

Commercial Trade Exchange Architecture and Operations--A Conversation with Chip Davis and Charlie Davis

Thomas H. Greco, Jr.

Recently, I came across an article about what seems to be a significant development in the commercial trade exchange industry. Published on February 15, 2018, the article, [*TradeAuthority rebrands as Moxey with new digital currency, national expansion plans*](#), tells about the expansion and rebranding of a commercial trade exchange heretofore known as *TradeAuthority*. Operating for the past several years in the Gulf Coast region of the southern United States, TradeAuthority has developed along lines somewhat different from most other trade exchange companies. I've had some peripheral knowledge of TradeAuthority for a long time but after reading the article I decided it was time for me to reach out to its founder, Chip Davis, with the intention of gaining a more detailed picture of how they operate and their plans for further development and expansion. The company, now named [*Moxey*](#), is a network of 14 autonomous member-owned local trade exchanges, member ownership being a unique feature in the commercial trade exchange industry.

The key players in the Moxey enterprise are Chip Davis, founder of TradeAuthority and current Executive Vice President of Moxey, Charlie Davis, President of [*Moxey*](#), and Warren Sager, Moxey Vice President of Operations.

Some Key Questions

In my message to Chip Davis, I posed the following questions:

- What degree of autonomy do the various (14) exchanges in your network have?
- Is it possible for a member in one exchange to buy/sell directly with a member of another exchange in the network? Does your platform provide that functionality or does the trade need to be pre-arranged with brokers in the two exchanges?
- Is there a single Moxey ledger for the entire network or does each exchange have its own? If the latter, how are accounts reconciled among the exchanges, and how often?
- Do you participate in UC? [UC is "Universal Currency," a credit currency that many trade exchanges use to enable their members to buy goods and services from members of different trade exchanges.]
- What are the factors you use to allocate lines of credit? How are they weighted? Are all exchanges in the network required to apply the same algorithm in allocating credit lines to their members?
- You say, "Moxey intends to be a better Medium of Exchange by removing the concern of inflation." How does it do that?

- Is your online portal a complete marketplace that includes offers and requests? Vendor and client background? Reputation ratings?
- When using the app or online portal, is approval of the transaction immediate?
- You also say, “It also removes the extreme deflationary dangers that can exist in a purer form of money such as gold.” Can you explain that?
- What additional functionality will be achieved by using blockchain? “The major thing behind all currencies is a trust and transparency in knowing the currency is strong and blockchain technology will allow an additional level of transparency,” says Warren Sager, Moxey vice president of operations. “It will allow our currency to become stronger and more trustworthy.” But that does not address the transparency of the credit allocation process. Please comment.
- The trade exchange industry seems to have been for some time on a plateau or slow growth trajectory. How do you see moneyless trading alternatives evolving over the next few years, and how much of an increase in scale do you anticipate?

Chip Davis Replies

C.D.: “I love your questions and I think you're going to love our answers to them. The value of the currency has always been our number one concern... where it fails for so many others. Although not always perfect, I think you will find the measures we have incorporated to protect against most of the inherent dangers to be sound and solid. Let us study your questions a bit more and get back to you as soon as possible to schedule a time to speak. Some of these questions I may be best to answer, but some of these Charlie will certainly be better able to field more precisely. I think you will want to talk to both of us and perhaps Warren as well. I have cc'd both on this reply.”

Chip also provided this background

C.D.: “For your clarification, our original exchange model started in 2000 with an exchange model called PartnersOne in Baton Rouge, LA. I served as President on the board of directors of this exchange (owned by its collective members) in 2004, saw that the numbers were far surpassing others in the industry on a volume per member basis, tracked it down to the high level of trust and accountability in the model and currency, decided to replicate it, and a few of us, with PartnersOne permission and blessing, started TradeAuthority with that purpose in mind. Hurricane Katrina put us on hold for a few years, but in 2010 we released our software and started adding new exchanges based upon the model.

Although Warren Sager was an initial investor in TradeAuthority, we started talking to Charlie Davis, a PartnersOne member and vast experience in economics, fundraising, and business development, a few years ago in the hopes of taking the work done so far with TradeAuthority

and massively scaling it up. Charlie joined as an investor last summer, I stepped aside for him to be named President (I am now an Executive Vice President and Warren is Vice President of Operations). We have already gone through a seed round where we oversubscribed and have rebranded the entire network under the name of Moxey (play on the words moxie and money), better unifying the current 14 autonomous exchanges in our network.

So much to talk about, but I just wanted to help you understand that TradeAuthority is now doing business as Moxey and the titles have changed, but only in this move to scale up. I very much look forward to speaking with you”.

Chip Davis **Answers the Questions**

Charlie may be better at answering some of your questions and I'll let him chime in later.

