

In Search of a Stable Cryptocurrency

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Three years ago...

The Search for a Stable Cryptocurrency

Posted by [Vitalik Buterin](#) on  [November 11th, 2014](#).

*Special thanks to Robert Sams for the development of Seignorage Shares and insights regarding how to correctly value
volatile coins in multi-currency systems*

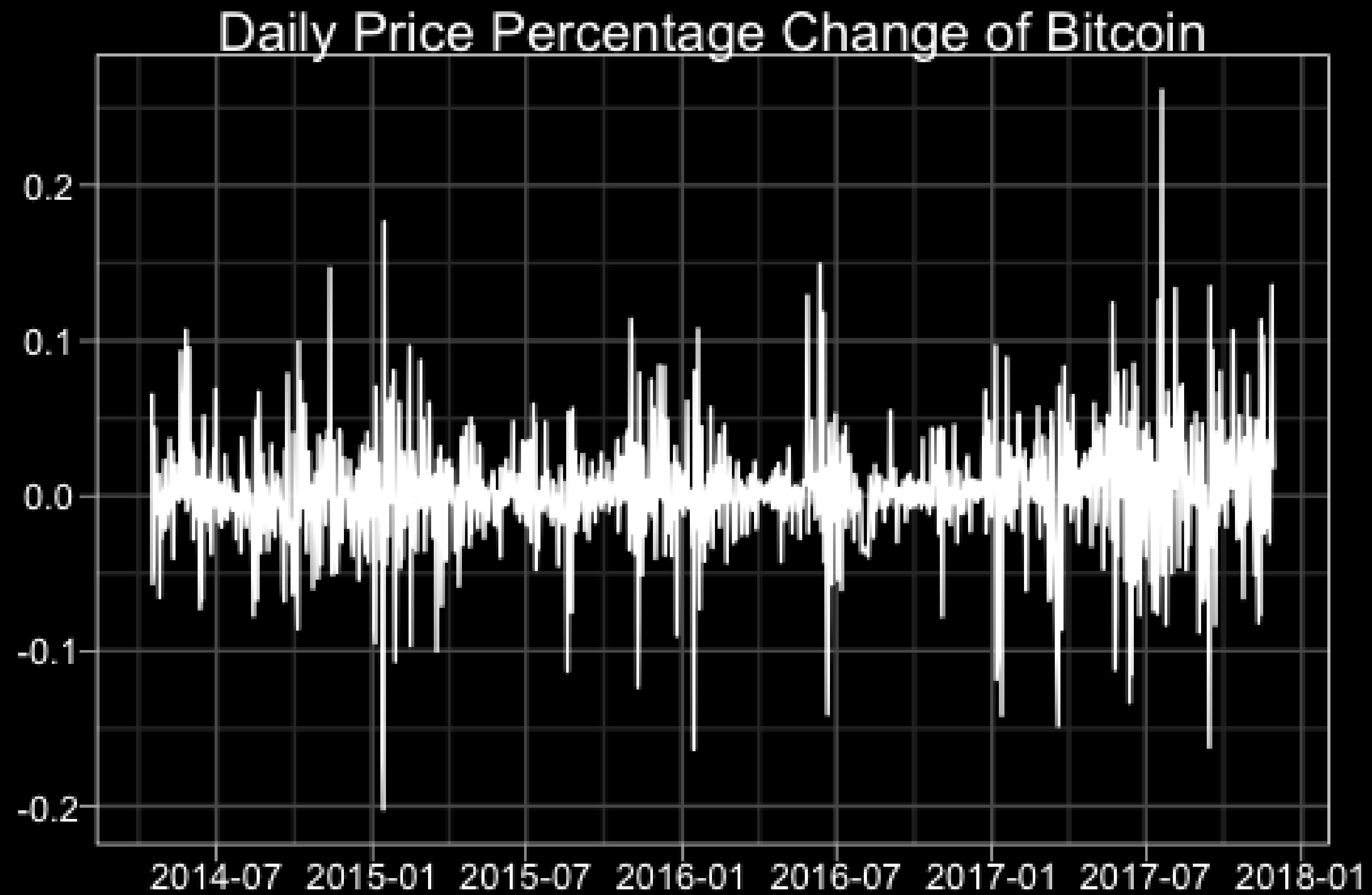


Vitalik Buterin



**Why do we need a stable
cryptocurrency?**

What about Bitcoin?



