



# ROCKSTABLE

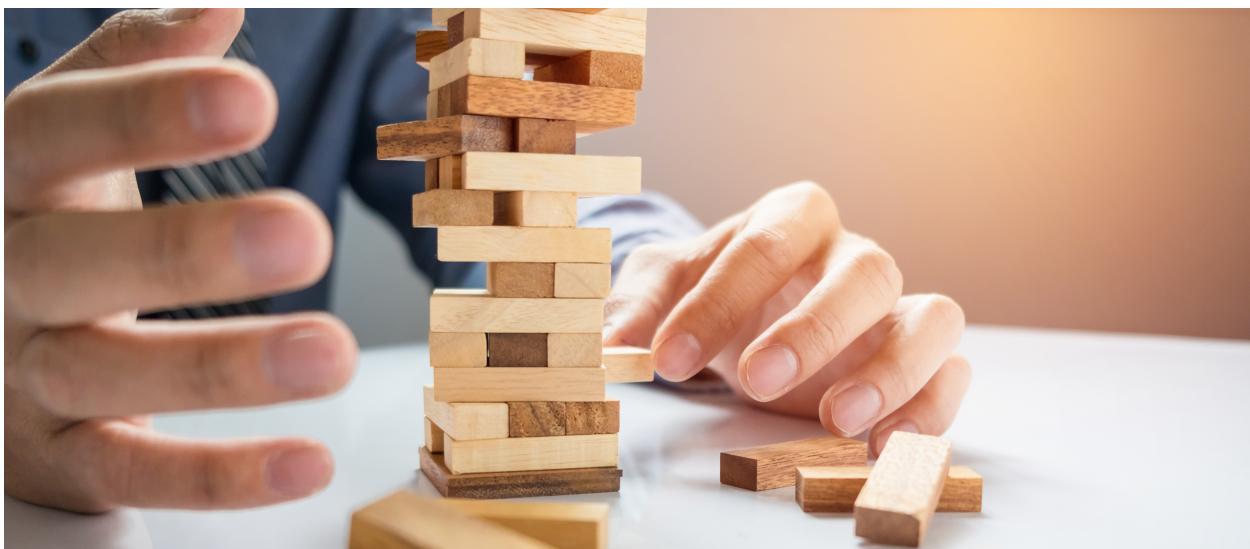
**Rockstable Token. Trustless.  
No Intrinsic Value.**

# How to Popularize a Stable coin: an Accept-side Strategy



One thing that the current crop of stable coins don't seem to include is a strategy for mass adoption. Practically all stable coins currently announced or already in use come with a general algorithm on how the exchange rate of each with respect to everyday goods is kept relatively constant. Tether's USDT and MakerDAO's DAI are popular, but only in centralized cryptocurrency exchanges. A big part of the raison d'être of stable coins is the use case for "medium of exchange"; in other words, being able to use stable coins to pay for everyday stuff like groceries and a haircut. However, none of the stable coins so far described even mentions the problem of how to make it popular.

It's as if everybody is assuming that, if a token or coin can be made stable, then it will become popular. It's the other way around: only when it has become popular can one prove that a coin is indeed stable. Stability is a macro objective, defined in terms of upper and lower bounds. How can one prove that a stable coin, say Basis, is stable if only ten users are exchanging it? The classic Quantity Theory of Money describing an approximate relationship between macro measures such as price level of goods, productivity, velocity of money, and quantity makes sense only in the context of at least a million users.



Even with hundreds of millions of users, equilibrium may not make sense, and a black swan event can wipe out network effects. Not even AI can deal with a black swan event, much less the algorithms being designed to keep stable coins steady. As NN Taleb would say, network effects inherent in money belong to Extremistan, and therefore cannot be managed using equations from Mediocristan. The only data points we have are from decades of fiat money dominance, in which the USD is the only currency used worldwide (the rest are isolated in their own captive markets). Stable coins are not subject to any physical boundary, and these have one of the most important features inherited from volatile cryptocurrencies: the ease by which these can be sent from one remote corner of the world to another.

## Money is Only Money When It Circulates

The first task in any stable coin business is to popularize that stable coin. By “popular” I do not mean just well-used among cryptocurrency speculators in exchanges, nor even as medium of exchange in web commerce (popularity in Amazon does not count). I mean popular in face-to-face or non-remote transactions, like your daily grocery, restaurant, and commute transactions.