Questions: (My answers in blue)

1. What degree of autonomy do the various (14) exchanges in your network have?

Chip D.: Currently, all 14 exchanges (“communities” as we're starting to call them now) are completely autonomous. There are 13 communities built upon our model and 1 "affiliate" community that participates in the Moxey network. The 13 were all created based upon the original model and actually collectively owned by the members of that community ("member-owned"...more on that in a moment). The 1 "outsider" or affiliate was an existing exchange, Crescent City Trade Exchange, in the vicinity that was running close enough to our model and who agreed to "play ball" under our terms in order to use our software and be able to reciprocate with us (as a protection of our currency,... we purposely and generally do not directly reciprocate with any other outside exchanges). All of these communities function autonomously, but all were founded and modeled upon our original model principles and continue to function in our network as they continue to adhere to these principles. A community has the ability and could decide that they no longer want to participate in our network or use our software, but don't as they are all believers in this model versus others. Still each community makes personnel, management, operational decisions on their own. However, we do jointly share a philosophy and model and therefore are constantly sharing best practices, collateral, ideas, etc. We have regular monthly conference calls, Moxey conferences (twice a year), shared marketing emails, and because of the open reciprocation within our network, are constantly in communication in that regard.

Our network is founded upon two major principles... the value of the currency (accountability) and community and the personal relationships developed in each community. We generally don't try to have a single community that grows too large,... normally 600 to 800 member businesses at the most... before we simply start a new community. We want members of the local community to know one another. If it gets too large, it becomes only about a transaction

and impersonal... and we feel to the detriment of the network. When we one day move into a major metropolitan area (like Houston for instance), we don't see that as one mega-community, but rather 20 or 30 smaller reciprocal communities within the larger city, generally based upon the already existing commerce zones and communities within that city. Transactions still reciprocally happen seamlessly between these communities (see following questions), but the majority of transactions happen locally with people they already know and continue to develop relationships.

T.G.: Are these principles and the agreement you mention open to the public? Are you willing to share them?

Chip D.: They are the basics like, 100% Moxey without prior approval from Moxey staff, no price gouging, etc. that most exchanges "say" they have and a million and one smaller principles designed to support the value of the currency. Sometimes that principle can be as small and simple as expecting members to answer and return calls from and to other Moxey members (just as they would a cash paying customer). Sometimes those principles involve things like our "accumulation limit" (like a "credit limit" but opposite... a restriction on the size of a positive balance) and the administration thereof. There are many principles and not all compiled in a simple list, although we're always an open book and willing to answer all.

T.G.: First of all, you have properly set your course to (1) maintain "the value of your currency," and (2) to foster "the personal relationships developed in each community" and it appears that you have established proper procedures to achieve those goals. With regard to the first, I will have some suggested adjustments later on. I think you are wise to limit the size of each local community ("node" in the network). Not only is this important to keep the relationships among members from becoming too impersonal, it is also necessary in giving the members a sense of ownership and empowerment to properly oversee the operations and take responsibility. I strongly believe that when the medium of exchange (trade credits) is readily available and not artificially limited (as are dollars), getting the lowest price becomes less important compared to other considerations, like trust, cooperation, social solidarity, and community health and self-determination.

2. Is it possible for a member in one exchange to buy/sell directly with a member of another exchange in the network?

Chip D.: Yes. Not only possible, it happens constantly, seamlessly and to a fairly high volume in some areas where communities are in close proximity.

T.G.: Does your platform provide that functionality or does the trade need to be pre-arranged with brokers in the two exchanges?

Chip D.: The platform provides for it as well as provides the filters to manage these transactions to the safety and protection of each community.

3. Is there a single Moxey ledger for the entire network or does each exchange have its own?

Yes and yes. As you know, the sum must always equal zero. The Moxey ledger has the same total of positive balances as it does deficit balances. This would normally be true of the individual community (which the platform also tracks its individual ledger), however, as reciprocal transactions take place, an individual community's ledger will have more or less positive balance total than the deficit balance as it relates to that trade with other communities. We track the balances as a whole of each community and manage it accordingly (more below). Still the total ledger as held by Moxey, always equals zero.

T.G.: Yes, of course, the total of debits must always be equal to the total of credit both within a community and within the network as a whole.