What about Bitcoin?

- Is bitcoin money?
- Yes and No. Bitcoin is outside money. Outside money is money that is not a liability for anyone "inside" the economy.
- Bitcoin is a gold-like asset, but not a currency (inside money).
- The currency is not only a medium of exchange, but also an unit of account, a promise to pay at par price.

Gold, SDR
Currency
Deposits
Securities



Decentralized Monetary System

First Dai Release

December, 17 2017



What is Maker?

- ◉ Dai - Flagship product
 - Asset-backed hard currency
 - Permissionless credit system
 - Dynamic autonomous interest rates



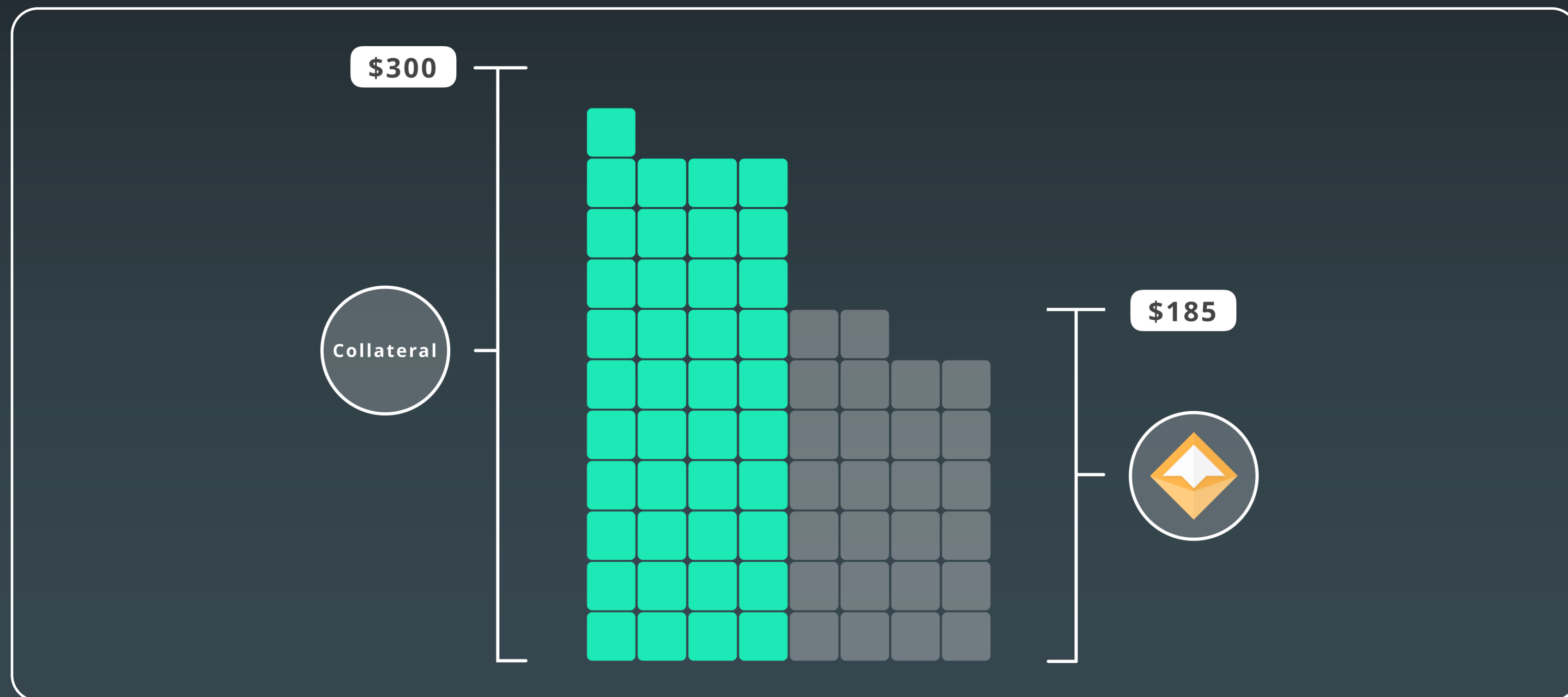
What is Maker?

