial research. But a large chunk of its revenues will be allocated to building up its currency reserves with which to back Lyra in the future. These reserves will consist of a basket of precious metals and the best "digital gold" cryptocurrencies, along with a leavening of national fiat currencies sufficient to provide operational liquidity. The goal will be to maintain a significant fractional backing for all of the Lyra in circulation, such as, say 25-35%.

One might ask, "What good is that, if the reserve isn't 100%?" The answer is that the fiat currencies we want to displace are all zero percent backed, so Lyra only needs to be better than that to possess wide appeal. The 20th century author Ayn Rand succcinctly noted that: "Paper [money] is a mortgage on wealth that does not exist, backed by a gun aimed at those who are expected to produce it." This is indeed the essence of the fiscal and monetary policy of every nation on earth at this point. Fortunately, that's a pretty low bar to jump over!

So how far can this go? Our inverted pyramid diagram tops out at Tier 6, where 32 million Lyra are to be offered at $32 each. This represents just over $1 billion in value. Is that kind of success possible? Time will tell, but I note that the entire cryptocurrency space has a total market cap right now of around $140 billion USD, which is a very tiny speck against a global economy in excess of $100 *trillion*. So I think the answer is yes, and in fact we could someday go quite a ways beyond a billion dollars worth of circulating Lyra.

But getting the estimate right is beside the point. The point is that we stop selling whenever demand peaks, and that our pricing structure guarantees this will happen, due to its successive doublings. Indeed we may even tap reserves to buy up excess Lyra to take it off the market. How much Lyra will our future economy require? Unlike the fiat central bankers, we don't pretend to know; we'll let the market tell us via the long term price action of Lyra versus its peers. The amount in circulation from that point will depend upon the adoption of Lyra for ordinary economic activity. This mechanism is how we will avoid repeating the speculative collapse seen with Bitcoin and other cryptos a year ago. Bitcoin of course has a fixed supply known in advance, which is why it lacked the necessary flexibility to transition beyond the primary speculative phase. We believe that in order to get past this hurdle, you need a more adjustable supply. Basically, you have to do fiat right: meaning with the accountability of market discipline, rather than hiding behind political immunity from consequences.

Our aim in the end is the transition of as much economic activity as possible away from government fiat currency and banking and toward the context of privately issued money and trading systems, digital in nature but protective of user privacy. Or as Ascension's mission statement puts it, "The Ascension Platform provides a robust, borderless, wealth generating, free market ecosystem." The term "wealth generating" refers both to wealth generated within the new ecosystem itself, as well as to wealth generated during the process of transition. As long as most of our ordinary expenses are still paid in national currencies, it would be a good thing if those working in support of the growth of the new economy also had more money available in the context of the old. This is only fair, since the early adopters are helping the later adopters evacuate some of their wealth from the old economy to the new.

I suppose all of this might sound alarmingly like Ascension is embarked on a grandiose quest to save the world. That of course would be ridiculous. We're not in the business of saving the world. We're in the business of providing one possible solution, one narrow pathway, by which it's possible that some portion of the world can be saved (financially speaking, of course). We've been doing this these past years with that more modest goal in mind. Not because it was expedient – it wasn't; to date we could have made more money doing something else – but because you might as well believe in what you're doing, which ideally should be something that's socially useful.

Sean and I have never been commanded by flaming foliage to free the people from fiat bondage. I've never come into the office and seen "Mene, mene, develop thou Lyra" mysteriously written on my whiteboard. Never has a bright light shone down on my car at a stoplight while a strange voice asked a question about persecution. We're not Frodo and Sam carrying the One Ring to the fire, or even the Blues Brothers wearing sunglasses on a mission from God. We're just ordinary guys working in an extraordinary field in an unprecedented time.

Nevertheless if one can feel "called" to do something, then I've long felt called to do this. Complaining about "the system" only gets you so far. Though it does help you to understand it, you need to understand that you'll never change it. So at some point you simply have to go off and start building a better one. And the fact is that the legacy system doesn't just have practical failings, it also has moral failings. Which are only going to get worse as full-blown socialism and undisguised money printing take hold. After all what use is Universal Basic Income when many more incomes than that are simply being prevented by the interventionists? It's like trying to get rich by taking turns robbing each other.

There's an old saying that when the student is ready, the teacher appears.   When opportunity knocks, some will recognize it. Some won't. I happen to think that the need to build a new economy as the old one begins to crash presents a marvelous opportunity, not just a dangerous crisis. In a just world, in a real economy, money is made by serving others. Money is your proof of services rendered, which you can then trade for the products and services of others. The precariousness and injustice of the modern globalist economy provides us with a truly once-in-a-lifetime opportunity to serve our fellows by helping them find their way out of it, at least to the extent of a few first steps.   Ascension is now at a point where we're inviting others to join us in this task, and to share in the financial benefits. By doing this important work, we all can also make a great deal of money, in both economies.

And when we do so, the wealth we've produced will once again be a badge of honor, simply because we've earned it.

-Kevin Wilkerson
22 March, 2019