Curation Markets

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The Problem

- Effective coordination is **THE** problem

    - Information / ideas have **zero** marginal cost

    - Positive externality leads to under-supply

    - Should be automation-friendly

Curation Market

- A model that allows groups to more effectively coordinate around shared goals and benefit by contributing

- **Token-curated Registry**

  - Skin-in-the-game signals for quality / importance

- **Continuous Token Model**

  - A token that can be minted or burned continuously at any time

  - Becomes more expensive with increased circulation

  - Optionally, can have specific beneficiaries who can disappear over time

Examples

- Funding open-source projects

  - Token backing signals the importance of features and bug-fixes

- Investigative journalism

- Identifying the best makers, artists, creators, journalists, ideas, memes, ventures, projects etc

- Find best products, sellers, doctors, colleges, hotels and much more…
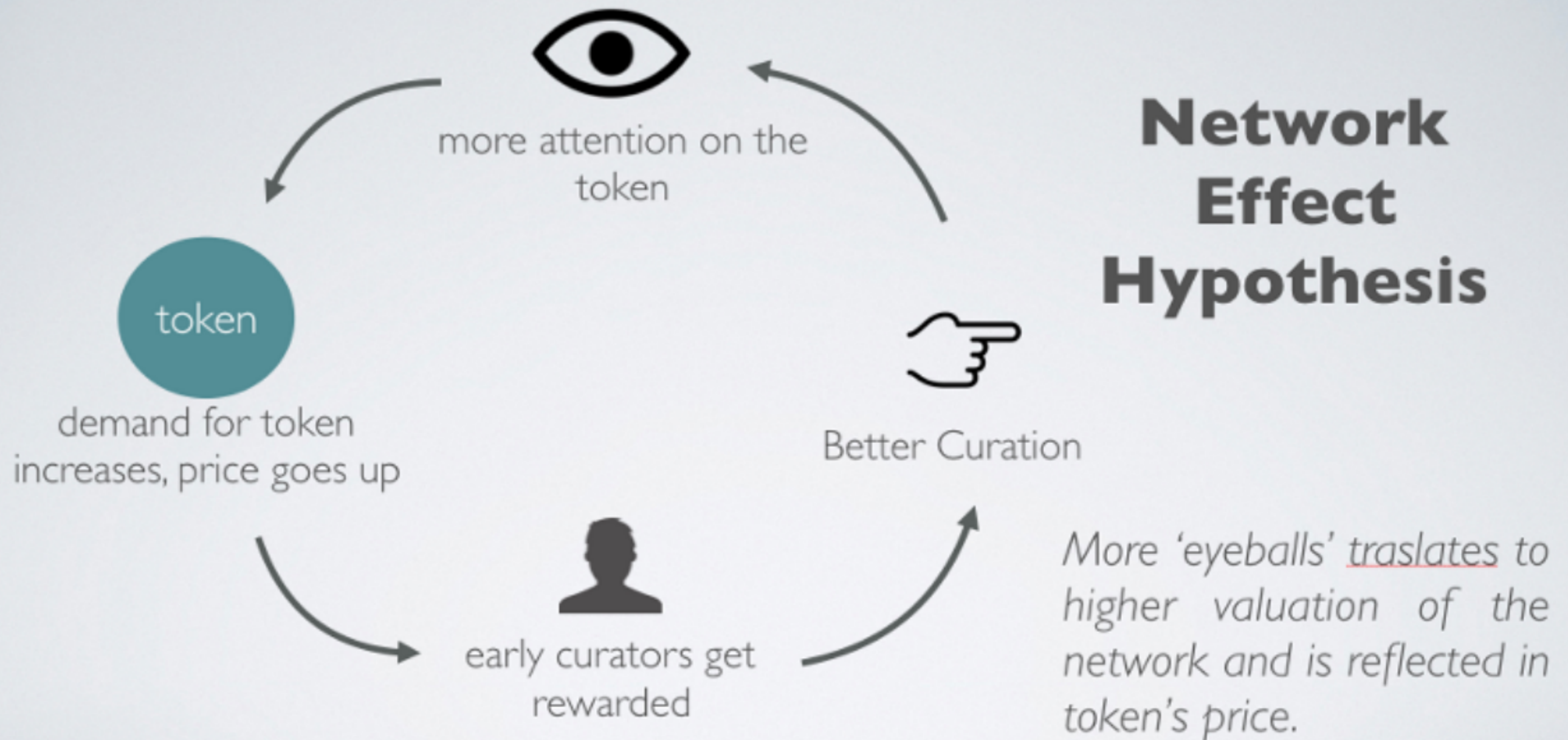
Token-curated Registry

- Three entities: Consumers, Candidates and Curators

- Candidates need to make a deposit. If accepted, they keep the deposit, otherwise forfeit.

