PHAROS
RESEARCH

Escaping Venezuela's trap, mirroring Singapore's miracle: blockchain built on sovereign currency wisdom

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Abstract

According to Pharos's current public disclosures, the project proposes a staged token supply framework. $PROS has a genesis supply of 1 billion tokens, only part of which will enter circulation at TGE, with the remainder released over time according to a predetermined schedule. During the first six months after launch, staking inflation is set at 0%, reducing early dilution and supporting price discovery. Beginning in month seven, staking inflation is set at 5% annually, with later adjustments tied to the staking ratio, validator incentives, network security requirements, and ecosystem development. Compared with the more common industry models of inflation from genesis or permanently fixed supply, this approach reflects a phased logic: dilution is constrained first, while issuance tools are introduced later.

In economic terms, the design resembles the monetary framework of an emerging economy. In its early stage, it emphasizes credibility and supply discipline; once growth begins, it allows moderate expansion to support security budgeting and ecosystem development. For a public blockchain focused on RWA, payments, settlement, and open finance, an inflation-from-genesis model can cover validator rewards and ecosystem incentives earlier, but it also brings dilution expectations into the price formation process from day one, making valuation more likely to revolve around subsidy levels and yield. A permanently fixed-supply model, by contrast, may strengthen scarcity and early price discovery, but as on-chain usage, validation demand, and ecosystem spending rise together, security budgets, fiscal capacity, and liquidity provision may all come under pressure. In that sense, Pharos's publicly disclosed staged issuance framework is an attempt to strike a more workable balance between early price discovery and later security finance.

This report examines the design logic of $PROS tokenomics through the lens of monetary economics and keeps three layers of analysis separate: first, the mechanism-level facts already disclosed by the project; second, the author's inferences based on a monetary-economic framework; and third, normative judgments about when different supply paths are likely to be appropriate. Drawing on both sovereign monetary experience and crypto-native case studies, the report analyzes this staged supply framework and discusses the conditions under which it may work, as well as the constraints it is likely to face at different stages of network development.

Keywords: Pharos; Tokenomics; Monetary Economics; Quantity Theory of Money; Price Discovery; PoS Security Budget; Phased Inflation

01 / Introduction

The central question in public blockchain tokenomics is how to design the native token's total supply, issuance schedule, and incentive allocation so that the network can sustain a durable alignment of interests among different participants, while also allowing the token itself to earn long-term market trust.

Once a token simultaneously serves as a unit of value, a means of payment, a staking asset, and a channel for reward distribution, supply design is no longer just a technical parameter. It becomes a monetary question. The real issue is when supply discipline should be maintained, when moderate expansion should be introduced, and which economic variables should constrain both the pace and the limits of that expansion.

Around this question, the industry has gradually developed several recognizable approaches to supply design.

The model represented by BTC adopts a scarcity framework built on fixed total supply. The hard cap of 21 million coins and the four-year halving cycle write the supply commitment directly into the protocol. This design has given BTC a relatively strong degree of market credibility within the crypto asset space. But as block rewards continue to decline under the halving schedule, the network's security budget will increasingly depend on transaction fees. For an asset such as Bitcoin, whose primary role is store of value, that transition may still be workable, though it remains an open question. For functional public blockchains that must continue to support validator participation and ecosystem development, however, the sustainability of the security budget becomes a far more immediate design constraint.

The model represented by Solana takes the opposite route: inflation from genesis. At mainnet launch, Solana set an initial annual inflation rate of roughly 8%, with the rate declining over time. From the outset, continuous issuance provided validators with a predictable source of return. This arrangement helped establish an active validator set in the network's early phase. The trade-off is that token pricing must reflect expectations of supply expansion from day one, which makes valuation more likely to revolve around staking yields and issuance dynamics.

These two approaches differ in form, but they point to the same underlying issue. Token supply rules are, in substance, a form of monetary policy. Whether they work depends on whether they are aligned with the network's actual adoption, on-chain output, and the pace at which institutional credibility takes shape.