- ◉ MKR - Administrative token
- Decentralized Governance Community
- Fuel for the credit system



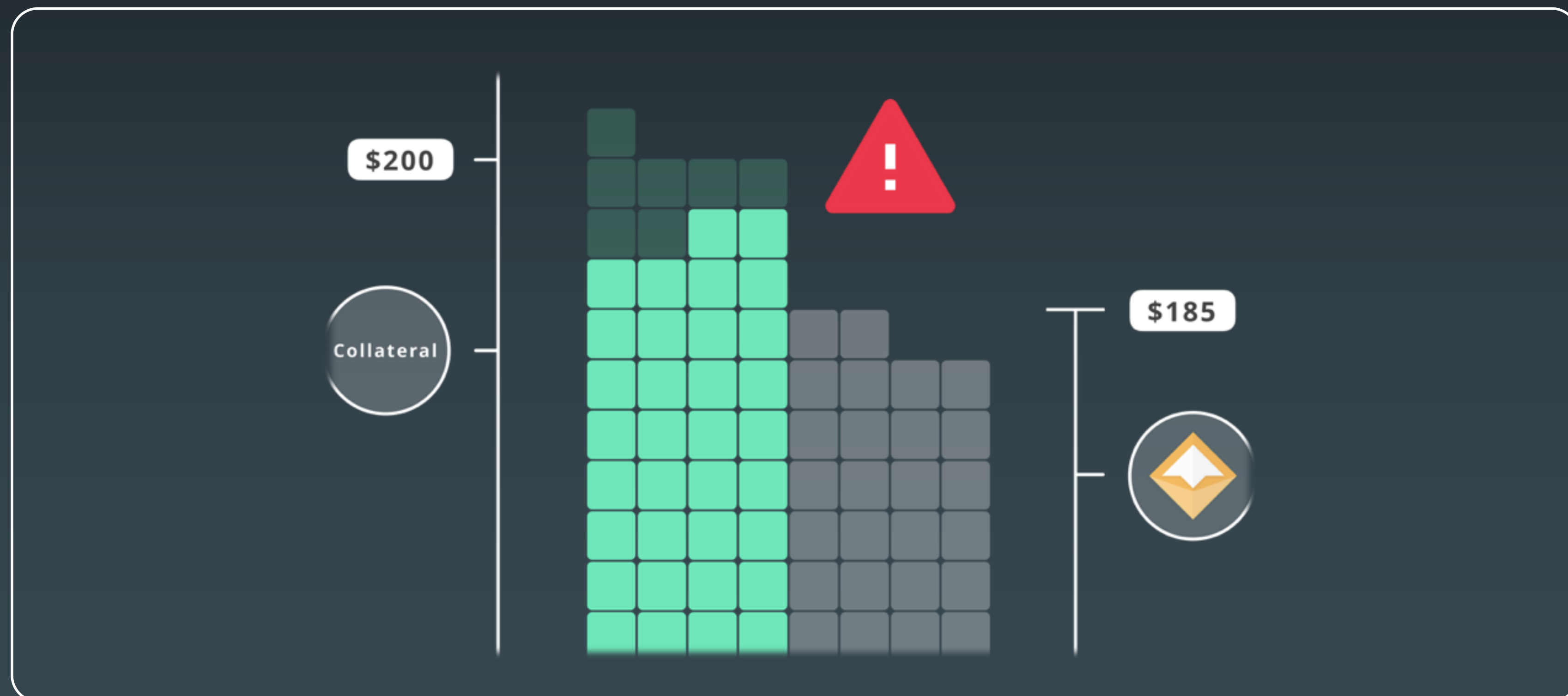
Credit system mechanics

- Issue Dai with a Collateralized Debt Position (CDP)
- Repay Dai + fee to retrieve collateral