4. If the latter, how are accounts reconciled among the exchanges, and how often?

Chip D.: You are familiar that all members have some degree of an interest-free line of credit (Credit Limit). What you may not have ever heard of in our industry is that we also establish an Accumulation Limit for each member... a point where we do not allow that member to take in any more. We hope we are doing a good enough job that members never reach a credit or accumulation limit, but for those who would excessively try to spend or hoard their Moxey dollars, these limits protect the economy and each other. We are constantly trying to insure that over a period of time that all members are able to spend out at the same rate that they take in and vice-versa. Well, we do the same thing for the community as a whole. From the Moxey Headquarters perspective, we see each community (as a whole) as an individual exchange director may see their members. We have an established Credit Limit and Accumulation Limit for each community as a whole. We are constantly tracking the overall balance of a community in relation to their limits and the other communities (just as a director may constantly track the balances of its members). We have to make sure that a community as a whole and over a period of time is spending out reciprocally at about the same rate as they are taking in. If a community gets too close to their credit limit, we are working efforts to drive more reciprocal transactions toward them. If a community is collecting too many reciprocal dollars, we are working efforts to have them spend out more with others (preferably with those communities who are in greater need). We offer a managed economy, but work hard at making that management appear invisible and transactions to appear as seamless and open as possible. However, the protection of the currency is always first priority.

T.G.: Absolutely. This is the “balance of trade” problem. It appears that you are doing a much better job of it than are the monetary authorities responsible for international balance of payments. You mentioned earlier that there are filters to protect and manage reciprocal activity. What are some of those filters?

Chip D.: First I need to define three words within our system, "local" (within the same exchange community), "regional" (within the same group of closely adjoining exchanges), and "global" (the entire network). Each community has an aggregate credit and accumulation limit. That actually offers protection to each community in itself in that they can be assured that the balance of trade is always monitored and managed. We have "per transaction reciprocal limits" and "per day reciprocal limits" for both regional and global parameters without first needing the approval of both exchange communities to surpass that limit. This is a filter protection designed to prevent either one transaction or member from abusing the reciprocal network and single handedly pushing an entire exchange community to either it's credit or accumulation limit with a large transaction that wasn't first allowed by both communities. These filters are set by each individual exchange community but are typically large enough to allow most regular transaction activity but low enough to prevent harm. In addition, each individual member of an exchange community may be restricted from reciprocal activity. Perhaps a business is already pushing their balance toward their accumulation limit by just the activity within their local community. Well we can place a setting that will hide this member from the directory view by outside communities or even block transactions from outside communities both on a regional or global basis. The directory always reflects the proper availability of all members both locally, regionally, and globally. We instruct members to always look in the directory first to determine availability and any reciprocal limits that may be in place. If they do, there is never an issue.

5. Do you participate in UC?

Chip D.: The Moxey Headquarters (not the individual communities) just joined IRTA and UC earlier this year. We are very leery of co-mingling our currency, which we believe has a higher value than most all others, with other exchange currencies. However, we do find occasional UC product offers that don't seem too inflated or restricted. To protect the individual member from experiencing the devaluing factor of seeing lots of junk, overpriced gadgets, advertising, travel, etc., and other practices we deem to be devaluing to the currency, we process all UC and other outside transactions through Moxey Headquarters. In short, the members of our communities don't generally even know that it went through UC or another. They just know that they were able to buy something of value that they couldn't find within our current community or sell something that they were having difficulty finding a buyer within our own community. Of course we already find it much easier to sell our stuff than find things of equal value to buy. For this reason, we are purposely restricting our participation to rather small numbers (trying to keep our positive balance with UC and others down).

T.G.: That makes perfect sense. I would do it the same way. One should not hold a large balance in a currency they judge to be inferior or unstable. The problem in any network of disparate exchanges is to either (1) assure that each exchange's credits are equal in value, or (2) apply some formula to determine exchange rates among the various trade credit currencies. You seem to be using the first approach within your own network, which is what I've been recommending. Of course you have no control over how UC is issued, so you must make your own judgement about its value relative to your Moxey credits.

I'm glad to know that Moxey is now a member of IRTA, because IRTA has been an able representative of the interests of the trade exchange industry and alternative exchange in general. It is a trade association that enables cooperation alongside competition, helping to establish standards of practice, self-policing, and good relations with government, especially the tax authorities.

6. What are the factors you use to allocate lines of credit? How are they weighted? Are all exchanges in the network required to apply the same algorithm in allocating credit lines to their members?

Chip D.: Quick answers: many factors, many weights, communities are autonomous but all follow the same basic principles. Long answer: Factors are generally considered in this order... As a general rule, a member has a credit limit of about a 3-4 month average of their total sales (I use the word average as some members are seasonal and we have to look beyond the last 3-4 months (maybe year) and determine an average). For example, if over the last 3-4 months a member had sales of \$5,000, that would be their credit limit. This means if they stopped spending, it would take about 3-4 months to get them to zero.

T.G.: Yes, this needs to be the primary factor to consider in allocating lines of credit. I have long advocated an absolute maximum credit line of three months average sales into the network, based on a rolling average of the most recent three month period. Lines of credit then are continually adjusted up or down on that basis. The most difficult question in allocating lines of credit is, should it be totally objective and based on rigid adherence to the algorithm, or should there be some room for subjective judgement, and if so, what are the limits to that subjective judgement?

