

Hello all (again),

#### The Problem:

I will keep this short and concise as I am sure there are many in the community who already support this view.

A perpetual inflation rate of 15% creates a problem where the SCRT token is suffering from large-scale depreciation as stakers are realising their income. There are large supply-side injections in the market that demand is unable to absorb.

Theoretically, a lower inflation rate should result in lower SCRT entering the market. Arbitrarily decreasing the inflation rate but letting it sit until the community wants to adjust it again creates some uncertainty (which Ian from Secret Nodes had rightly noted). A lower inflation rate combined with some degree of certainty on inflation at a point in time will be helpful going forward.

Please note that you cannot have your cake and eat it too. High staking APR derived purely from inflation will continue to hurt forever. We are not trying to compete with the US Government and see who can print money as fast as possible to attract people.

#### The Proposal:

The proposal requests the community's opinion on transitioning the existing inflation schedule to a programmatic inflation schedule that decreases on a per-block basis.

The inflation curve is proposed to adjust to  $f(x) = (5 / x^{0.5}) + 5$  where  $f(x)$  is the inflation rate and  $x$  is the number of years since initiation. The curve can be viewed in the Desmos curve linked below.

[Desmos](#)

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At a high level, this would result in the following impact:

Year

Inflation

Staking APR (@ 66%)

Staking APR - Inflation

1

10.00%

14.24%

4.24%

2

8.54%

12.16%

3.62%

3

7.89%

11.23%

3.35%

4

7.50%

10.68%

3.18%  
5  
7.24%  
10.31%  
3.07%  
6  
7.04%  
10.03%  
2.99%  
7  
6.89%  
9.81%  
2.92%  
8  
6.77%  
9.64%  
2.87%  
9  
6.67%  
9.49%  
2.83%  
10  
6.58%  
9.37%  
2.79%

Note that inflation will not maintain a fixed rate throughout the whole year but will be gradually decreasing per block. Also, note that the numbers include a 4% tax going to the Community Pool (which I have proposed to be used by the Senate in the other post) as well as a 2% tax going to the Secret Network Foundation. These are just illustrative numbers and not in the scope of the Proposal.

Items to Consider:

- We need to understand if this is feasible from SCRT Labs' perspective
- We do not want to add significant complexity to the core chain such that it places difficulty in upgrading the chain in the future

Feel free to poke and prod on the idea and I shall do my best to communicate my thoughts better so we can shape this into something better than I have conveyed!

Ideas for the Future:

- Set a "max inflation" threshold, such as 5%. Inflation is streamed at a maximum of that amount but reduced for any transaction fees earned by the Network. This retains a level of premium to staking for all events except for when transaction fees are in excess of 5% APR. When APR reaches 5% in the period (potentially do this as a daily epoch-style system used by Osmosis), burn the remainder of the fees.

OJ