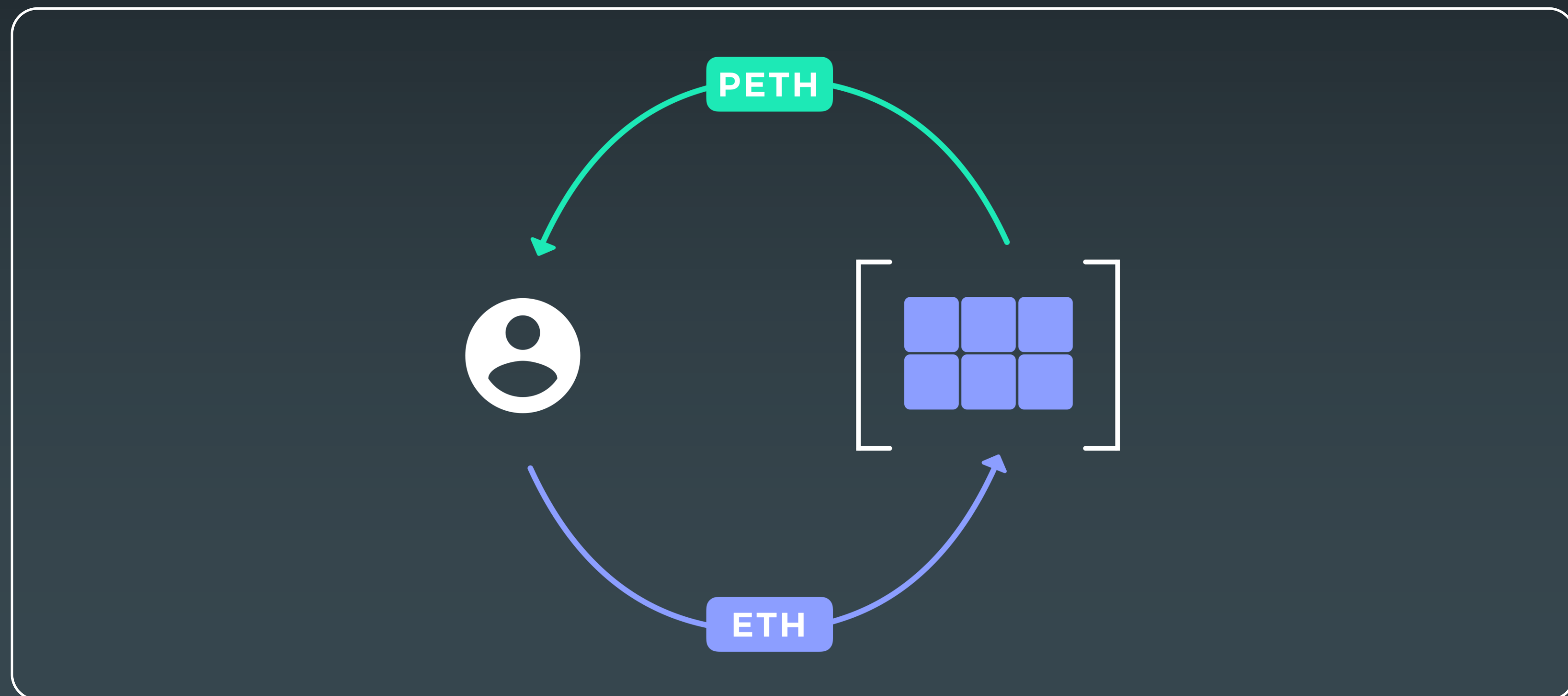
Credit system mechanics

- CDP is liquidated and collateral sold for Dai if its value falls



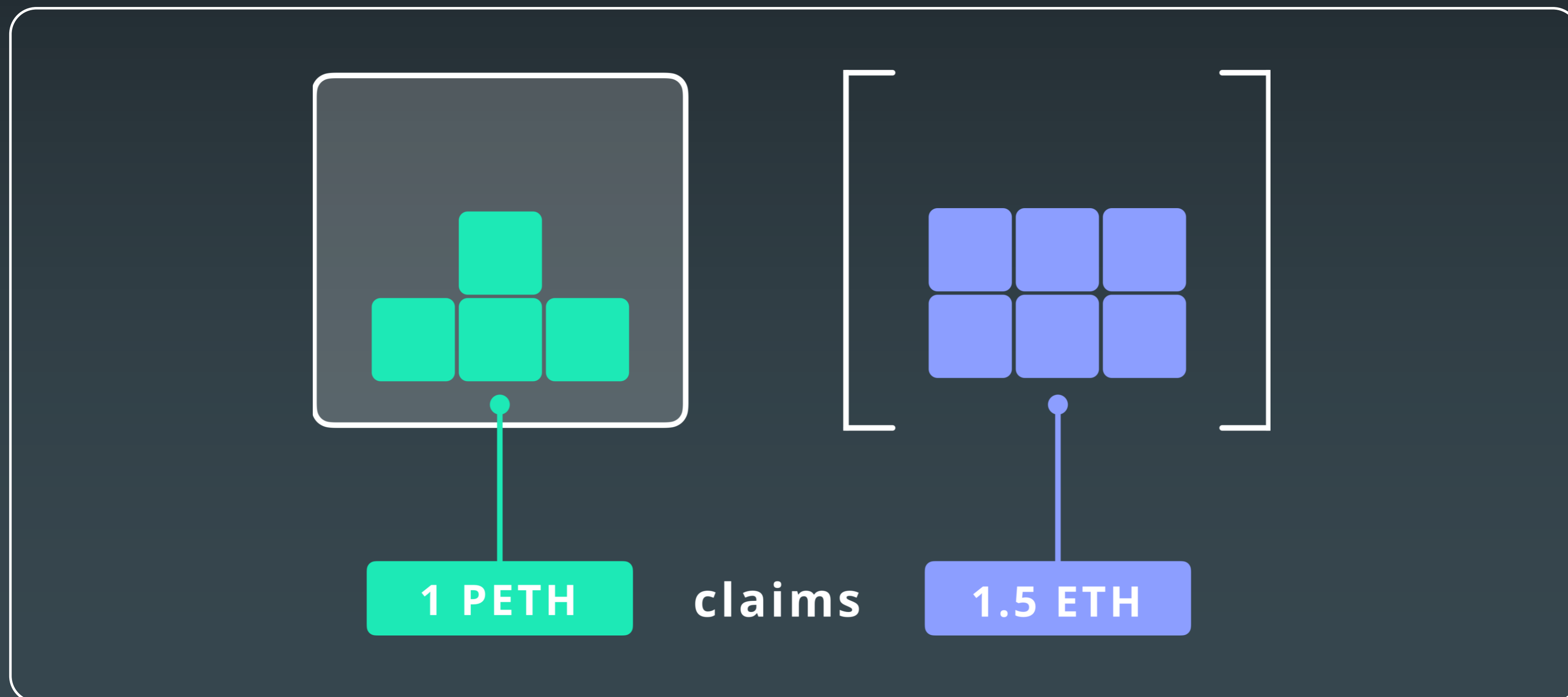
Pooled-ETH is collateral token

- Users Pool their ETH in a contract
- Receive proportional claim on their ETH (PETH)