Chip D.: The Accumulation Limit is similar but looks at 3-4 month average of their total purchases. Like I said, this is only the general rule and first considered factor. We move that limit number up and down based upon these other factors... How established... how long in business? Type of business and price of service or products (some businesses have a high priced item that will only sell one every year or two)... while others are seasonal and only sell items a

few months of the year. This is just math for these members, but a consideration. Do we know of sales or purchases in the pipeline? We may need to protect or consider these. Known personal issues sometimes are a factor. Do we hear about troubles in paradise? Sometimes the word on the street is an early indicator of things to come. If it is a new member, what are the sales that we generally expect for that industry? How is our own supply and demand? If we are doing what we are supposed to be doing, we are not adding members where there is already ample supply and we're aggressively trying to add members in categories where the supply is low, but if we do, we should know that this may diminish the individual sales for those in that category.

T.G.: This makes sense during the early growth stage, but in the long run it limits the ability of the network to scale to significant proportions. Ideally, I would like to see participation open to all honest businesses that are willing and able to abide by the agreements.

Chip D.: You bring up an interesting discussion... In our model, the chief benefit is new business for those who participate. Because Moxey currently can't be used to buy any and everything, cash is higher valued. Members, wanting to save their cash, make a new buying decision, driving past cash competitors so they can spend their Moxey with Moxey members. This leaves me with two assumptions, 1) if every dry cleaner in town belonged to Moxey, would there be any reason for any of them to belong? and 2) the stronger that Moxey becomes with more places to spend it, then the closer it becomes to cash, but then the natural incentive to use it over cash diminishes. This seems contradictory, but it must be true. Of course, other factors also determine value and since the government seems free to print away, we may always have an advantage. I would assume that if Moxey was ever as strong or even stronger than cash, able to be spent on anything, that the currency would then need to separate from the 1 to 1 cash equivalent (an exchange rate?), which seems somewhat impractical in this day, but otherwise, you get potentially dragged down with it.

T.G.: OK, let's discuss the benefits of member participation in a credit clearing network. You say, "In our model, the chief benefit is new business for those who participate," and "Because Moxey currently can't be used to buy any and everything, cash is higher valued."

I do not dispute any of that. What we value as individuals is a matter of perception, and perception is greatly influenced by our past experience and the behavior of those around us. Market value represents a consensus based on actual transactions. Is gold worth \$1,300 per ounce? Is Bitcoin worth \$8,500? Are cigarettes worth \$5 to \$7 per pack?

Right now, everyone is fixated on dollars because dollars are universally accepted as payment for virtually anything one might want to acquire. That gives dollars a powerful advantage over competing payment media. Will that always be the case?

What I've learned from Prof. Clayton Christensen in *The Innovator's Dilemma* is that the performance of "disruptive technologies" is initially inferior to established, dominant technologies; that they must first find niche markets where their unique qualities are recognized, useful, and valued; that as they are developed and improved the new technologies attract further investment capital and gain market share; that they eventually perform well enough to displace the established, dominant technologies.

In the case of direct credit clearing among buyers and sellers, we need to consider:

1. What are the distinct advantages that it offers to users at this stage of development?
2. What are the factors that can lead to performance improvements?
3. What is the potential of this "technology" in terms of performance and market share (scale of operation)?
4. What will it take to realize that potential?

In addition to the marketing advantages which trade exchange operators have always emphasized, there are financial and economic advantages to both the members and their communities in general. Some of these are:

1. Credit allocated locally by the associated members themselves (or their representatives), as compared to dollar credit that is allocated remotely by bankers acting in their own interests.
2. Credit provided interest-free, for extended period of time, as compared to bank credit that requires burdensome interest payments, pledge of collateral, and repayment schedules.
3. Credit readily available based on production capacity of the members, as compared to the availability of bank credit that is based on value of pledged collateral, and subject to the whims of the monetary authorities, their market manipulations and boom/bust cycles.

You say, "the stronger that Moxey becomes with more places to spend it, then the closer it becomes to cash, but then the natural incentive to use it over cash diminishes." Yes, the marketing advantages may diminish but the financial advantages remain and become greater. As you point out the government [actually the Federal Reserve, in collusion with the government] is "free to print away," and to hand it out to favored clients like the banking and weapons companies. That causes a combination of inflation, business failures and unemployment. We have the capacity to avoid all of that.

Chip D.: [Fascinating... I'm really enjoying this!](#)

T.G.: Yes, we may eventually want to denominate trade credits in some units other than US dollars, but that, as you point out, is not yet practical. But even if trade credit continues to be denominated in dollar units during periods of high dollar inflation it does not much matter because trade credits are supposed to be spent quickly not held for long periods so loss of

purchasing power between the time they are earned and the time they are spent will be minimal unless we have galloping dollar inflation at which time adoption of a new objective unit will become both practical and necessary.

