

A very interesting tokenomics primitive is Augmented Bonding Curves (ABC). These are essentially two-way vending machines for tokens.

Deposit a token as collateral (eth/stable/etc) and get freshly minted ARB. Or deposit your ARB and get the collateral back (eth/stable/etc). The exchange rate between the tokens (ARB - collateral) is determined by a bonding curve (algorithm) that can be programmed and/or governed by a smart contract (DAO, multisig, etc).

As the price in the open market fluctuates and as people buy and sell tokens to the ABC, an arbitrage opportunity is created between CEXs, DEXs and the ABC. This naturally results in trading (by bots) and this arbitrage trading reduces the price gap.

The ABC can then be programmed to take a small fee out of each transaction, which turns it into a revenue-generating mechanism, and said revenue could be used to further fund the DAO in addition to sequencer fees.

As such, the advantages are:

- added liquidity (the ABC serves as a liquidity, providing mechanism)
- smoother curves in the price fluctuation of ARB which enhance it's value as currency (slightly more stable and so people are less likely to dump ARB for stables)
- revenue for the DAO

The negative

- the ABC needs to be configured well so the price of ARB doesn't go down (if the curve is too flat, people just keep minting more and more ARB thus reducing it's holding value. But if the curve is steep enough, then there's more arbitration trading and more revenue for the DAO, thus increasing assets under management of the DAO and hence collateral backing ARB).

Submitting here for inspiration