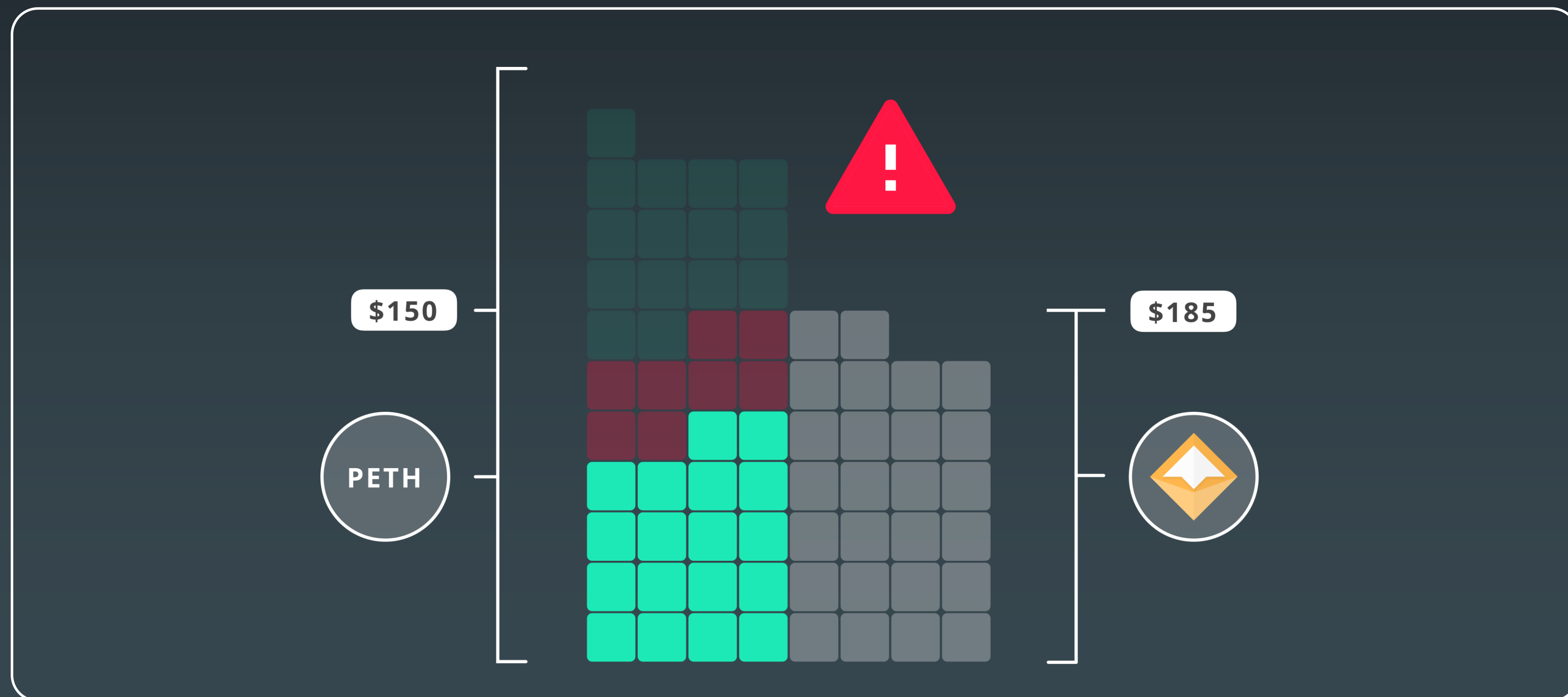
Pooled-ETH is collateral token

- Fees from CDPs used to buy and burn PETH
- Burning PETH means remaining tokens claim more ETH