Chip D.: Continuing with the discussion of issuing lines of credit, another factor is do we know if this member has extended credit with other entities or other trade exchange organizations? What is the character of the owner of the business? Much of these factors are anecdotal or not necessarily written in black and white, but we a pretty good track record as our default rate through the years is less than 1%, so we think we've been doing alright.

T.G.: It's hard to argue with a successful track record, but maybe it is possible to achieve a better level of "success."

Chip D.: Always room for improvement.

Understand that most of our members to this point have come to us through referral of other members and there is always a vetting process of all new members before they are allowed in. Although we certainly don't catch all the bad apples, we have blocked quite a few. Also, we have the ability and have exercised the ability to remove a member who shows the propensity to cause problems in our network... another protection from having those who would purposely abuse the system.

T.G.: Yes, expulsion is the ultimate punishment for bad behavior. Is there any process for involving the other members in that decision?

Chip D.: The decision can be made by the Executive Director if time is a factor, but generally even in those instances, it will come up to the board of directors for final stamp of approval. Most of these decisions, however, normally come straight to the board and is decided there.

Much of these same principles are applied to the community's (as a whole) credit and accumulation limits (set by Moxey Headquarters).

T.G.: Yes, that is necessary to prevent balance of trade problems from becoming destructive of the network and damaging the value of its currency.

Chip D.: We're looking at the total reciprocal sales over a 4 month period of time to establish the community credit limit and the total reciprocal purchases over 4 months to determine accumulation limit. The other determining factor here is mostly associated with the community's Inflation Ratio (next question/answer) as it can greatly affect these limits if we deem the community to have a compromised currency value.

7. You say, "Moxey intends to be a better Medium of Exchange by removing the concern of inflation." How does it do that?

Chip D.: The trade exchange industry is littered with those whose trade dollar is so inflated that everyone has dollars and no one wants to take any more. This happens most often when the model of the exchange uses the "house" to print dollars without regard to the consequences, where they spend into the community themselves to the point where a significant percentage of the deficit balance is held by the house (if they even track it at all) and very small portion by members who, unlike the house, actually have a good or service to sell to the other members. I recently talked to the owner of another exchange who told me that they don't print money. I asked what the sum of his positive balances were. Large number. I then asked him what the sum of his deficit balances were. He proudly told me a very small number. When I explained that the only way that could happen was by him effectively printing money, his eyes opened wide as he realized what he had done (giving members large amount of trade dollars in their account if they would join and other such practices). His currency was devalued in that his members had less places that were interested in taking any more trade dollars because they already had too much. As you know, the industry is littered with these exchanges, that basically just sit there doing very little trade until they eventually just fade away leaving a sour taste in the mouths of those left holding lots of worthless trade dollars. Sometimes this happens purposely and fraudulently, as you know.

Understanding this in the industry, we have tried to build a higher level of accountability in our system. We measure this factor with a term we call the "Inflation Ratio". This is simply calculated as the percentage of the deficit held by the house. If the positive balances equal \$1M, then the deficit must equal \$1M. How much of that \$1M deficit is held by actual current members?

Whatever the remaining amount is must be held by the house. From a percentage perspective, if the house owns 20% of the total deficit, then we call that a 20% Inflation Ratio. We have typically deemed any Inflation Ratio at 20% or less, to be good and a non-factor on the currency value. 21% to 40% seems to have a small bearing but probably not noticeable, 41% to 60% starts to have a noticeable factor affecting the velocity of trade, 61% to 80% has a detrimental factor on the currency, and over 80% seems to be a number that spells the beginning of the end of that exchange... likely unrecoverable without a serious cash investment to try and turn it around.

T.G.: I'm not so sure about 20% being "good." Perhaps less bad. If the credit line for the house account is determined using the same criteria as for any other member account, I think the inflation ratio would be less than that, or even negative at times. Many exchanges rely on aggressive brokering activity to try to make up for their exploitation of their members by their own excessive spending and inflation of their currency.

Chip D.: Yes,... "good" may not be the right term... "acceptable" or within a range that doesn't seem to have a noticeable effect on the currency velocity. Like I said earlier, we promote

accountability. Much of that up to this point has been by the fact that we have instituted "member-owned" communities that have an elected board of directors. The staff are employees of the community, not owners. They are held accountable by the board to hold the staff to performance standards which include keeping that Inflation Ratio in check. All this said, we have some communities where this board has not done a good job of proper oversight and we are investigating other ways to establish and maintain this accountability.