- Curation rights are proportional to the relative token weight of entities holding the token

- Candidates' application can be challenged within a limited period

- A challenge requires staking and is resolved by voting

- The forfeited deposits are given to the winning party (candidate or challenger) and the "correct" voters

A rational challenge

- If the winner gets 50% of forfeited deposit, then challenger needs to be at least 66% confident of winning

- This is because potential gain is 50% but loss is 100%

- Expected value is 0 at 66% probability

- 0.33 * (-1) + 0. 66 * (0.5) = 0

Bonding Curves

- Can buy and sell tokens at any time

- Buy and sell prices are determined by some curves

- Automated market-maker smart contract - adapts token supply with the demand

- The nature of curves incentivizes corresponding behaviour (eg: reward early adopters and evangelists)

- Can also support projects with a finite life

- A linear curve can be chosen to avoid churn and attract believers instead of speculators

DIFFERENT IN (CEILING) & OUT (FLOOR)
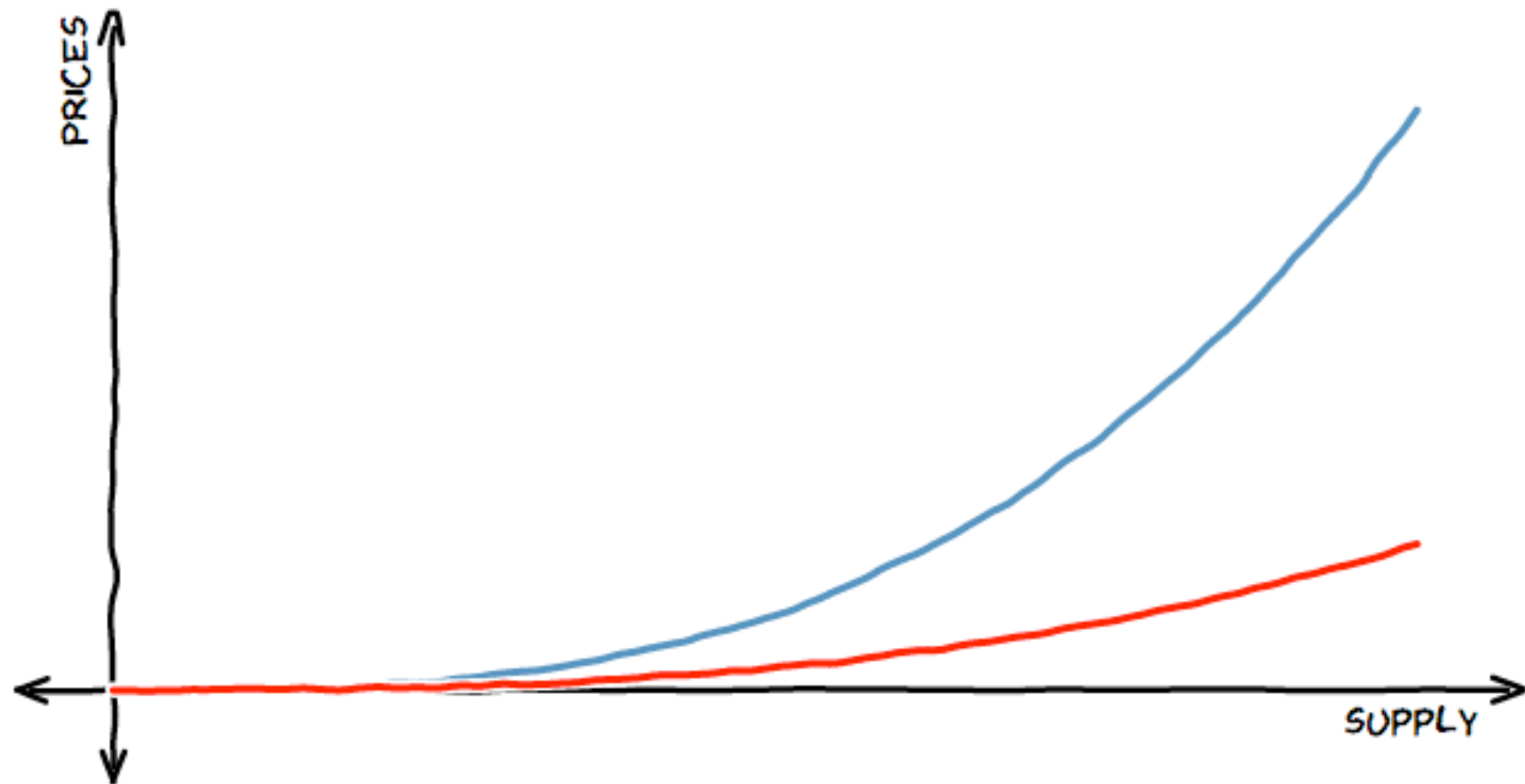
Benefits of Curved Bonding

- Instant liquidity

- Dynamic inflation rate

- Mitigates pump-and-dump

- Can generate income from providing liquidity

- Can be combined with token-curated registries

Examples

- Ocean Protocol: Curating datasets

- Indium: Curating projects

- OSCoin: Curating open-source development

- **Rationalism ≠ Self-interest**

  - In repeating games, greediness attracts retaliation and is therefore, sub-optimal. Being "nice" pays off handsomely.

- **Automation ≠ Abuse**

  - Bots can be nice. Humans can be abusive.

- **Incentives are better aligned if beneficiaries earn tokens instead of funds**

Thank You