Twitter Thread by THORchain.BULL ■



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1.

I will get a lot of hate for this.

I'm voting no on the Terra proposal to allow more mint & burn.

This proposal will not create exit liquidity, it will create an inflationary death spiral for $luna.

The people who delegated $luna to me will get dilluted to death.

2.

Terra as a blockchain has some value. There are a lot of innovatives protocols with great UI and UXs.

Right now $ust represents debt on that value. There's over $17B of debt.

It cannot possibly service that debt, it's mathematically impossible. It's bankrupted.

3.

Trying to do so will make $luna go to nothing.

It will diminish the value of every protocol built on it.

If there's no upsides & incentives, people will abandon them.

4.

$ust is debt, theses protocols are the only things of value right now. We need to protect them or it's all worthless.

When a company goes bankrupt, a proportion of the debt is forgiven. This needs to happen, aggressively.

5.

We need to create an obsolescence program for $ust and retire it.

People need to take a deep haircut while converting to $luna. Everyone can get the same share.

Otherwise it will all go do 0.

5.

At this point I feel a lot of people are selling opium and don't understand the risks involved with algo stables.

There are multiple examples of inflationary death spiral happening in the past. This isn't a theoritical.

6.

Eg. : If there's $5B of $ust that wants out, there needs to be $5B of exit liquidity. Not market cap. Liquidity.

Nobody has an incentive to bail out that much money.

$5B of buying power would create a $15B+ market cap blockchain. Think about it.

7.

If we strip $ust from the $luna, we can save theses protocols.

Everyone takes an equal haircut.

We could offer some redemption at a fixed proportion to everyone who wants it.

The current proposal is a certain death. It will lead $ust to a death spiral.

8.

The administrators need to protect their asses and make good on the promise that $1 ust = $1 of $luna.

This is good for them, not for $luna & $ust holders. It will not create exit liquidity out of thin air.

9.

IMO, the only way forward is if everyone gets dilluted and the mint and burn system is abandoned immediately for a proportional $luna redemption among every stake holder.

The only thing of value here is the L1. Nobody will trust $ust again and want fake incentives.

10.

This is drastic but there is no other path forward.

11.

If Do was really behind basis cash, he knows EXACTLY what happens next.

Keeping $ust redemptions at $1 of $luna fulfills the promise but...

If there is no exit liquidity for $luna, you're stuck with it and getting dilluted exponentially. This does not create demand at all