T.G.: Your "communities" can be autonomous but they are using a shared "brand," just as banks share the VISA or MasterCard brand. There must be an agreement among the communities about the standards of practice that are required to use that brand. These must be subject to continual audit.

Chip D.: Agreed. We ultimately have the right and ability to remove any exchange from the reciprocal network if such case were ever needed. Keeping a keen eye on the exchange's credit and accumulation limit means we are generally only a few months away from being able to "pull that trigger" if needed. Of course, no one wants that to happen and so they have all incentive to remain accountable. However, as I described, it's not been perfect in all instances so far and so we are looking for additional means of maintaining and enforcing that accountability. From my "cat bird's seat" I can always see the numbers and metrics for each exchange,... so I am constantly auditing their condition.

One of Charlie's ideas is to use blockchain technology to have our transaction records more transparent, not to get into the individual member's business and privacy, but to constantly reveal the health of our economy and factors such as this Inflation Ratio. However we continue to try and monitor it and make it transparent for accountability purposes, as I said before, our primary concern is always the continued high value of the currency.

T.G.: Can you explain what advantages blockchain would provide in that case?

Chip D.: This is where we get a little over my head and Charlie will be better able to answer.

8. Is your online portal a complete marketplace that includes offers and requests? Vendor and client background? Reputation ratings?

Chip D.: Up until this point, we've not really had a "marketplace", but rather more of a member directory.

T.G.: So, a member knows only the general line of business of other members, not their specific products or services?

Chip D.: The directory offers much. It provides the general line of business, picture, video, a description text that the business owner can talk about the sort of things they offer. It also can directly link to the businesses website, email, or phone number to learn more. Here is a link to the directory you can use to visit and look around. This particular link gives you the perspective as if you were a PartnersOne (Baton Rouge) member. In other words, you will not see members that you are not supposed to see (those not marked as local or regional) from other exchanges. Note that if you click on the exchange name on the far right of each listing, it will expand that listing.

<https://www.quiktrade.net/Website/MemberDirectory.aspx?sKey=OC9m99MQqTMHAFnAowaTcV8HimYgxK4LDwl3wyrT3AwbGoupfI>

T.G.: Your Web directory looks good--quick response, but your search function brings up lots of irrelevant returns, e.g., try searching "air conditioners. Also, I see mostly services; what are you doing to bring in more hard goods?

C,D.: Agree. We're working on a better search engine. Part of the problem is the old "garbage in garbage out" situation. Trying to also clean up some of the search fields.

We have always stressed for our members to consider this as a "day to day spending account" versus a "savings account for special items". We encourage everyday regular recurring expenses... a replacement currency for all the things they do and purchase every day. When I see other exchanges that seem to mostly feature a marketplace littered with trinkets, junk, and overpriced exotic travel, I believe it to be devaluing to the currency. Our directory tells all about the member, their product or service, everything they might want to feature about their business (within our approval). They are not allowed to list any restrictions on what they will sell and what they will not. They don't list a price on the directory, but are required to sell at their same cash price (100%) if engaged.

T.G.: I think this is a crucial point, trade credit prices must be the same as cash prices.

Chip D.: The directory would also inform the user if a member is on "Standby" (currently unavailable... too close or at their accumulation limit... imposed by member or staff) or "Waitlist" (needs to call office to get in line for this member's product or service), or if there are any reciprocal limitations. We are in the process of incorporating a "marketplace" in addition to the directory, but it would be very much controlled and restricted in a way to maintain the perception of high value.

T.G.: I'd like to know the details of how your marketplace will be "controlled and restricted."

Chip D.: Making sure that listed items are at the fair and customary price, that items are attractive (don't look like junk... especially if used goods), making sure that all customary portions of the purchase are 100% Moxey, that is following all current reciprocal and inter-community filters and protections (credit, accumulation limits, etc.), that pictures and presentation are high quality and retain the perception of high value, etc.

We have considered incorporating "reputation ratings" into our directory, but have yet to do it. We can't seem to figure out how to prevent abuse with this capability. How do we prevent one member from tearing down another when they have a legitimate dispute. Who determines what is legitimate or if the claim was founded in reality? We don't want to be in the business of picking winners and losers.

T.G.: No need to pick winners and losers if you let members speak for themselves. Other platform business like Amazon, AirBnB, etc. have managed this pretty well. As a buyer I look at the overall pattern. One bad review does not greatly influence my decision about a vendor. I look at the specifics of a complaint. Self-policing within each community should make negative reviews on the platform pretty rare.

Chip D.: I don't necessarily disagree, just haven't precisely figured it out and know we don't want to be in the middle of disputing members who are busy tearing each other down. The larger a community becomes, the easier these things become just because there is more input, and thus more faith in the feedback. Like I said, we currently don't really have an issue so much, but recognize that we will likely need to do something in this regard.

