We should aim for a less volatile coin rather than a stable coin. We should start from the point of instability and slowly move towards stability.

Say, we want every 10 E to be always worth purchasing power of goods G={x,y,z}. Consider the current cost of G as 10 dollars. We issue 1 E for 1.20 dollars or 7.2 yuans at 1:6 as the exchange rate of dollars to yuans.

If 10 E cannot buy goods G, we allow E holders to lock their E for some time t with a bet. A bet { 1 dollar = 6-X yuan } or { 1 dollar = 6+X yuan } can be placed. The locking mechanism would contribute to the temporary reduction of the E circulating supply. In the case when 10 E are ever worth more than the cost of G due to demand. A central smart contract will distribute the difference to holders (users with locked E and correct bet), bringing the price of the 10 E down to the cost of G.

The total supply would always be in a 1:1 ratio with the underlying assets. Thus, the circulating supply will adjust to stabilize 10 E to the purchasing power of goods G.

The underlying assets act as a floor value for E. As the purchasing power deviates with the inflating dollar/yuans over the years, the speculative gap of E rises. Thus, if the demand to acquire E rises in the market over the years, E hodlers (holders would lock their E) can potentially benefit from the risk they take for the stability of the E.

If the algorithm fails to become a self-fulfilling prophecy, the entire floor asset could be redeemable by the system’s termination.