

ECIP-1017 Thesis

The goal of ECIP-1017 is to achieve “optimal total investment,” meaning the greatest amount of sustainable investment possible over any period of time. The only way to achieve this is to create what will be perceived by people as a “fair” model. If people view a model as having unfair attributes (too centralized, the limit occurs too soon, the limit takes too long, et cetera...) they will be less likely to risk money, or as much money, into ETC. (“Why is it so weird? It must be a scam!”)

No one knows what is truly or theoretically fair. I repeat: No one knows. And I don’t mind being brash in stating that anyone who claims that they know is a charlatan.

The only measurement I know of that is not subjective is adoption. Bitcoin has, by far, the most adoption, everyone in the crypto space knows its distribution rates, and no one really has a problem with it. Bitcoin is as close to the “theoretically fair” distribution model that exists using this objective measurement. Although somewhat subjective, distribution rates of all other coins are pretty much measured against bitcoin as well, so this adds to the argument that bitcoin can be perceived as being representative of the “fair” model.

By attempting to mimic the bitcoin model, we reduce the total amount of risk in the monetary policy, thus leading to a higher probability of obtaining optimal total investment. In an ideal world, we simply use the bitcoin model of 50% reduction every 4 years. However, this poses a problem for ETC because ETH had a pre-mine of about 72M coins. Given this large premine, if we simply reduce supply 50% every 4 years, we are left with a more highly centralized coin distribution than bitcoin, which had no pre-mine issuance. So, we have to come up with metrics to build a model against that which best represents bitcoin.

The metrics chosen in ECIP-1017 to measure against bitcoin are a near term distribution rate (time until 50% of total production) and a long term inflation rate (time until 3% inflation).

The time until 50% distribution is chosen because it represents the time frame for the highest potential of token centralization (centralization introduces risk). In bitcoin, the first 4 years, or the time up until the first halvening in late 2012, distributed 50% of the total coins that will be produced in bitcoin. If ETC used the same 50% reduction every 4 years model that bitcoin has, because of the ETH pre-mine, that 50% distribution time would have already occurred - more than 50% of the mined coins would have been contained in the genesis block. This is far more centralized than bitcoin, so we can assume that this model creates excessive perceived risk to investors, lowering to probability of achieving “optimal investment.” the 5M20 model in ECIP-1017 gets us much closer to the bitcoin model. It’s not perfect, but it’s close.

3% inflation is chosen because it represents a long term “risk free” rate of inflation in traditional finance (that number changes a bit, but 3% works for all intents and purposes). The 5M20 model in ECIP-1017 is only a few days off from a pure bitcoin model. For all intents and purposes, it can be considered as a match to the bitcoin model.

To reiterate, getting close to these measurements actually produces a monetary policy that more closely resembles the distribution risks and opportunities associated with bitcoin, even more so than simply adopting a pure bitcoin model (4yrs, 50% reduction), because of the ETH pre-mine. ETC adopting a 4yr, 50% reduction model at this point enables significant token centralization (50% distribution would have been contained in the pre-mine), which increases risk, and would thus yield lower than optimal investment.

Notice that I haven’t yet mentioned a cap comparison against bitcoin. The rate of distribution over time is far more important. However, I admit that it is nice that the 5M20 model produces a cap that is likely to be around 210M, a real clean 10:1 ratio of coins produced compared to bitcoin’s 21M.

ECIP-1017 also meets the additional requirements of being easy to understand and allows enough time for development, implementation, adoption and awareness.

BUT, I want to continue to stress: UTILITY IS REQUIRED for true value of this network to be realized. The goal of ECIP-1017 is simply to remove risk associated with token production, thus allowing for optimal total investment.