We DO have a grievance committee that tries to resolve these occasional disputes between members, but even then it is not always clear who is right and who is wrong (often a "he said, she said"). We do have some ideas how we might do this but so far have not put them in place. Because our model focuses on the individual community and those relationships of neighbors doing business with one another, generally those who offer less satisfactory service become known and, if bad enough, the local director removes them from the community before they can cause further harm.

T.G.: Can you elaborate on the typical user experience and what might block a transaction?

Chip D.: So, I don't think I talked about this earlier, but should in more detail now (a little off course for a moment). Every member has what we call a Cash Reserve Account (CRA). This is a cash escrow account (listed as a liability in our books) held within our system that the member has the ability to load cash to this account using check, cash, debit, or credit card. This account is used to pay a the commission or transaction fee as well as pay tips. When I go to a restaurant for a \$100 meal, I present my Moxey card to the server, he or she goes to our terminal and swipes

the card. Immediately, if approved by the system filters, \$100 Moxey transfers from my account to the restaurant's and \$10 commission leaves my CRA account and is accounted as income for the exchange community. The server brings back the receipt from the terminal which I sign and leave a \$20 tip. The server brings back the receipt to the terminal and processes the \$20 tip which moves \$20 from my CRA account and places it in the restaurant's CRA account. The restaurant now has cash dollars in which they can pay the server. In all ways, the transaction looked just like real world cash transaction, yet it was done with Moxey and all commission and tip were handled real time. You are now probably going to have lots of questions in this regard, but I'll let you ask and I answer on our next round. Back to your initial question... things that might block a transaction:

- * Insufficient Moxey in the buyer's account up to the currently established credit line.
- * Too much Moxey in the seller's account up to their accumulation limit (like I earlier said, we work hard to try and prevent a member from ever hitting their these limit, but they are there if needed).
- * Insufficient dollars in the buyer's CRA to cover the commission fee.
- * Insufficient dollars in the buyer's CRA to cover the tip.
- * A member from trying to make a purchase with a local or reciprocal member that is not currently available as shown on the directory.
- * A transaction that is surpassing the per transaction or daily regional or global reciprocal filters without first getting permission by both the buyer's and seller's staff to lift those filters.

There are probably others that I can't think of right now, but this is the gist of them. However, in all cases the member has knowledge of their balances, filters in place, and any other "block" that might come up. An email is delivered to the buyer and seller upon every transaction telling them if Approved or Denied (and why it was denied). Another email is automatically sent if they are approaching a credit limit and if their CRA balance is getting lower than the minimum that they set to be notified. If they refer to the directory, any of filters in place will be shown to them before they start to engage another member.

9. When using the app or online portal, is approval of the transaction immediate?

Chip D.: Yes. No need for an Approval process (except rare circumstances). The platform has built into it all the management rules and protections to prevent transactions that might harm the system or balance of trade. From a user's standpoint, they don't see these filters in the course of regular business, but if they do get stopped by one, they generally had sufficient warning long before they got stopped from doing something they were not supposed to do. It has been our attempt, whether transacting online, through one of our swipe card POS terminals, or the app, to make the transacting process seem as much like what they are already accustomed to in the cash world... to make it easy. Since I designed the system, I am not ashamed to brag. It is awesome.

I'll let Charlie answer the last two questions when he gets back and/or we all get together. .
Warren also wants to participate when we get to a talking or interview level.

I think I have fairly thoroughly answered most of these but likely have missed something I also meant to explain. I have probably opened up a whole can of worms in more questions from you and am happy to answer them all. Ask away. However, at some point (soon) my fingers will grow weary and our discussions will be more productive by phone (or maybe one day in person).

Charlie Davis joins the conversation

T.G.: You also say, "It also removes the extreme deflationary dangers that can exist in a purer form of money such as gold." Can you explain that?

Charlie D.: This is a comment in reference to monetary systems with finite amounts (like Bitcoin) or pure money like Gold. For example, since there can only be 21 million Bitcoins, at least according to the current software code, it's difficult to use it as a form of payment because the price is very volatile and deflationary in value relative to fiat or conventional money.

T.G.: What additional functionality will be achieved by using blockchain? "The major thing behind all currencies is a trust and transparency in knowing the currency is strong and blockchain technology will allow an additional level of transparency," says Warren Sager, Moxey vice president of operations. "It will allow our currency to become stronger and more trustworthy." But that does not address the transparency of the credit allocation process.

Charlie D.: Our use of blockchain technology will include Regional Governance Tokens that will earn royalties from commission paid by users of the network. This will help to provide a high degree of transparency and trust without creating a currency with wild price swings.

T.G.: This opens up the entire question of how the network and each community exchange is governed. You seem to be saying that Regional Governance Tokens (RGT) carry both voting rights and "royalty" payments. That sounds similar to corporate common stock. But that is not the same as a currency or payment medium. Please clarify.

