Past trends in tokenomics

1. Token staking rewards i.e. yield farming
2. Pool 1 - single token staking pool
3. Pool 2 - liquidity token staking pool
4. Issues
    - Mercenary capital tends to farm and dump tokens with liquidity and token price spike followed by a dump and rotation into other newer projects
    - Bag holders end up blaming the project for normal market movements
    - Fine balancing act between too low APY thus unable to attract new capital and too high APY leading to being called a scam and leading to quicker dumping
    - Can lead to over paying for liquidity and capital

Different token release schedules

1. Linear
    a. Easiest to implement
    b. No real beneficial rewards for early or late users
    c. Capital inflow will dilute rewards preventing further capital inflow
2. Growing
    a. Token release increases over time ala Badger
    b. Will get lots of hate from community and criticism
    c. There is no real advantage to being early
    d. Higher rewards later can help sustain higher APYs and thus continuous capital inflow
3. Shrinking
    a. Token release shrinks over time
    b. Fomo aspect incentivizing early entry into project
    c. Lower outflow at the tail end of the spectrum can render the protocol, alongside normal downward price trends, unable to attract new capital
4. Dynamic
    a. A dynamic token release schedule can help prevent overpaying for liquidity early on, while providing rewards for early users by reducing rewards later as theres less risk, to match APYs on other projects

b. Can be difficult to advertise and sell users on
c. Few projects implementing this
d. More work and adjustments needed
e. https://www.mechanism.capital/liquidity-targeting/
f.

Current and new trends in tokenomics

1. Protocol owned liquidity
    a. Purchase LP tokens off holders instead of renting liquidity via extended farming programs
2. Vote escrowed tokens
    a. Users lock tokens for 1 week to 4 years in exchange for a time weighted token. Pioneered by curve. veToken can be used for voting, as holders are expected to vote with long term interest in mind, and can be incentivized with fee sharing or farming rewards boosts
    b. Reduce circulating supply to potentially make the token deflationary and help boost price with reduced sell pressure
3. XTokens
    a. Similar to veTokens but without a required lockup
    b. Tokens can be staked for xTokens e.g. Trader Joe, Sushi
    c. xTokens accrue rewards directly with the price of the xToken being worth >1 of the underlying token
4. Revenue or fee sharing
    a. Incentivize token locking via vote-escrow schemes in exchange for protocol fee sharing
    b. Offer high APY without diluting/inflating free floating token supply
    c. Implemented by blizz, geist, qidao, iron.finance
5. Vested farming
    a. Instead of releasing 100% of a user's farmed tokens on claim, vest the tokens at a linear rate for a time period. This allows advertising higher APYs and reflects some of the tokens back to the treasury for more farming longevity or ve token lockers.
    b. This has been implemented by Adamant.finance, blizz.finance, geist.finance, kyber
    c. Overall, it doesn't seem like it stops farm and dumping of tokens
6. Options liquidity mining
    a. Instead of, or alongside the regular tokens, farmers get a options NFT

b. Options NFT can be redeemed after a period of time,e.g. 1 month, for the token for a pre-set or floor price, allowing the user to option to buy the token at a discount from the protocol
c. If the price of the token drops below the floor price of the option, the option becomes worthless, providing a floor price for the token
d. Concurrently raises money for the protocol and treasury as the user is buying the tokens off the protocol instead of off the market
e. Pioneered by pods.finance and kp3r

Price support trends

1. Buyback and burn
    a. Protocol revenue used to buyback tokens from the market and burn them
    b. Theory is that reduced supply will help boost investor confidence and price
    c. Buyback also provides some price support
    d. Overall success of these programs seems minute
2. Buyback and make
    a. Protocol fees are used to buyback tokens and redistribute
    b. Can be redistributed to token holders thus boosting APY
    c. Can be used to incentivize or fund protocol development
    d. Provides some price support and investor confidence from the buybacks
    e. Can be used to prolong project farming runway in case of capped token supply
3. Burn
    a. Tokens are burnt, reducing supply to imply scarcity to boost investor confidence and potentially trigger FOMO
    b. Not very effective from observations
    c. Can reduce project runway as there's less tokens left to incentivize liquidity
4. Fee distribution
    a. Protocol fees are distributed to token holders as mentioned before
    b. Gives a direct secondary incentive for holding the protocols tokens and does not lead to users directly dumping the gained tokens thus negatively affecting token price

Miscellaneous trends

1. Reflections
    a. Wherein token transfers cause some percent of the tokens to be reflected back to the treasury /token holders / burnt
    b. Mainly used by memecoin projects such as Safemoon

    c. Fei used this for a while but was met with criticism
    d. Transfer tax can cause transfers to fail on low slippage causing the illusions of low liquidity, which is bad
    e. Can cause difficulty integrating with other protocols

Token supply trends

2. Rebasing tokens
    a. Token balance changes based on rebasing to try and control token value
    b. Used by protocols like Frax, Ampleforth, Badger Digg, OHM
    c. https://www.mechanism.capital/algorithmic-stablecoins/
    d. OHM

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