Seen through that lens, Pharos, with its focus on RWA and open finance, offers a useful case study. Based on the project's current public disclosures, its native token is intended not only to function as a unit of value, a payment asset, and a staking instrument, but also to sit within a broader set of use cases that includes on-chain payments, protocol interactions, and asset transfers. At the same time, protocol fees, ecosystem incentives, and treasury arrangements form part of the institutional setting in which its token design operates. This report therefore focuses on the token mechanism, functional positioning, and institutional structure that Pharos has already disclosed publicly. Its aim is to examine the economic logic embedded in that design and the institutional effects it may produce, rather than to offer an empirical verdict on outcomes that have not yet materialized.

Once money, transactions, output, and fiscal mechanisms coexist within a single network, monetary economics becomes a useful analytical framework for understanding the meaning of token supply design. It helps clarify the relationship between supply and demand, the formation of price signals, and the incentive constraints facing different participants. It also provides a comparative frame. From the gold standard to Bretton Woods, from inflationary episodes in Latin America to exchange-rate management in East Asia, sovereign monetary history offers a set of institutional experiences that can help illuminate the conditions under which different supply paths may or may not work.

02 / Pharos's Two-Stage Supply Framework: Early Zero Inflation and Subsequent Dynamic Issuance

The design of the Pharos token regime can be understood through the basic analytical lens of the quantity theory of money. Fisher's equation of exchange, $MV = PY$, links money supply, velocity, the price level, and real output, and remains one of the standard tools in macroeconomics for thinking about monetary policy. In this report, however, $MV = PY$ is used only as a heuristic. It helps frame the relationship between token supply, on-chain circulation, price signals, and real usage, but it is not meant as a strict structural model of blockchain economies. In particular, the observability, definition, and measurement of V, P, and Y on-chain do not map neatly onto their equivalents in sovereign economies. The framework is useful here because it clarifies the logic of the mechanism, not because it yields precise measurement.

Applied to a public blockchain, the terms can be read as follows:

M = token supply

V = on-chain velocity

P = gas and protocol service pricing

Y = real on-chain output

One further clarification matters here. In an on-chain setting, P does not correspond to the general price level in the macroeconomic sense. It is closer to the unit token cost that users pay to execute transactions, interact with protocols, and obtain computation and settlement services. In practice, that cost shows up in gas pricing, protocol fees, and other operating costs on-chain. When this report refers to an adjustment in the "price level," it is therefore referring to a change in the token's purchasing power over on-chain services, not to a literal analogue of a sovereign CPI.

When supply is constrained while output expands, the system has to adjust through either higher velocity or a lower effective service price. The former raises liquidity pressure; the latter increases the token's purchasing power over on-chain services and can strengthen hoarding incentives at the expense of usage. The reverse problem appears when supply is expanded before real output has taken shape. In that case, newly issued tokens lack corresponding demand on the usage side and are more likely to show up as higher on-chain costs or passive accumulation than as effective economic activity. Pharos's two-stage arrangement can be read as a response to that constraint: the pace of token supply change is meant to remain aligned with the evolution of real on-chain output.

2.1 Phase I: Zero Inflation and Price Discovery

Based on the project's current public disclosures, Phase I of the Pharos framework can be understood as an anchoring stage built around two features: zero staking inflation during the first six months and a disciplined release schedule. Its core purpose is to create a cleaner environment for price discovery. That said, the public materials emphasize the two-stage structure and its economic logic more than they specify every operational detail. What has been disclosed is that Phase I prioritizes scarcity and price discovery, while Phase II begins in month seven with annual staking inflation set at 5%, after which the rate may be adjusted in line with network conditions to support security and ecosystem development. At the same time, $PROS has a genesis supply of 1 billion tokens, with only part entering circulation at TGE and the remainder released over time according to a predetermined schedule. Strictly speaking, then, Phase I is better understood as a launch arrangement defined by a fixed genesis supply, zero staking inflation in the early period, and phased token release, rather than as a regime of absolute fixed supply. The discussion below therefore analyzes the economic logic implied by the public design, rather than treating every institutional detail as fully settled.

