

HIP-11 HAC currency issuance rules cons...

1. Background

The HACD bidding fee was NOT destroyed before the 30,000th diamond, but 100% was given to the block miner who packaged and confirmed the HACD as a reward. Starting from 30,000th HACD, the community unanimously decided to destroy 90% of the bidding fee, and the remaining 10% was given to the block miner. This is the first time, and it is the only time that HAC's monetary policy has been modified since the genesis block was created to now.

The goal of this proposal is to discuss the possibility, feasibility and legitimacy of monetary policy changes involving HAC, standardize the immutable and variable areas, and define a clear definition of the dynamic part of the future HAC monetary policy, and form a sufficient, reliable, and stable long-term community consensus.

2. Theory

The encryption industry started by Bitcoin is essentially a change in sociology and economics, rather than an iterative upgrade of a web software technology platform.

Sociologically, the encryption industry proposed to subvert the original assumption of traditional human cooperation/organization: remove any "credibility" and "trust", treat everyone as a bad person, and assume that all possible evil part will definitely do evil. Encryption technology ensures that bad people cannot do evil, which greatly saves the cost of social trust, and liberates social productivity and economic circulation vitality from the cage of mutual fraud and embezzlement.

In economics, it completely denies the theory that currency should be issued and Endorsement by the state, abandons the manipulation and supervision of the most important cornerstone of the economy – currency – and returns the essence of currency to a free goods in a free market. Make currency become the commodities in circulation, thus saving people from the oppression and exploitation caused by inflation and economic cycles.

The ultimate goal of HAC is to become a open, stable and large-scale daily use that is not controlled by any individual, team or organization, and a sound money

that can be held by people for a long time.

For this reason, the Hacash project is not led by any official organization (see "Understanding Hacash in Five Minutes: An Encryption Project with "Currency" as the Core Goal" for details), and adopts the Fibonacci sequence currency issuance mechanism (see "HAC and Instructions on the Fairness of HACD Mining"), the development, promotion and ecological development are entirely dependent on the spontaneous drive of the community.

The theory of crypto sound money fundamentally faces a serious dual paradox:

1. Choose absolutely fixed currency issuance rules. The advantage is that it can ensure complete decentralization and ensure that there is no vested interest in manipulating the currency. The disadvantage is that the amount of money does not meet the market demand, the market price fluctuates extremely, and it is difficult to undertake practical and effective large-scale daily currency functions. Represented by Bitcoin.
2. Choose the so-called flexible and developable monetary policy. The advantage (potential) is that it can satisfy the fluctuation of market demand for currency in a certain sense, and it can theoretically resist the collapse of market confidence when extreme market conditions occur. The disadvantage is even more fatal: it loses the essence of decentralization and becomes a paper money with centralized credit and controlled by a company, so that the entire project may fundamentally lose its meaning of existence. Represented by Ethereum.

Hacash' money theory believe that decentralization is the essence of absolute incompromise and the soul of the encrypted world. If decentralization is not absolute, that is, there is absolutely no decentralization, no intermediate state. An absolutely fixed and rigid monetary policy is better than any form of artificial discretionary management, especially when this kind of management is glorified as so-called "decentralized governance".

However, Hacash does not believe that an absolutely fixed currency issuance mechanism is a perfect and final human currency solution without any room for improvement.

What if we can find a solution that does not require the control and management of a certain center, and can automatically adjust the amount of currency through a 100% market-oriented mechanism to achieve relatively stable purchasing power? (Note: Hacash does not believe that the existing "algorithmic stablecoin" is a solution. The theoretical basis comes from "Stablecoin Impossible Triangle"

and "Money Cost Theory". For more theoretical research, please refer to Hacash related articles.)

And this fully market-oriented flexible adjustment mechanism of currency quantity is the core significance of the Hacash project. HAC currently has new currency issuance mechanisms (including mechanisms that have already been launched and are under discussion):

1. block miner reward
2. Bitcoin one-way transfer rewards
3. Channel deposit Interest Compensation
4. HACD and Bitcoin mortgage Loans

The currency destruction (decrease) mechanisms are:

1. HACD bidding fee destruction
2. HACD and Bitcoin redemption interest destruction
3. Destruction of interest in lending contracts between users

That is to say, the quantity of HAC currency can be increased, decreased, or kept unchanged without any central agency management, achieving pure market-oriented supply elasticity.

