Twitter Thread by fomosaurus ■

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$DEBASE - A Composable/Modular Algorithmic Stable Coin Protocol

https://t.co/v3383S9VsP
https://t.co/mAul2JSyWE

A guest post, written by the Debase community.

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Algorithmic stable coin protocols & in particular elastic supply tokens (e.g. AMPL, Base) have emerged as contenders for decentralized price-stable assets. The premise of such tokens is to convert price-volatility into supply-volatility, in search of a price peg (e.g. 1 USD)

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The idea is that at sufficiently large market capitalisations supply-volatility will taper off and you are left with a price-stable asset. So far this has not been the case

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Projects like Ampleforth continue to experience sustained price and supply volatility even as market capitalisation has ballooned. Subsequent iterations have tried to improve on this model by modifying one or more of the static parameters; BASE, RMPL etc., come to mind

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While the subsequent iterations modified a fixed set of ‘flexible’ parameters, the fundamental mechanism of elastic supply tokens remains static. Debase is the first elastic supply token to introduce completely dynamic parameters (16+).

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Debase is the most dynamic algorithmic stable coin:

1. A composable and modular protocol
2. Infinite iteration and experimentation, virtually any DeFi composition is possible, mediated through Debase's in-built gov. layer
3. Over 16 dynamic parameters

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4. Composability w/ a wide range of DeFi elements appeals to the full spectrum of stakeholders in the DeFi ecosystem, including but not limited to yield farmers, options traders, other stable coins/DeFi projects who can build "stabilizer pools".
5. Stabilizer pools (s-pools)

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S-pools act as plugins that add additional logic/function, to stabilize $DEBASE, to the core protocol. Ecosystem participants are incentivized to coordinate & ensure Debase gravitates to a peg. It is only limited by smart contract capability & what governance permits

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Given the infinitely modular nature of Debase, It can absorb innovative new ideas in its stride as it evolves and matures. S-pools with various, unique strategies will sit on a spectrum of passive to active designs

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Passive S-pools:
These do not have an active agent of stabilization, and rely on pure game theory to stabilize supply (and therefore price).

For example, a S-pool that rewards stakers with $DEBASE if there are less than 'n' number of negative rebases over m time periods

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Active S-pools:
These have an active agent of stabilization, for example a S-pool that acts as a yield vault. This vault may take $DEBASE/DAI LP tokens or assets as capital, use a yield farming strategy and set aside part of the profits to peg $DEBASE to its target price

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S-pools will exist on a spectrum between the two extreme types of pools (active and passive).

Debase needs to attract as many diverse strategists as possible - to this end it is already working on onboarding these stakeholders to governance e.g. 88MPH - governance partner.

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How can all the active/passive S-pools coordinate to stabilise $DEBASE, despite their varied interests? Aligned incentives. Debase’s incentive structure enables governance ($DEGOV) to share protocol profits in DAI/other assets in treasury when $DEBASE is stable

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Governance plays an important role in growth & stabilization. Because governance can be rewarded for driving utility, governance partners are incentivised to ulitilize Debase as a stable reserve. Large DeFi protocols, once onboarded to governance, can push for stable utility

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For instance, wrapped $DEBASE when it is largely stable with a small tx fee on every transaction that goes to s-pool rewards fund controlled by governance. Large DeFi protocols, once onboarded, would be incentivised to push $DEBASE as a DeFi stable reserve currency.

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Debase rebases from launch