

JUICING COMPANY



The following serves as an example of how goods are 'tokenised.'

Local juicing supply company.

People will be able to register online to make orders for juice shots. With those orders, they'll receive 'juicing coins' which will be *quoted* by the company against juice shots. (nb – this could be considered 'backing juicing coins by juice' – but that's a reductionist's view of the process of market making...)

- Capital equipment: juicer.
- Offer 50ml juice shots of orange and ginger in returnable bottles. Say maximum capacity of 20 x 50ml juice shots per week.
 - Juices only for order: orders to be given by Sunday night, say, for delivery on Friday, 12:00.
- Juice delivered in bottles marked with monetary value of \$X for 'when returned.'



User case

- Peter registers an account on Sunday morning and makes an order for 10 juice shots at \$1 each. Shots to be received by Friday noon.
 - Peter makes 10% deposit upfront, just as with a futures contract.
 - Full payment made on final delivery.
- Peter receives 'Juicing coins.' Say 1 Juicing coin for every 10 juice shots ordered.
 - Rate of Juicing coin given for orders ("Juicing coins OFFERED per shot delivery" or "X") determined by the company.
- 2 DBS Juicing coins can be redeemed for one juice shot by the company.
 - Rate of Juicing coin redemption in Juicing coins per juice shot ("Shots of juice OFFERED per Juicing coin" or "Y") determined by the company.

The essential variables, apart from public orders, that the company has to actively control are "X" – rate of Juicing coins given for juice shots and "Y" – rate of Juicing

coins accepted for juice shots. “X” is quoted as “Juicing coins *given* per shot of delivery” – eg “1 Juicing coin per 10 juice shots” and “Y” is quoted as “Juicing coins *required* per shot for redemption” – eg “2 Juicing coins required per one shot redeemed.”

In this way, we can think of X and Y as quasi ‘offers’ and ‘bids’ for juice shots against Juicing coins! This could be viewed as “backing” Juicing coins by juice shots.

The equivalent of the offer for Juicing coins is “X” – the number of coins offered per shot. In our example, we offer 1 Juicing coin for 10 juice shots offered. The equivalent of the bid for Juicing coins is “Y” – the number of coins required per juice shot. In our example, we require 2 Juicing coins per one shot.

“The price” of a Juicing coin cannot be easily resolved into dollars as in “A Juicing coin is worth \$2” even though we have the juice shots’ price against dollars on offer, as well as X and Y given by the company. Why? Let’s go through our example and *try* to resolve a dollar price for Juicing coin.

Example

- Attempting to value Juicing coin in dollars though “X” (“1 Juicing coin per 10 juice shots”) yields 1 Juicing coin as \$10; as \$10 needs to be spent to obtain one Juicing coins.
- Attempting to value Juicing coins in dollars through “Y” (“Juicing coins *required* per shot for redemption”) yields 1 Juicing coin as ½ of a juice shot, or 50c.

It can be seen that 1 Juicing coin would “be valued” somewhere in-between 50c and 1,000c, even though there is *no direct dollar quotation for Juicing coins!* We can see, in action, Menger’s observation of “price” not being “monolithic” but composed of bids and offers.

At any one time, the company’s balance sheet would look as follows:

Assets

Inventory of juices
Cash deposits from orders
Receivables from orders

Liabilities

Quantity of DBS coins in issue multiplied by (X-Y)

nb – this balance sheet only makes “sense” when resolved in “units” of juice shots because of the “X-Y” part of liabilities.

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