By introducing no additional staking issuance during the first six months, the framework creates a clearer early supply constraint. That reduces expected dilution and makes valuation more dependent on the project's prospects and the credibility of its rules than on short-term changes in incentive levels.

This arrangement also shapes the composition of early participants. In an environment without new staking issuance during the first six months, early returns depend more on capital appreciation and expectations of network adoption than on protocol subsidies. That reduces the appeal of short-term strategies built around continuous emissions and creates a relatively more favorable entry point for investors and builders who are focused on longer-term network value.

That logic, however, only holds if early supply discipline coincides with genuine growth in productive activity. If continuous issuance begins from genesis, dilution expectations become embedded in price formation from the outset, and market attention tends to shift from network fundamentals to subsidy levels. Something close to this could be seen during the 2020–2021 DeFi liquidity mining cycle. One example is Uniswap's UNI liquidity incentive program from September to November 2020. Later governance reviews showed that liquidity in the incentivized pools rose sharply after the program began, then fell back noticeably after the first round ended on November 17. Across multiple protocols, TVL often expanded quickly during periods of heavy emissions and then dropped within weeks once rewards were reduced. A large share of the capital attracted by aggressive emissions left with the incentives.

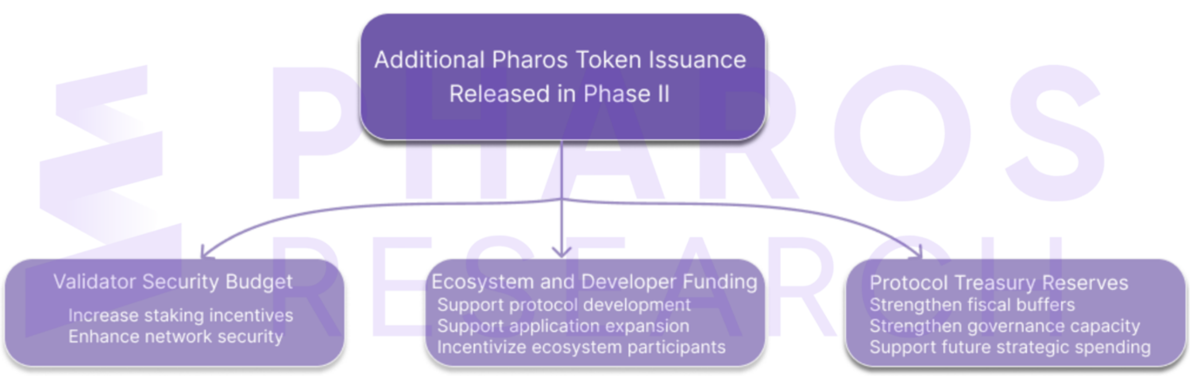
2.2 Phase II: Inflation as a Tool for Security and Fiscal Capacity

Once on-chain usage, validation demand, and fiscal needs begin to rise together, the anchoring role of Phase I has largely been fulfilled, and the institutional objective changes with it. The core task of Phase II is to establish a sustainable mechanism for security budgeting and ecosystem support. According to Pharos's current public disclosures, the network will introduce annual staking inflation of 5% starting in month seven, with subsequent adjustments tied to the staking ratio, validator incentives, network security requirements, and ecosystem development.

The economic significance of this new issuance is not simply that supply becomes larger. The more important point is that it creates a durable fiscal distribution mechanism for the network. In principle, newly issued tokens first need to cover the basic incentives required by validators and stakers, so that staking depth and the network's security margin can be maintained. Beyond that, issuance can support developer incentives, ecosystem subsidies, and user-growth spending, helping ease the public-goods financing constraints that emerge during expansion. If resources remain after security and ecosystem needs are met, part of the issuance can also accumulate in the treasury as a reserve for later governance needs, incentives, and cyclical adjustments. Put differently, inflation here is not meant to satisfy all three functions indiscriminately. It is closer to a dynamic allocation tool that operates in sequence: security first, ecosystem second, treasury accumulation third. The exact proportions should not be fixed too rigidly in advance. They need to remain aligned with the network's stage of development and its actual fiscal pressures.

