

Key Specifications: The Five Fundamental Accounting Mechanics

The IOUBI system replaces traditional debt-backed currency with five straightforward accounting mechanics that maintain economic stability, eliminate artificial inflation, and guarantee zero-interest balance across society.

1. The Daily Living Dividend (UBI)

- **Personal Side:** Every morning, a small dividend payout arrives in your account based on yesterday's overall economic activity—no applications, qualifications, or repayments required. This dividend naturally trends toward closing whatever gap remains to cover the cost of living chosen by its members, with the speed of that closing depending directly on system usage. This creates a permanent **UBI (Universal Basic Income)** floor under your life so basic daily needs are always met, regardless of your employment status.
- **Economic Side:** A non-tax-funded distribution mechanism powered directly by real-time transaction velocity. Fee revenues from daily circulation are pooled and re-allocated per capita every 24 hours, permanently stabilizing baseline aggregate demand across the macroeconomy without government debt or currency dilution.

2. Overdraft Flexibility & How Money Moves

- **Personal Side:** You can spend using positive savings or by simply **overdrafting** your account up to an interest-free limit.
 - *How it works in practice:* When Sarah spends \$100 for groceries using an overdraft, the market receives \$100 in spendable money that is identical to funds drawn from savings. Her next \$100 in earnings automatically repays that debt first before her balance can rise above zero into positive savings.
 - *The Takeaway:* Spending lowers your balance (even into an overdraft), and receiving money raises it. Account balances reflect net savings or borrowing, while money spent is simply the record of those changes.
 - *No Speculation:* Because credit carries zero interest and an account must clear its negative balance before net gains can accumulate, predatory lending and price speculation disappear. Prices stay naturally stable because money cannot be saved as profit until the underlying debt that created it is paid.
- **Economic Side:** A zero-interest mutual credit clearing framework where aggregate liabilities continuously equal aggregate assets ($\sum \text{Balances} = 0\$$). The total money supply naturally matches real economic need—plus any temporarily stagnant savings—without generating artificial inflation, while progressive fee rates discourage rising or excessively large balances. Individual overdraft limits are calibrated to reflect real-world purchasing capacity, ensuring access to everyday goods and major purchases without debt traps.

3. Crowdsourced Business Credit & Social Credit

- **Personal Side:** Anyone can enable one business account, but getting a commercial credit line doesn't involve bank loan officers. Instead, a business account only receives credit when approved by a crowd of at least 25 people. Every individual automatically receives a yearly pool of "Social Credit" matched to their personal credit limit. Social Credit is completely free to build and free to gift, but it can only be given to businesses you want to support for startups, growth, or daily operations. Like personal accounts, a business doesn't draw on its credit line as long as its balance stays positive. Because gifted Social Credit expires in 25% increments over the course of a year, businesses must continuously earn community approval to maintain their zero-interest credit.
- **Economic Side:** A decentralized credit-underwriting mechanism that replaces private banking gatekeepers with community-driven risk allocation. By requiring a minimum threshold of 25 distinct individual endorsers, commercial credit expansion is decoupled from centralized collateral demands. Social Credit operates as a dedicated, non-transferable token issued annually per capita and pegged to personal credit allowances. Pledged Social Credit establishes a zero-interest overdraft ceiling for the target enterprise without drawing down the endorser's personal balances. An automatic annual decay rate (25% per quarter) enforces dynamic credit recalibration, preventing dormant entities from hoarding credit capacity while matching money creation directly to active community utility.

4. The Universal Progressive Transaction Fee

- **Personal Side:** With every payment, a small fee (typically around 1%) goes into the pool for the UBI dividend and other social costs. This small cut on overall spending fully funds the universal safety nets without income taxes, sales taxes, or bank interest. If an account holds a very large positive balance, the fee rate scales up slightly—encouraging money to flow back into circulation rather than sit stagnant.
- **Economic Side:** A progressive velocity levy assessed on transaction volume, where the fee percentage programmatically scales based on the number of places (digits) in an account's positive balance. Zero-interest credit, carrying no financing penalties, encourages outright payment over delayed financing, yielding instant settlement and equity transfer. This replaces profit-from-debt business models with direct market competition based on product quality and real value.

5. Universal Insurance & Systemic Renewal

- **Personal Side:** You automatically receive universal insurance for needs of any size. Claims can cover unexpected personal losses like traditional insurance or fund grants for local community projects. Instead of facing debt collectors or ruined credit during hardship, shared protection keeps buyers and sellers whole while encouraging community initiative.
- **Economic Side:** A built-in, rolling pool funds both insurance and grants through a just-in-time payment mechanism. By rapidly recycling funds back into active transaction

velocity, the protocol prevents localized defaults from cascading through supply chains and cancels unintentional economic harm.