

 Tokenomics 101 – Analyzing Crypto Economics

**Objective/Aim:**  
  
 To analyze the design of a cryptocurrency’s economic model including token supply, inflation, and utility.

**Apparatus/Software Used:**

* Laptop
* MetaMask
* Vs code
* [**Etherscan**](https://etherscan.io/) → For Ethereum-based tokens (ERC-20, ERC-721)
* CoinMarketCap

**Theory/Concept:**

**What Is Tokenomics?**

**Tokenomics** = **Token + Economics**  
It refers to the **economic system behind a cryptocurrency or token**, describing how it is created, distributed, and used within its ecosystem.

It’s like the **economic policy** of a crypto project — just like a government controls money supply, interest rates, and inflation, a blockchain project uses **tokenomics** to control:

* Who gets the tokens
* How tokens enter or leave circulation
* What gives them value
* How they influence user behavior

**Token Distribution Mechanism**

initially distribution among participants.

Examples:

* **Pre-mine / ICO / IDO** – Distributed to early investors
* **Airdrops** – Free tokens to promote adoption
* **Mining / Staking rewards** – Earned through network participation
* **Team & Treasury allocations** – Reserved for project founders or future use



**Procedure:**

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Procedure:

1. Select a Crypto Example (e.g., Ethereum).
2. Analyze Key Parameters:
   * Total Supply: Unlimited (post-EIP-1559, net deflationary)
   * Utility: Gas fees, staking, governance
   * Inflation Rate: ~0.3% (depending on burn)
3. Study Distribution:
   * Validator rewards, developer funds, user transactions.
4. Create Table for Comparison with Another Token (e.g., Bitcoin).

**Observation Table:**



| **Token** | **Total Supply** | **Inflation Rate** | **Utility** | **Consensus** | **Notable Feature** |
| --- | --- | --- | --- | --- | --- |
| Bitcoin | 21M fixed | 0% (after 2140) | Store of Value | PoW | Limited supply |
| Ethereum | Unlimited | ~0.3% | Gas & Staking | PoS | Deflationary after EIP-1559 |