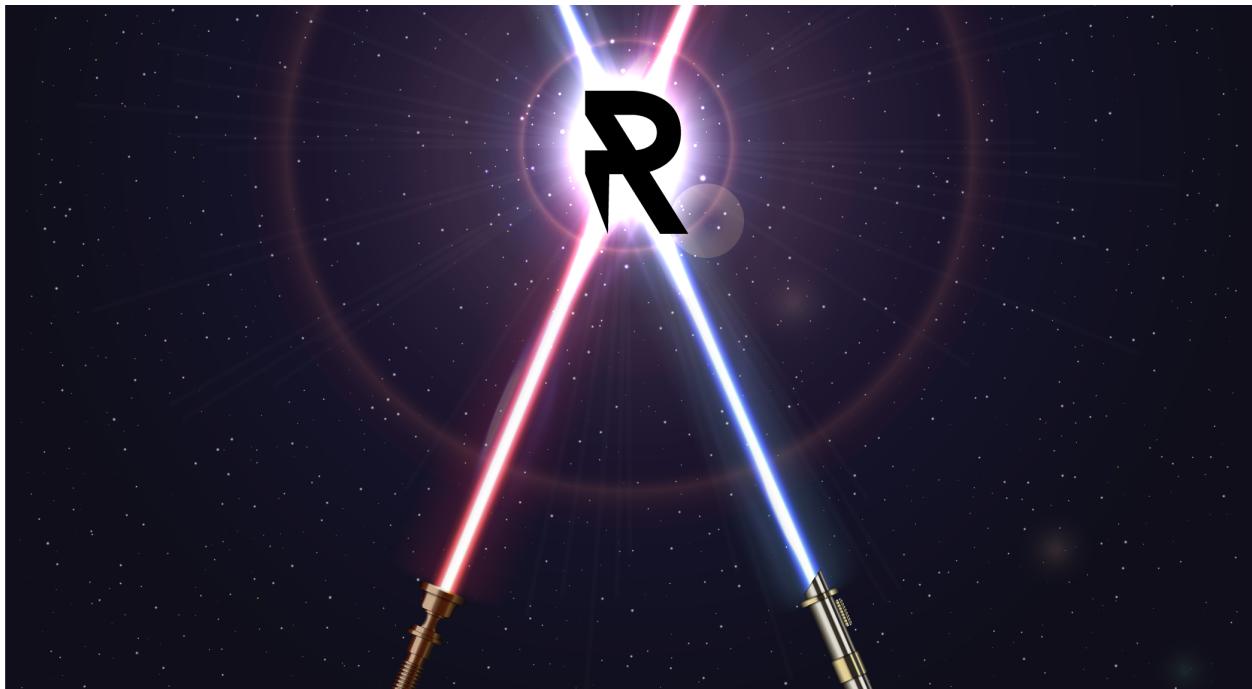
This is not a straightforward task. Introducing a stable cryptocurrency is nothing like introducing a fiat currency like the Euro. Although it took a lot of preparation, dissemination of Euro bills and coins (and the opening of Euro bank accounts) among the population of member countries took less than a week. That was because prior and massive public relations work left no doubt in people's minds that the Euro was worth so much in exchange for any local currency (a local currency that was about to be discontinued). People in general trust their governments, and that trust translated to trust in the Euro. Introducing a stable cryptocurrency to the world, on the other hand, would not be that easy.

First of all, the company behind a stable coin has to build trust in that stable coin. A massive public relations campaign can help, but won't be enough. Such huge expense in a public relations campaign would probably build trust, but would not generate demand. It took a while to generate demand for bitcoins (demand started to grow seriously four years after its introduction — Bitcoin was introduced in 2009 and started to become popular in 2013). Moreover, the main driver for Bitcoin demand was the increase in market value, which in turn was (and still is) caused by hard-limiting its quantity to twenty-one million bitcoins. It is interesting to note that what has made Bitcoin popular (fixed quantity), is also the same thing that has been preventing it from becoming a medium of exchange. Ethereum did not have such deflationary monetary policy, but just this year (2018) Vitalik Buterin has decided to follow Bitcoin's path in this regard and has henceforth fixed the quantity of ethers.