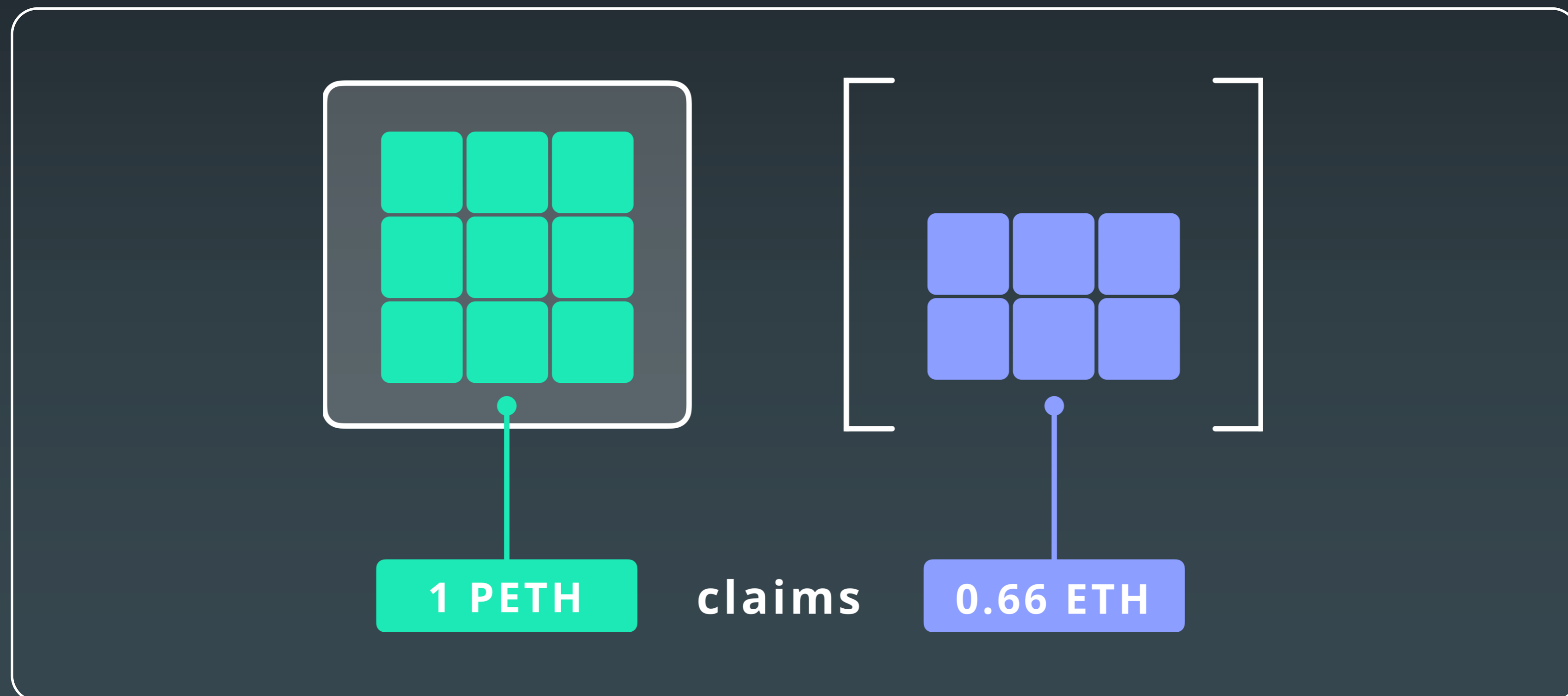
Pooled-ETH is collateral token

- Underwater CDPs covered by minted PETH



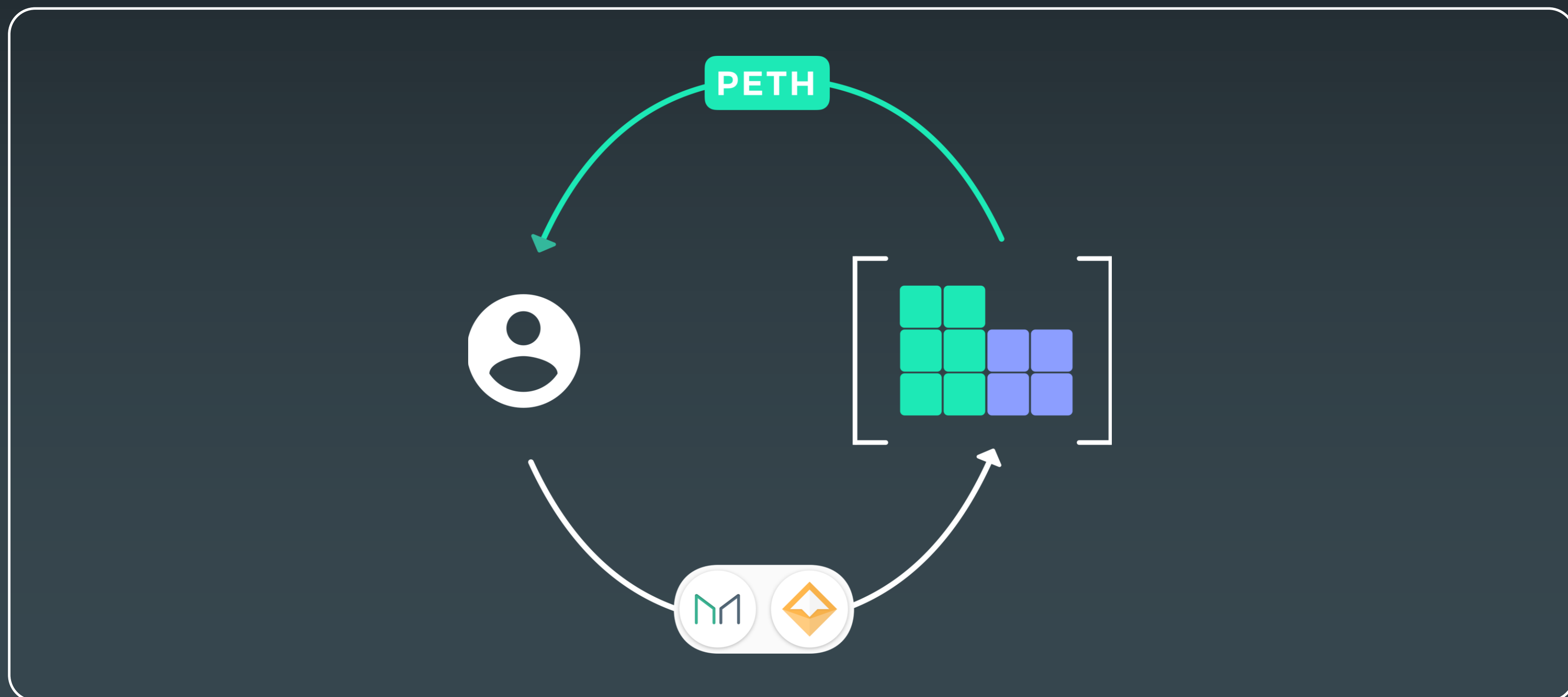
Pooled-ETH is collateral token

- Minting PETH means existing tokens claim less ETH



Governance fee paid in MKR

- Paid in MKR, denominated in Dai
- Users need to buy MKR when closing CDPs



Summary

- DAI for exchange, transfer, betting, etc
- DAI for margin trading through CDP
- MKR - governance token

The Leviathan

In order to achieve civil peace and social unity, there need to be a sovereign power granted absolute authority through social contracts.

