Twitter Thread by Terra Watcher

Terra Watcher
@lurkaroundfind

1/9 $LUNA at $8.50. Not too surprising.

LUNA is valuable because it controls the Terra 2 network via governance.

Governance in Terra 2 is actually democratic. No single entity owns a majority of the LUNA, so it makes sense to accumulate LUNA for governance. ■

2/9 Most notable thing Terra 2 governance controls is the community pool. At 200MM LUNA, it's already worth more than a billion dollars.

It's reasonable to assume rival entities have their eye on Terra 2, and would like to control it. But to do so they need to buy LUNA.

3/9 For Terra 1, it didn't make sense to accumulate LUNA for governance, as TFL owned 50% of supply and almost always got what they wanted.

Same with AVAX, SOL, etc. Those networks are not democratic. Voting is pointless, as supply is extremely concentrated in few hands.

4/9 With Terra 2, supply is widely distributed, not concentrated. So voting actually means something.

For the first time ever on an alternative smart contract platform it makes sense for entities to accumulate the native asset for the purpose of governance.

5/9 If the powers that controlled Terra 1 want to have the same control over Terra 2, they will have to accumulate significant amounts of new LUNA that was airdropped to retail.

What can you do if you control the network?

6/9 Spend the community pool however you want, change staking rewards, change transaction fees, make a new native stablecoin, do a multi-million dollar sponsorship deal with a sports team, etc.

Pretty much all parameters are alterable.

7/9 LUNA has no other value, by the way.

It collects transaction fees, but those will probably always be negligible.

It gets a staking yield, by since that's inflationary it's better to view it as a dilution punishment for not staking rather than a reward for staking.

8/9 Instead of having centralized control like all the other alt L1s, what we will probably see with Terra 2 is several entities attempting to control the network through accumulation of LUNA.

Remind you of anything? Curve Wars.

9/9 Avalanche, Solana, Near are basically dictatorships controlled by central committees.

Terra 2, on the other hand, is a true democracy. Supply is widely distributed, governance will actually mean something.

How valuable is decentralization really?

We're about to find out.