

With the plan to create an on-chain Terra fund by instituting a 6% tax for 12 months posted on the forums recently ([linkA 12-month on-chain fund for Terra projects](#)), this seems like a good opportunity to zoom into one briefly mentioned aspect of that proposal, namely a potential inflation change. It was suggested by several community members that we adjust the maximum inflation to keep the same effective apr that we currently enjoy (~7.4%). I think this is an important enough discussion to warrant it's own thread and discussion.

Calculation

$\text{Inflation} / (\text{total staked SCRT} / \text{total SCRT}) * (1 - \text{fees}) - \text{inflation} = \text{effective apr}$

If we would like to keep the current 'effective apr' and create the on-chain Terra fund:

$$X / (137/218) * 0.88 - X = 7.4$$

Solving for X leads to an inflation of 18.5% to keep the same effective apr with the Terra fund.

Previous 'effective' APRs on Secret Network

January 1st 2022: ~11%

Last month (SF tax at 10%): ~6%

Current: 7.4%

If on-chain Terra fund gets approved: 6%

If on-chain Terra fund gets approved and maximum inflation is raised to 20%: 8%

Current inflation on other Cosmos chains

ATOM: 11% (Maximum inflation is 20%)

OSMO: 80% (Reduced by 1/3 per year)

JUNO: 40% (Halved yearly until 10%, then reduced by 1% per year)

Sentinel: 37% (Reduced by 6% every 6 months until 13%)

Goals of this thread

- Estimate support for temporarily increasing inflation to 18.5% or 20% to offset the on-chain Terra fund and start community discussions before an on-chain proposal
- Kick-start long-term inflation discussions (40% of validators that participated in the 2022-Q2 Validator Survey would like to see the inflation percentages, and inflation change rate being discussed)

Notes

- Increasing inflation would also increase the amount of SCRT received by SF, the community pool, and the prospective Terra fund. At 20% inflation, they would each receive 33% more SCRT than now.
- Increasing inflation may lead to more SCRT being sold. It could also attract more stakers due to a more attractive apr.