The Cigarette Token

The white paper

by tycoon.eth
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Motivation for the project

- To experiment: To test out governance by a Harberger tax system. Most DAOs today are based on ballot style voting. The programmability of cryptocurrency allows us to move away from simple ballot systems and try other governance systems. The Cigarette Token is the first ever token where the issuance rate is governed by a Harberger Tax system.
- To have a memeable token for punk owners: There have been many examples in history of money where items such as cigarettes become money. It is probably no surprise why the cigarette is the 2nd most common attribute. Would you spare a few cigarettes for your friends?

Liquidity mining

For a token to survive, memes are not enough. A deep liquidity for the token is also a necessity. Therefore, the token includes built-in liquidity provider rewards, based on the code from SushiSwap MasterChef contract. The contract also supports SushiSwap's MasterChefV2 callbacks, so it would be possible to also mine SUSHI on top should the Cigarette Token be ever added to onsen.

The CEO and Harberger Taxes

The CEO title is a special NFT that is under a "harberger tax" scheme, meaning that it's always for sale, and the current holder of the NFT is the owner, as long as they can pay the daily tax.

The tax depends on what sale price the owner chooses. The higher their price, the higher the tax. The rate is 0.1%, so for example, if the current CEO set the price to 5 million CIG, then they would be paying 5000 CIG a day just to keep the CEO title. Additionally, that 5000 CIG gets burned.

One of the things that this project explores is, can Harberger Taxes be applied to beyond ownership and used for things such as governance?

So far, every DAO that came out has put governance under a token voting mechanism. This project is probably the first ever to have done things differently - instead of using token voting, we use the CEO title, which is placed under a Harberger tax system, and the right to govern is given to the current holder of the title.

Issuance

The issuance is controlled by the CEO, who can increase or decrease it by 20% every 14400 blocks, which is 2 days on Ethereum

The starting issuance on launch will be 1000 CIG per block, and the CEO can choose to decrease or increase. The maxim issuance can be set to 1000 CIG per block, and the minimum is 0.0001 CIG

If anybody from the community does not like the CEO's decision, they can always take over the CEO title. The CEO could set a higher takeover price to protect their position, however, that would mean the CEO would need to pay a higher tax, resulting in more CIG getting burned.

Token Distribution

All tokens will be distributed by claiming with a punk, and then through liquidity provider LP rewards. Nothing to the team, no VCs, no backroom deals. Fair launch only.

1 billion CIG tokens will be sent to the CryptoPunks token on deployment, and each CryptoPunk token will be able to claim 100,000 CIG. The claim is open forever, there is no time limit.

THE RULES

1. Anybody can buy the CEO title at any time using Cigarettes. (The CEO of all cryptopunks)
2. When buying the CEO title, you must nominate a punk, set the price and pre-pay the tax.
3. The CEO title can be bought from the existing CEO at any time.
4. To remain a CEO, a daily tax needs to be paid.
5. The tax is 0.1% of the price to buy the CEO title, to be charged per epoch.
6. The CEO can be removed if they fail to pay the tax. A reward of CIGs is paid to the whistleblower.
7. After Removing a CEO: A dutch auction is held, where the price will decrease 10% every half-an-epoch.

8. The price can be changed by the CEO any time. (Once per block)
9. An epoch is 7200 blocks.
10. All the Cigarettes from the sale are burned.
11. All tax is burned
12. After buying the CEO title, the old CEO will get their tax deposit refunded

CEO perk

13. The CEO can increase or decrease the CIG farming block reward by 20% every 2nd epoch!
However, note that the issuance can never be more than 1000 CIG per block, also never under 0.0001 CIG.
14. THE CEO gets to hold a NFT in their wallet.
The purpose of the NFT is so that everyone can see that they are the CEO, as NFTs show up in wallets.
Note that this NFT will be transferred away once the CEO title changes.
Also, the NFT cannot be transferred by the owner, the only way to transfer is for someone else to buy the CEO title!

