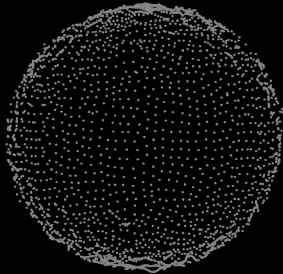


What is network inflation?

To create any decentralized economy, issuing out tokens is required for nodes, staking and liquidity. It is the very foundation, which has not been changed since Satoshi.

The Dafifi protocol creates flavours of network-pegged synthetics for any protocol or cryptocurrency. In Dafifi, inflation is pegged to the demand of the network, for every token – incentivizing users in lower quantity when demand is low, but then greater when network demand rises.



The flawed model

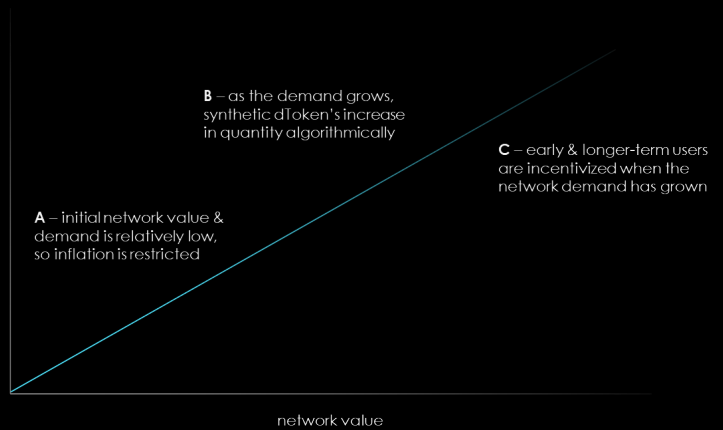
The only way to reward a network is to release large volumes of native-tokens directly. Nobody likes this, it devalues an economy. Until Dafifi, decentralized economies were forced to create **hyperinflation** & an **excess supply**. There is no trustless way for users to be rewarded less when network demand is low, but rewarded later – protecting longer-term users.

Networks with synthetic tokens

dTokens (or DFY) are network-pegged flavours of existing tokens. Any project can lock their tokens to mint dTokens using Dafifi, and issue them out in a reduced quantity. They are not tradeable – they are minted to later be burned for the native-token. Flavours of these synthetic assets use price & volume oracles to algorithmically change in quantity relative to demand.

- **Early adoption** – protocols can never release too many tokens using Dafifi
- **Long term users** – short term users who don't care about an economy can immediately burn the synthetic for a lower end-token quantity
- **Scarcity** – if the demand declines (e.g. a bear market) the network will never go into hyperinflation and will instead promote **scarcity**

synthetic quantity



How will Dafifi be adopted?



Bounty – a method that once worked to attract new users, now every protocol can issue synthetics that increase in quantity only for longer-term users



Liquidity – enabling any DeFi application to reward liquidity using Dafifi's synthetics in a reduced quantity, further promoting scarcity



Staking – issuing network pegged synthetics to nodes can maintain a network even in low-demand phases, **without** a large volume of tokens