In that sense, the pace of monetary expansion still needs to remain broadly consistent with the growth of on-chain productive capacity and the expansion of the network's asset base. Otherwise, supply risks moving too far ahead of, or too far behind, the economic activity it is supposed to support.

Figure 1. Allocation of Newly Issued Tokens in Pharos Phase I



Source: Pharos Research

2.3 Trigger Conditions

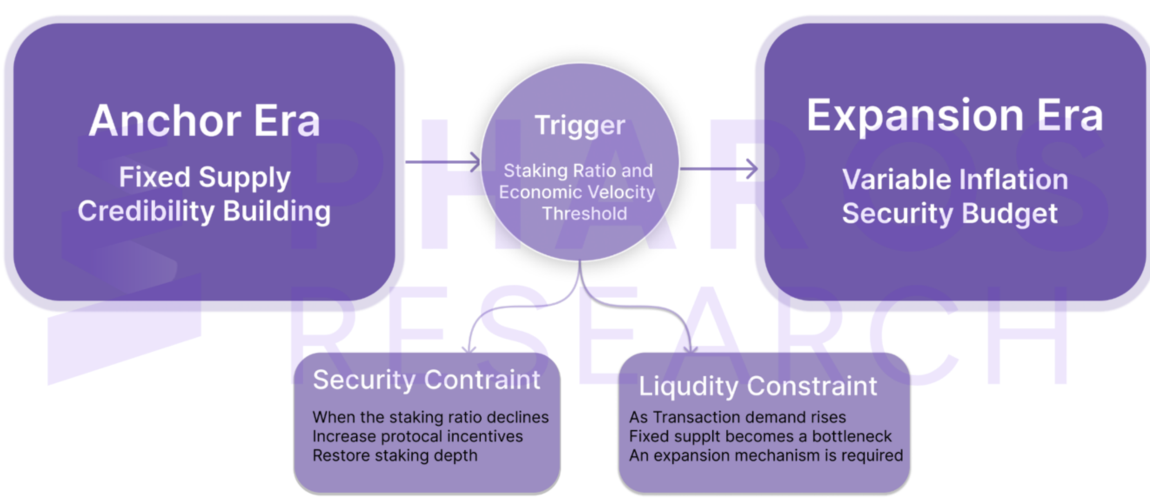
According to Pharos's current public disclosures, the mechanism that has been clearly specified is as follows: staking inflation remains at 0% during the first six months, rises to an annualized 5% beginning in month seven, and may then be adjusted in light of network conditions. The more detailed trigger logic discussed below should therefore be understood as the author's inference from a monetary-economic framework. Its purpose is to show the conditions under which a staged issuance regime is likely to make institutional sense, rather than to restate project rules that have already been formally disclosed.

The transition between the two phases can be understood through two broad types of constraint. The first is a security constraint. If the staking ratio or the level of validator participation falls below a certain threshold, the network's security margin may begin to weaken, in which case incentive intensity would need to rise in order to rebuild staking depth. In practice, this type of constraint can be observed through several measurable indicators: whether the aggregate staking ratio remains persistently below the range needed to support the security budget, whether the number of active validators declines, whether validator concentration increases, and whether on-chain fees or other endogenous revenues are insufficient to cover validator incentives.

The second is a liquidity constraint. If transaction demand continues to grow while the existing token supply is no longer sufficient to support that demand, early-period supply discipline may itself become a limit on network expansion. This can be observed through indicators such as average daily transaction or settlement volume, on-chain liquidity depth, the turnover rate of key assets, and changes in transaction costs.

Linking issuance triggers to security needs and transaction demand makes inflation look less like a discretionary policy lever and more like a response to changing system conditions. But responsiveness alone is not enough. The harder question is who gets to determine the state of the system, which public indicators are used to make that judgment, and through what governance process the inflation tool can be activated or adjusted. Only when the trigger mechanism, the decision-making body, and the governance procedure are all transparent and verifiable is a supply expansion likely to be seen as a continuation of the existing rule set rather than as an ad hoc policy intervention. In that sense, expansion remains bounded by a stage at which the network's fundamentals have become sufficiently legible, which helps reduce the risk of unnecessary disruption to the credibility already built in the earlier phase.