Using the CEO in other projects

Why not incorporate the CEO of CryptoPunks in your contracts as an additional "perk" for the CEO? Some ideas:

- A %1 voting power boost in your protocol
- Ability for the CEO to change some part of your website, eg. if you are running a NFT marketplace, let the CEO choose their recommended NFTs
- Let the CEO call the "ribbon tape" methods in your contracts. "Ribbon tape" methods that are called to launch a contract or complete some other predefined initialization, but are otherwise symbolic, similar to a politician who "cuts the ribbon tape" when something opens.
- Similar to the above idea, let the CEO be the first to do something when you launch. So if you launched a 10k pfp, let the CEO have the first pick
- Let the CEO have the final say whenever a proposal in your protocol should pass, in other words, "veto" rights.
- Let the CEO control a parameter by allowing them to raise or lower it by small incidents. Eg. Raise or lower the fees by a few basis points every week.

How? You can read what address is the CEO by querying The_CEO variable on the contract. You can also read other variables, such as CEO_tax_balance (amount the CEO prepaid), taxBurnBlock(block number of CEO's last tax burn) and finally the CEO_price (take-over price set by the CEO).

Why might you read the additional values? These will allow you to determine how serious the CEO is, and how long they have been a CEO. Eg. if the CEO_price is high, and they have prepaid enough CIG to stay CEO for 14 days, and already been a CEO for 7 days, then you know that the CEO is really smoking their CIG hard ;-)

The CEO cannot really fake these values without burning CIG or being taken over. Eg. if they set a high take-over price, they will need to put up a lot of their CIG to be burned. Likewise, set too low, and another CEO will take them over. Which is why you would tend to trust figures from a CEO who has been longer in the position.

This leads to another question! Could the CEO-title price be used as a type of oracle in other contracts? It may! For example, it could be used as a way to set the price of an asset, by using the weighted average price of the CEO-title as an anchor. However, one of the limitations is that the current contract doesn't record the block-number for when the price was changed last, so a workaround would be to read the taxBurnBlock value and give higher weight based on the difference: CurrentBlock - taxBurnBlock

Note that anybody can call the method that burns the CEO's tax, so it's possible that the taxBurnBlock could be set to the current block number at any time, which is another limitation for implementing an oracle. Although this method doesn't give any benefit to the caller, other than burning gas, unless the CEO is going to default, then the caller gets a reward in CIG for their trouble. (Perhaps if this contract was designed differently, it should not allow burnTax() to be called by anyone unless it would result in a default. Also, recording the block number for when the CEO last changed the price could have also been helpful) Finally, a word of caution: it's totally possible for a CEO to be in only for as little as 1 block, so if you allow the CEO to change something, be aware of this gotcha! To work around this, you could take the difference Block Number - taxBurnBlock and make sure it's at least 1 day, say, 14400 blocks!

Parameters & features

Parameter	Value
Airdrop	100,000 CIG per punk
Airdrop expiry	N/A
LP Pair	CIG/ETH on Sushi Swap
LP Reward (initial)	1000 CIG/block
LP Reward (max)	1000 CIG/block
LP Reward (min)	0.0001 CIG
LP Reward rate adjustable by CEO	20%
LP Reward rate adjustable duration	Every 2 epochs
CEO Price (initial)	50,000 CIG
CEO Price (minimal)	0.000001 CIG
CEO Price (max)	No maximum, but the CEO must deposit at least 0.01% CIG of the price they set.
Epoch duration	7200 blocks
Harberger tax rate	0.01% of CEO Price, per epoch
Dutch auction step duration	3600 blocks
Dutch auction step discount	10%
Revenue from CEO sales burned?	Yes
Revenue from tax burned?	Yes
Unspent tax returned?	Yes
Caller rewarded CIG after booting CEO	Yes
CEO in possession of a temporary "status" NFT?t	Yes