There are distribution methods that would probably work, and then there are some that would not work. For example, a simple airdrop to all existing cryptocurrency accounts won't work. ("Airdrop" means running a simple smart contract that distributes a certain amount of a stablecoin to all accounts in a cryptocurrency network like Ethereum.) This would not work because, if one simply distributed something for free, that would mean it had no value and nobody would accept it as payment for a real product or service.

## The Way of the Jedi

How can one imbue value in a cryptocurrency, make it popular, and then prove that it is stable? One way that works is to focus first on the accept-side. My company Rockstable has built a POS app that accepts two cryptocurrencies: ethers and ROKS. ROKS is a token that we initially guarantee to be equal to USD in value. In other words, in the beginning  $1 \text{ ROKS} = 1 \text{ USD}$ .



We have built a number of smart contracts that decentralize the administration of incentivized “evangelists” who will introduce and install our POS app to vendors and merchants around the world. (The USD is by far the most widely trusted and used currency around the world.)

The mechanism by which we can build trust in ROKS (that it is equivalent to USD) is simple enough if we omit discussion of taxes and transaction fees:

1. ETH payments made to any vendor goes through a smart contract that sends the payment to either a centralized exchange or DEX account for immediate sale against USD; all USD is deposited in a Rockstable account. (Unfortunately at this time we can only accept ETH and ROKS; however, holders of other cryptocurrencies can go through ShapeShift or Evercoin to convert to ETH first.)
2. The smart contract pays the vendor ROKS according to exactly the same USD amount she expects.
3. Anytime after about a day or two, the vendor can send Rockstable all the ROKS she received the previous days in order to claim her equivalent USD.
4. Rockstable can then send the vendor the equivalent USD in a number of ways, from direct deposit to sending a check; such USD is debited from the same USD account used to deposit all ETH sales.

## Phases 1 through 3

From the above description, it can be observed that accepting ROKS is initially just a facility for counting USD. ROKS is just like the chips used in casinos: anytime she wants, a gambler can claim money equivalent to the count of chips she holds. This is Phase 1.

As more and more vendors and merchants install and start using our POS app, some vendors should start realizing that they can exchange ROKS among themselves, instead of claiming USD from Rockstable and using USD as medium of exchange. For example, a restaurant manager, while doing his weekly grocery round looking for supplies, notices that his regular supplier of fish now also accepts ROKS because of our POS app. It would be more convenient for him to pay that grocery in ROKS instead of USD. When this starts happening, we enter Phase 2, and not all ROKS is returned to Rockstable.

In Phase 2, ROKS starts to circulate. We continue to guarantee 1 ROKS = 1 USD by way of converting all ethers received into USD, while

all payments in ROKS do not need to be exchanged immediately into USD. The ROKS economy starts to grow.

As more ROKS gets circulated among our POS app users, we will start to make it available in a number of popular centralized and DEX exchanges. ROKS gets used in exchanges similar to USDT and DAI, as a way to park one's winnings in trading cryptocurrencies. This is well and good, but we also expect some ROKS to find its way from the exchanges to the POS apps. The amount of ROKS remaining in circulation will now be more than the amount claimed for USD. This is Phase 3, in which ROKS will have become a full-pledged currency. In this phase, we will apply any or a number of the stability techniques known to man.

## **Who Would Prefer to Use Cryptocurrencies Over Credit Cards?**

We get asked this a lot. Credit cards are convenient, and it would take more than just a slight advantage to change people's habits. In fact it would take a negative black swan event, a situation in which without cryptocurrencies, a whole population can starve because trade is not possible. Hyperinflation is this kind of devastating black swan event. Your fiat money credit card is useless in a hyper inflated economy. Indeed, it is in hyper inflating economies that people are seeking cryptocurrencies the most.

There are several countries in which hyperinflation is causing mild to severe suffering: Argentina, Turkey, Venezuela, Vietnam, Indonesia, Laos, Guinea, Sierra Leone, Uzbekistan, Paraguay, Cambodia, and Burma. We believe our POS App will be very useful in these countries, if the governments of these countries allow us to operate there. No matter, economies with fiat money trouble are among our first targets.

## Patent Pending

This idea of popularizing a stable coin is unique enough to deserve its own patent, so we have applied for a provisional patent for it. We will be spending a considerable amount of capital in order to comply with strict government rules like money transmitter laws, so we figure we might as well use government to protect this idea.

*Relevant articles:*

- [Will Cryptocurrencies Replace Fiat?](#)
- [Stablecoins: The Free Market as Ultimate Decentralizing Force](#)