Figure 2. Pharos's Two-Stage Token Framework and Transition Conditions



Source: Pharos Research

2.4 Balancing the Interests of Different Participants

Token supply rules have to respond to several distinct demands at once: preserving token value, which means limiting dilution risk for investors; maintaining network security, which requires a predictable income stream for validators; sustaining ecosystem development, which depends on continued funding for builders; and supporting smooth on-chain usage, where users care about liquidity and relative price stability in payment and settlement.

These demands do not naturally align. They pull against each other in fairly obvious ways. For investors, lower issuance means weaker dilution pressure and a clearer price anchor. For validators, however, insufficient incentives can reduce staking participation and long-term retention, narrowing the network's security margin. For developers and ecosystem builders, steady fiscal support helps cover public-goods spending and user subsidies during the network's early expansion. For ordinary holders and payment users, though, aggressive issuance can raise dilution expectations, unsettle token value, and reduce the predictability of the token as a medium for payment and settlement. Treasury accumulation creates another tension. A larger treasury may strengthen the protocol's long-term capacity to respond to shocks and fund future priorities, but getting there usually requires issuance or fee extraction in the present, and markets tend to price those expectations in early.

Pharos's approach is to rank these priorities differently at different stages. In Phase I, the emphasis falls on protecting token value and preserving the quality of price signals, so that the market first prices the network around scarcity, release discipline, and long-term prospects. In Phase II, the emphasis shifts toward the sustainable provision of security budgets and ecosystem funding, once a basic layer of credibility has already been established. The point is not to eliminate these tensions. It is to avoid trying to solve all of them at once at network launch, and instead spread them across different stages of development, where they can be handled under different institutional conditions.

03 / Historical Parallels: Monetary Regimes, Capacity Expansion, and the Constraints of Credibility

Why not introduce an inflation mechanism at genesis? Economic reasoning offers part of the answer, but the historical experience of sovereign economies provides a more concrete point of reference. Different countries have tested different combinations of productive capacity and inflation, and those combinations offer a useful comparative set of institutional cases.

3.1 Peru and Venezuela: The Cost of Monetary Expansion Ahead of Capacity

In the late 1980s, Peru tried to stimulate demand through fiscal expansion while suppressing price increases through price controls and interest-rate caps. For a time, the policy appeared to generate growth. But the growth came largely from demand-side stimulus rather than from any real improvement in productivity. As fiscal deficits widened, foreign reserves were depleted, and domestic productive capacity remained weak, the government eventually turned to monetizing the deficit. The result was a familiar downward spiral: monetary expansion pushed prices higher, declining real purchasing power weakened output, falling fiscal revenues led to still greater reliance on money creation, and the currency's role as a unit of account and medium of exchange was severely damaged.

Peru's later recovery confirmed the same logic from the other direction. After Fujimori took office in 1990, the government restored monetary discipline by removing price controls, cutting fiscal subsidies, and reintroducing exchange-rate flexibility. The short-term adjustment was painful, but once monetary credibility began to recover, growth resumed. Venezuela followed the mirror image of Peru's earlier path. With productive capacity failing to expand, the government relied on monetary expansion to fill fiscal gaps, leading to a larger and more prolonged collapse in confidence.

The common thread in both cases is clear: when monetary expansion is not backed by growth in productive capacity, new money is more likely to show up in higher prices than in higher real output, and the currency's pricing and exchange functions weaken with it. The same lesson matters for blockchain token supply. If a network has not yet formed stable on-chain output and durable usage demand, continuous supply expansion is more likely to affect price expectations than to generate real adoption.

3.2 Japan and Greece: The Limits of Permanent Monetary Discipline

After Japan's asset bubble burst in 1990, the central bank cut rates repeatedly, and by 1995 the policy rate was close to zero. Yet borrowing, consumption, and investment failed to recover. Krugman's 1998 analysis identified the structural problem: once nominal rates hit the lower bound while inflation expectations remain persistently weak, real interest rates stay too high and conventional monetary policy loses traction [13]. Japan then endured a long period of low growth, only beginning to break the cycle after the adoption of a clearer inflation target and large-scale quantitative easing in 2013.

