Hi All! I'd like to open the topic of the maximum validator set, which is currently set at 80. There are only 74 validators actually in the set, which indicates this parameter is set too high.

Context and Importance of Max Validator Set

The Max Validator Set parameter (MaxValidators) determines how many validators are able to be part of the active set on Secret Network. In the past, this set was increased twice (proposal #59 - change to 70, proposal #85 - change to 80), and a proposal to increase it again failed (proposal #107 - change to 90). There was lively discussion on the pros and cons of the change - see the forum post for #59

for context.

The current validator set is too large to optimize given the price of SCRT and the delegations that are distributed to validators. Several of the validators with the lowest delegations are known to be inactive.

For reference, a validator with 5% commission should earn at least 200 USD per month with a delegation of 600K SCRT (based on validator feedback during the Tokenomics research.) With the current inflation and price of SCRT, the monthly earnings are significantly lower than this amount, which means that delegations would have to increase to achieve breakeven for many of the validators. Given the total staked supply, this is not likely to happen unless some of the current delegations are freed up and re-distributed.

Our Proposal

Validating on the Secret Network is getting more expensive, and some validators are not contributing a great deal to the network stability at this time. In order to improve the quality of the active validator set, we propose to reduce the number of validators in the set from 80 to 60. Since there are currently 74 active validators, this reduction will effectively reduce the set by 14.

The goal for this proposal is to:

- increase network stability

- redistribute delegations to higher performing validators

- increase the competition to remain in the active set, thereby improving the performance over time of validators and of the network

- prepare for the possible transition to higher performing hardware in the future

Some things that will be measured before and after the change:

1. Average blocktime

2. Missed blocks for validators.

3. Network stability & performance

If the results are good, then a proposal to decrease the set to 50 Nodes will be submitted in the future.

Tokenomics Considerations

Based on the tokenomics research, there is a bias towards setting a minimum validator commission. This has no real bearing on this discussion since we have used an assumption of 5% minimum commission in the modeling.

Inflation changes may also have some impact on the outcome of this proposal. Based on the tokenomics research undertaken by SLabs, inflation is recommended to stay at its current level of 9%. There have been other proposals suggested to increase inflation temporarily, which would potentially change the economics for validators, but on the other hand this increase in inflation has been proposed to be reserved for building up a treasury to be used for liquidity provision and other initiatives. In the latter case, it would mean no material impact on the economics modeled for this proposal.

The research did not address the max validator parameter specifically, but there may be other considerations from the tokenomics research that we have not outlined here.

Request for Community Feedback

This proposal is open for community feedback. We welcome any thoughts, suggestions, or additional insights you care to

share. We recommend you review the forum discussion for proposal #59

for some well thought-out arguments for and against changing the validator set. Your insights will be invaluable for refining this proposal and ensuring its success.