

I just posted one of the edits I am proposing for next month's governance cycle, which introduces the Enhanced Dai Savings Rate (EDSR).

The Enhanced Dai Savings Rate is a system to temporarily increase the effective DSR available to users in the early bootstrapping stage when DSR utilization is low. The EDSR is determined based on the DSR and the DSR utilization rate, and decreases over time as the utilization increases, until it eventually disappears when utilization gets high enough. EDSR is a one-time, one-way temporary mechanism, which means that the EDSR can only decrease over time, it cannot increase again even if DSR utilization goes down.

After setting the DSR to among the highest values in DeFi, we have managed to somewhat stabilize the total Dai supply, but we have not yet managed to generate sustainable growth in new demand and capital inflows. The DSR itself has seen some adoption, but overall it has been miniscule compared to the amount of increased stability fees we are now earning from Vault users.

The EDSR helps fix this by ensuring that Dai holders that are pioneering the adoption of DSR get a more fair amount of value from the increased returns generated by the protocol. In turn this might help spur adoption, and perhaps push other DeFi protocols to quickly integrate the DSR while the EDSR is active. Many of the users who are attracted this way will likely remain as sticky users due to the enormous cognitive switching costs of DeFi (which is why the EDSR is needed in the first place).

As we are now in a place where all systems are in place to scale up the collateral portfolio to any size and generate returns with it, and the Endgame transition is in full swing, I believe we need to decisively focus on the most important short term mission: Grow the demand for Dai and DSR to ensure a growing userbase is ready to farm SubDAOs and participate in other Endgame offerings. We cannot lose sight of the fact that growth is the lifeblood of the project at this (still) early stage, and the last thing we should be doing now with all of our recent success is to rest on our laurels or sit around and passively wait for the Endgame launch phases, which are still months away.

Additionally I think that it is reasonable to consider the extremely low DSR utilization rate an unintended consequence of the current Stability Scopes approach to DSR, and as such a GOV12.1.2 edit of the Stability Scope is warranted to immediately implement the EDSR and ensure we waste no time kickstarting the growth of Dai demand.