- Thomas Hobbes

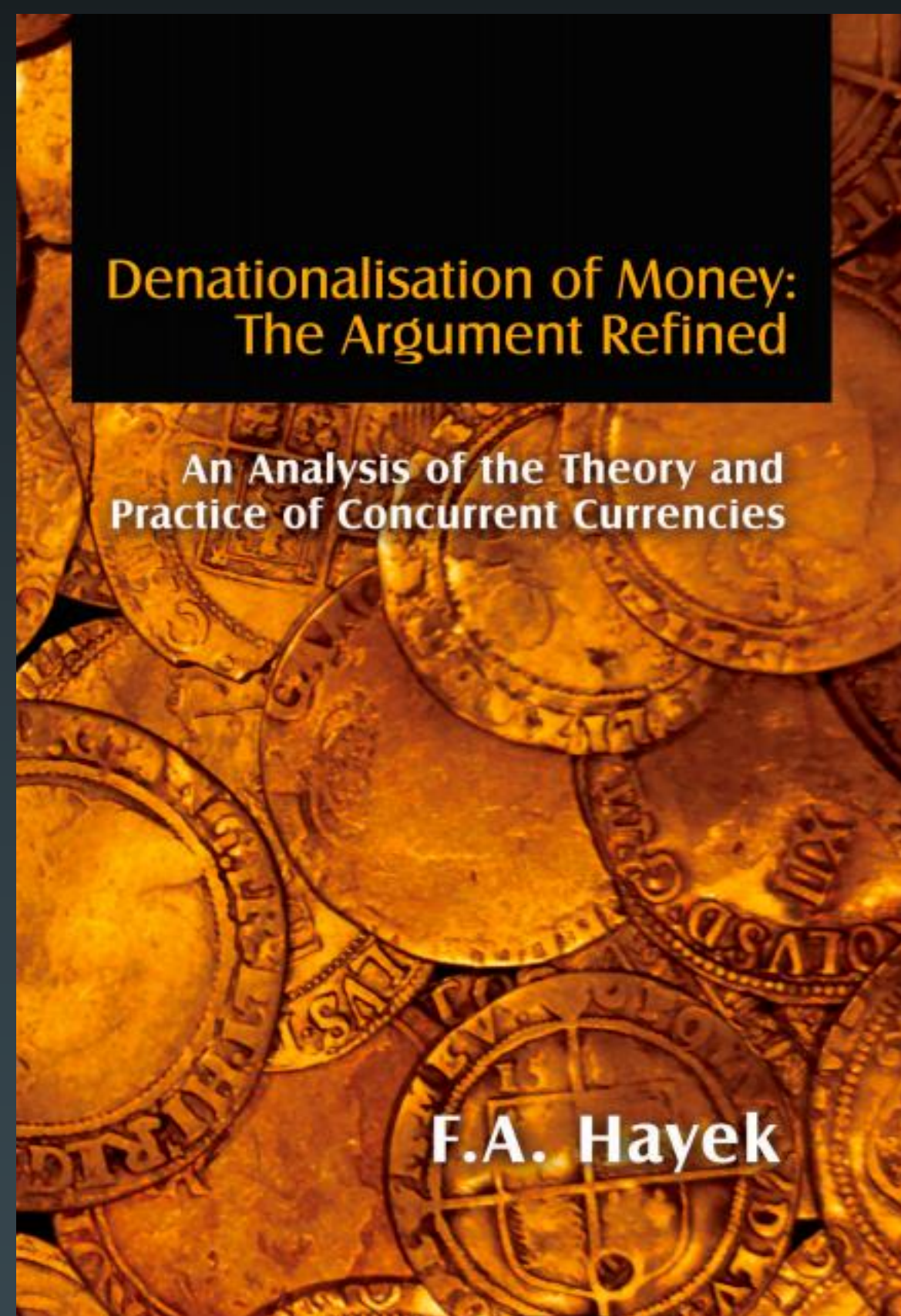
The Old Leviathan



The New Leviathan



The New Leviathan



The most stable currency would win market acceptance.

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