Most cryptocurrencies function like a direct democracy. Moxey will function more like a Republic. The three primary stakeholders are the Moxey corporation, Regional Governance Token holders, and of course the Members.

The credit allocation and management process is one of the most critical functions that an exchange performs. We will be building upon the formulas that TradeAuthority exchanges have

been using for the past several years, making improvements to them, as well as adding new governance components.

T.G.: Yes, the credit allocation algorithm is key to success and value of the currency. As I've argued before, the house account should be limited in the same way as any other trading account.

The blockchain aids in two critical areas.

- 1) Increased transparency & trust. Very few people in modern exchanges have access to the economic data. We plan to make summary statistics public and eventually real-time. This alone will add a great deal of transparency.

T.G.: Great, but how does this involve/require blockchain?

- 2) Equitable Governance. Regional Token Holders will elect advisory boards that will a) have a role in choosing staff and of course holding them accountable b) overseeing credit expansion outside of pre-approved formulas and c) a variety of other oversight roles.

In summary, the three stakeholders will be aligned so that overall all of them will desire the best long-term management of the economy.

T.G.: That alignment of interests is crucial. I'd like to see the details of how that will be achieved.

T.G.: The trade exchange industry seems to have been for some time on a plateau or slow growth trajectory. How do you see moneyless trading alternatives evolving over the next few years, and how much of an increase in scale do you anticipate?

Charlie D.: We believe that modern technology has finally caught up with the worldwide demand for a better monetary system. Businesses and individuals already have the ability and desire to drive commerce without using conventional money. We just need to give them a simple and robust way to do it.

Moxey, like money, is social technology and its key feature is serving as a great *Medium of Exchange*.

In *Principles of Economics*, Carl Menger wrote:

“It appears to me to be just as certain that the functions of being a "measure of value" and a "store of value" must not be attributed to money as such, since these functions are of a merely accidental nature and are not an essential part of the concept of money.”

T.G.: Correct. I have been arguing for thirty years that the three supposed function of money do not define money at all and need to be segregated. (See Part III of my first book, *Money and Debt: a Solution to the Global Crisis*; https://reinventingmoney.files.wordpress.com/2014/09/money_and_debt_part3_lo.pdf).

Money should be "turnover credit," short-term, and based on capacity to produce and sell. Like blood circulating in the body, whose storage of nutrients is incidental and temporary, money's storage of value is also incidental and temporary. Further, credit needs to be measured or quantified using some concrete objective standard.

Charlie D.: A more accurate view of money is to see the virtues of unit accounting and value storing as critical elements of a quality medium of exchange. Not, as is common in most textbooks, to think of a medium of exchange, a store of value and a unit of account as equal members of a three-legged stool.

The burgeoning blockchain technology will provide, for the first time in history, the ability to reliably share the critical metrics of an entire currency. With this technology, users can rely on the currency to be strong, stable and reliable.

T.G.: I believe that the way in which a currency is issued and managed is the key determinant of that, not the use of blockchain.

Charlie D.: In the *Denationalization of Money*, Hayek shows that a government monopoly on the creation of money may be the *most dangerous and deadliest monopoly* of them all. While he could not have predicted the creation of the Blockchain 32 years later, he does make a strong case for allowing the private sector to apply the creative power of the market to improve upon this critical but flawed foundation of society.

T.G.: We are in complete agreement on that. In my book *Money and Debt*. (<https://reinventingmoney.com/money-and-debt-a-solution-to-the-global-crisis/>), I quoted Hayek (p. 31):

“If governments were deprived of their power over money, private firms would quickly begin to define new monetary units and to issue liabilities denominated in terms of these units. Competition among issuers would

compel them to seek to define their units in ways most useful to the public and to make them available to the public at the most attractive feasible terms.”

In my book [*The End of Money and the Future of Civilization*](#), I argue for the separation of money and state (chapter 8).

#

Thank you both for your candid and comprehensive responses to my questions. I’m sure they will be of great interest and value to many others who are active in alternative exchange and seeking ways to improve our society.

Thomas H. Greco, Jr. is a preeminent scholar, author, educator, and community economist. He is widely regarded as a leading authority on moneyless exchange, community currencies, and financial innovation, and is a sought after speaker internationally. He has conducted workshops and lectured in 15 countries on five continents and has been advisor to currency projects in the United States, Canada, Mexico, South America, Europe, India, China, Africa, New Zealand and elsewhere. He has authored numerous articles and books including, [*The End of Money and the Future of Civilization*](#). Many of his presentations, interviews, and writings are available via his website, Beyond Money, at <http://beyondmoney.net>. He has recently agreed to join the Moxey Advisory Board.