

RAR tokens theory of stability for crypto-currency

RAR Tokens
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Abstract. The future of currency is through crypto-currency. Every day a new crypto-currency is created (or multiple of them) and there could be no stop to it. Governments and agencies would not be able to cope-up and regulate them one by one. It is truly decentralized and it will perpetuate through generations to come. One solution for regulation is to build a control within itself to make it self-regulated as innate as possible. On this premise comes RAR tokens theory of stability. Two or more coins/tokens are mathematically interlocked to each other to give balance and security of value. On RAR tokens principle, each token references the other coins/tokens for its value ratio. These create check and balance scenarios for each coin/token to preserve its stability and predictability to become the vernacular crypto-currency.

1. Introduction

The basic concept of RAR tokens theory of stability for crypto-currency is based on trust. This trust is in the form of value ratio between two or more tokens/coins involved.

For example, you are in a community that uses barter system; an orange will be exchanged for two apples and vice versa. This trust of exchange can be expressed in a ratio. One (1) orange is to two (2) apples and vice versa. This value ratio will always be constant in all the communities.

When money is introduced into the community in form of USD, the price will be set proportional to their value ratio. If apple is priced at 1 USD, this will consequently price orange for 2 USD. Whatever price dictates (up or down) it should conform to the value ratio.

If you go to the other market, and shops are selling orange for 3 USD. You know immediately that this is not correct price because apple is just worth 1 USD only. This notion of self-determination becomes intrinsic because of trust based on value ratio.

2. Value Ratio vs Price Ratio

The value ratio is always constant; this would be the basis of trust between tokens or coins. Violating this trust will destroy their integrity and eventually will lose their intrinsic values.

On the other hand, price ratio is relative, but proportional to the value ratio. (for very a simple example, if the value ratio between two tokens/coins is 1:2, the possible price ratio would be 1:2, 2:4, 3:6 and so on... or even in fractional number) .

Now, if the market is bullish on these tokens/coins, price ratio would increase in a fashion that is proportional to the value ratio. Any movement of price ratio that does not conform (like 2:5 or 3:8) to the value ratio is an anomaly and trust is violated.

On RAR tokens theory of stability, it does not have knowledge about the market; whether the market is bullish or bearish, it does not have an awareness of any other coins, tokens or fiat. What it has is a self-determination if the price is violating the value ratio or not.

The tokens/coins, on the RAR tokens theory of stability, are not competing with each other but rather colluding in a consensus manner. Somehow similar in a blockchain, all tokens/coins have to be in agreement with their prices based on their value ratio.

In this manner, the tokens/coins will have a degree of control from within as if they have intelligence that can determine what price is acceptable and not.

3. Creating Feedback

Feedback is essential for a guide to learning and with continues feedbacks should boost decision making effectively in a timely manner (Lurie & Swaminathan, 2009). The degradation of information due to frequent feedbacks is not seen here as a treat because feedbacks on this case are a confrontation of consensus from multiple resources giving a clear status for any given coin. Coins involved on these feedbacks corroboratively making information about the state of the price of any given coin. Goldstein feedback loop that everything is co-determined (Goldstein, 2017), thus apply on these coins.

Coin/token can create feedback to traders. On this premise, coin/token can express its state by indicating that its current price is not valid or its current price is valid based on value ratio. This state indicator will be the basis for traders' decision to be involved or not to be involved in the coins/tokens.

If more coins/tokens are introduced in the existing coin/token, then this will create grids of relationships that will make more value ratios established between any coins/tokens.

For a given CoinA and CoinB, it would create one value ratio only - CoinA: CoinB. But if another CoinC is introduced in the relationship, then there would be there (3) value ratios established - CoinA: CoinB, CoinB: CoinC and CoinC: CoinA.

For traders with more coins/tokens involved, these would create more feedbacks to help them in making a decision in the involvement on the coin or to all of them. An increase in the price of CoinA has to be substantiated by an increase of prices on CoinB and CoinC based on their value ratios. An increase in CoinA price without corroborated support on increase on CoinB and CoinC will create a deflationary environment for CoinA to give-up the price increase to maintain the trust on their value ratios. This would apply to any coins that are part of the relationships.

For example, on a three-coin-system implementation of this theory, if a coinA is equivalent to two (2) coinB, and coinB is equivalent to two (2) coinC, then coinA is equivalent to four (4) coinC. The ratios would be:

$$(1 \text{ coinA}) = (2 \text{ coinB}) = (4 \text{ coinC})$$

At this level, the value ratios are established and all coins are in the equilibrium state. If coinC is priced at 1 USD, then it would lead the price of coinB to be 2 USD and coinA would be priced at 4 USD.

$$(1 \text{ coinA} \times 4 \text{ USD}) = (2 \text{ coinB} \times 2 \text{ USD}) = (4 \text{ coinC} \times 1 \text{ USD})$$

$$4 \text{ USD} = 4 \text{ USD} = 4 \text{ USD}$$

The three coins now are in balance with 4 USD value price each even though they have three different price levels.

If coinA suddenly increased its price to 8 USD and while values of (2 coinB) and (4 coinC) are still 4 USD, it clearly says the 8 USD price increased is not supported by the two coins. This feedback will transform chaotic traders to become informed traders. While coinA will be pressured to return to previous price in order to maintain their value ratios.

The more coins are introduced into the relationship, it will create more substantiated help for traders' decision making. These relationships create an environment of a family that works as a single unit – always corroborating and confirming to their value ratios.

4. Conclusion

People follow others traders as it influences their trade decision (Bikhchandani & Sharma, 2000) but having a real information not from people but from coin itself will remove the misinformation to a real decision about the coin.

RAR tokens theory of stability for crypto-currency is based on a trust in the form of value ratio. The value ratio is the governance on how it will perform on the public on establishing its prices. The constant feedback by the coins or tokens on their prices will help traders or alike to determine their state conditions by confirming to their value ratios. These feedbacks will bring informed traders to timely manner decision. Thus, stability is achieved in the constant feedbacks of coins/tokens on the conformity of prices to their value ratios as a form of self-regulation. In this family of coins or tokens,

there would be provision to facilitate price consensus in all the coins/tokens involved based on value ratios.

5. Conflict of Interest

The author of this paper has created three tokens – RAX Token, AVY Token. and RAZ Token. These tokens are the proof work embodying the RAR tokens theory of stability for crypto-currency.

References

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