

For many transactional purposes it is OK to have a quasistable currency that has a slow varying exchange curve vs USD.

For example, If I want to send money to a friend, I care that the exchange rate of this currency does not change much during the transfer. Therefore, I want a currency with suppressed fluctuations of the exchange rate.

The question, is then, what is the best design for an algorithmic quasistable currency

A Uniswap like AMM with a large reserve does smooth out the curve, if the reserve is much larger than the daily exchange volume.

The question is how to stimulate people to put lots of money into AMM for a long time.

One possibility would be to pay staking rewards for depositing funds into AMM (in addition to AMM fees) and then require staking for a long period of time (say 3 months)

Then the higher is the staking reward rate, the more money is in the AMM and arguably, the smoother is the exchange curve.

An added benefit of this design is that it creates an incentive to use the AMM vs centralized exchanges, so volume will arguably shift to the AMM.