However, the above mechanism does not mean that HAC can maintain absolute invariance in purchasing power. In fact, due to the constraints of the "impossible triangle of currency stability", no decentralized and large-scale currency can do this.

However, we can get closer to this goal through some optimization methods, and strive to ensure the relative stability of purchasing power.

3. Limited

The Fibonacci sequence currency issuance mechanism of HAC has greatly given the fairness of the later participants to obtain currency shares. It has been nearly 4 years since the genesis block was mined (February 2019) to the present (December 2022). The block reward is only 3.2886% of the output in the previous 66 years, which does not include the expected one-way transfer reward of Bitcoin, and the block mining reward of Hacash is unlimited, with an annualized channel interest compensation of 1% that was not counted either.

From the perspective of theory and practical operation in the past 4 years, HAC production (increased issuance) is not a problem, and in a sense it has reached

the extreme: the high production period of HAC block rewards has not yet arrived, and the one-way transfer of Bitcoin The rewards for HAC have not yet been opened, and most (even 98%) of HAC will be issued in the future.

Apart from Hachash, there is probably no cryptocurrency that achieves such fairness in currency distribution. The hoarding and collection effects brought about by the 21 million total bitcoin cap and the 4-year halving mechanism have greatly restricted the circulation and payment attributes of BTC, which has been completely resolved on HAC.

There is only one problem left in HAC's monetary policy: too much circulation, no one is willing to hold it for a long time, and the whole project fails.

However, judging from the 4-year operation period, as of now (December 14, 2022), the total block reward is 723,869 HAC, and 361,199 HAC has been destroyed in HACD bidding, with a destruction ratio of 49.898%, which is about half of block rewards. The market price of HAC is also stable within a certain range.

For the time being, HAC has not caused the currency value to be extremely low due to the issue of the number of issuances, making the entire project tend to fail. But this does not mean that Hachash will be absolutely successful in the future.

Accordingly, this proposal proposes:

1. The four additional issuance mechanisms of HAC (block rewards, one-way transfer rewards, channel interest, and HAC addition of Bitcoin and HACD mortgage loans) will remain unchanged forever. (Explanation: The proportion parameter of mortgage loan issuance has not yet been determined, and will remain unchanged after it is determined in the future)
2. In the future, there will never be any new mechanism for additional currency issuance, nor will any adjustments be made to the existing issuance mechanisms that have already been implemented.
3. The existing HACD bidding destruction mechanism and parameters (90% is destroyed, and the remaining 10% is given to miners as rewards) will remain unchanged forever.
4. In the future, it is possible to add specific types of transactions (such as L3 ledger opening, closing and status update, or other types of transactions) to destroy the service fee, but the destruction ratio is fixed at 90% and cannot be changed, and the remaining 10% is still rewarded for block miners.

4. Conclusion

The parameters of the additional issuance model of HAC and the existing destruction mechanism will remain unchanged forever, and future revisions to the monetary policy of HAC will only be limited to the scope of destroying 90% of the transaction fee of a specific type of transaction. The transaction type of the specific destruction fee will be determined by the unanimous agreement of future proposals after discussion by the community.

Ideally, the perfect currency is one that can achieve both the immutability of monetary policy and the absolute stability of purchasing power. However, it can be deduced from the monetary theory that such a perfect currency cannot exist within the existing technical paradigm (PoW issuance mechanism). HAC achieves 95% (schematic value) immutability (degree of decentralization) in monetary policy, and the remaining 5% variable space is necessary to destroy more currency stocks to achieve a more stable Currency purchasing power, but the limited flexible space reserved.

This proposal argues that, beyond that, Hachash should not introduce any sense of "governance" over monetary policy. The long-term, stability and degree of decentralization of the HAC monetary policy, and the consensus of all users (including existing and future potential) on the monetary policy, as well as having a specific, limited scope, in line with the predetermined plan The change of the currency volume adjustment mechanism is absolutely necessary, and it is also a guarantee that HAC will eventually become a sound money for large-scale global daily payments and long-term holdings.