The broader lesson is that monetary discipline, by itself, is not a sufficient condition for growth. When productive capacity lacks momentum, a prolonged low-inflation or even deflationary environment can make capital allocation more conservative and suppress both investment and economic activity. A related pattern appeared in Greece. After the sovereign debt crisis, Greece implemented strict fiscal and monetary adjustment under external constraints. Macro stability improved to some extent, but the recovery remained slow. The OECD's 2016 assessment pointed to structural reform and productivity improvement, not monetary and fiscal restraint alone, as the key to restoring growth [14].

Taken together, Japan and Greece suggest a simple point: monetary stability cannot substitute for growth. Supply discipline that is too rigid can, under some conditions, become a brake on demand and economic activity. The implication for token supply design is direct. If zero inflation or fixed supply is treated as a permanent state, participants may adopt increasingly conservative expectations, which can depress transaction demand and actual usage. To avoid that outcome, supply rules need some room to adjust as productive capacity and demand evolve.

3.3 Singapore: Building Monetary Credibility Under Strong Constraint

When Singapore became independent in 1965, per capita income was low, unemployment was high, industrial capacity was limited, and the newly issued Singapore dollar had no historical base of credibility. In that setting, monetary trust was not inherited. It had to be built through sustained institutional discipline and consistent policy execution. MAS pursued that goal not through a single promise, but through repeated behavior: anchoring inflation expectations through exchange-rate management [11], accumulating foreign reserves, and constraining monetary expansion through fiscal discipline.

This process took time. The Singapore dollar became a widely trusted hard currency in Southeast Asia only after a long period of institutional accumulation. The lesson is that monetary credibility is less a matter of declaration than of repeated rule-following. Stability gains acceptance only when the relevant rules are consistently upheld long enough for expectations to settle. That has a direct bearing on Phase I of Pharos. At the stage when token credibility has not yet formed, supply restraint and zero inflation matter not just because they limit quantity, but because they send a signal of rule-based predictability.

Singapore's experience also shows that institutional discipline does not mean institutional immobility. As the economy moved from labor-intensive production toward capital- and knowledge-intensive sectors, the policy framework itself continued to adapt. Stability, in other words, does not rule out evolution. What matters is whether adjustment is built on an already credible base and remains consistent with changes in underlying economic structure.

3.4 The U.S. Gold Standard: When Stable Supply Supports Growth, and When It Stops

In the second half of the nineteenth century, the United States experienced unusually strong growth in productive capacity. Railroads expanded rapidly, steel and electricity transformed the industrial base, and output rose quickly, while money supply grew more slowly under the constraint of gold production. The result was mild price decline. Economists often refer to this as “good deflation”: a fall in prices driven by productivity growth rather than by collapsing demand [2]. The period shows that when productive capacity is expanding strongly, a stable money supply does not necessarily prevent growth. That offers a useful reference point for Pharos’s first phase. Supply restraint can coexist with early expansion, provided the network is genuinely building real productive activity.

But the later evolution of the gold standard also reveals the limits of a fixed-supply regime. As the economy expanded and fiscal demands rose, monetary demand gradually outgrew what gold reserves could support. The financing pressures of World War I, the liquidity strains of the Great Depression, and the eventual collapse of Bretton Woods all made the same point: rigid supply rules are not sustainable in every phase of development.

From a mechanism standpoint, the effectiveness of fixed supply depends on whether it remains matched to the scale of the economy and the pace of output growth. When real output is rising, supply discipline can coexist with growth. When the economy and its liquidity needs outgrow the existing framework, rigidity can turn into a real constraint and force institutional adjustment. For public blockchains, the implication is straightforward. Supply restraint can serve as an early credibility device, helping establish price signals and rule-based trust. But as network functions expand and transaction demand grows, security budgets and liquidity needs will also rise, and supply rules may need to evolve with them.

3.5 Summary

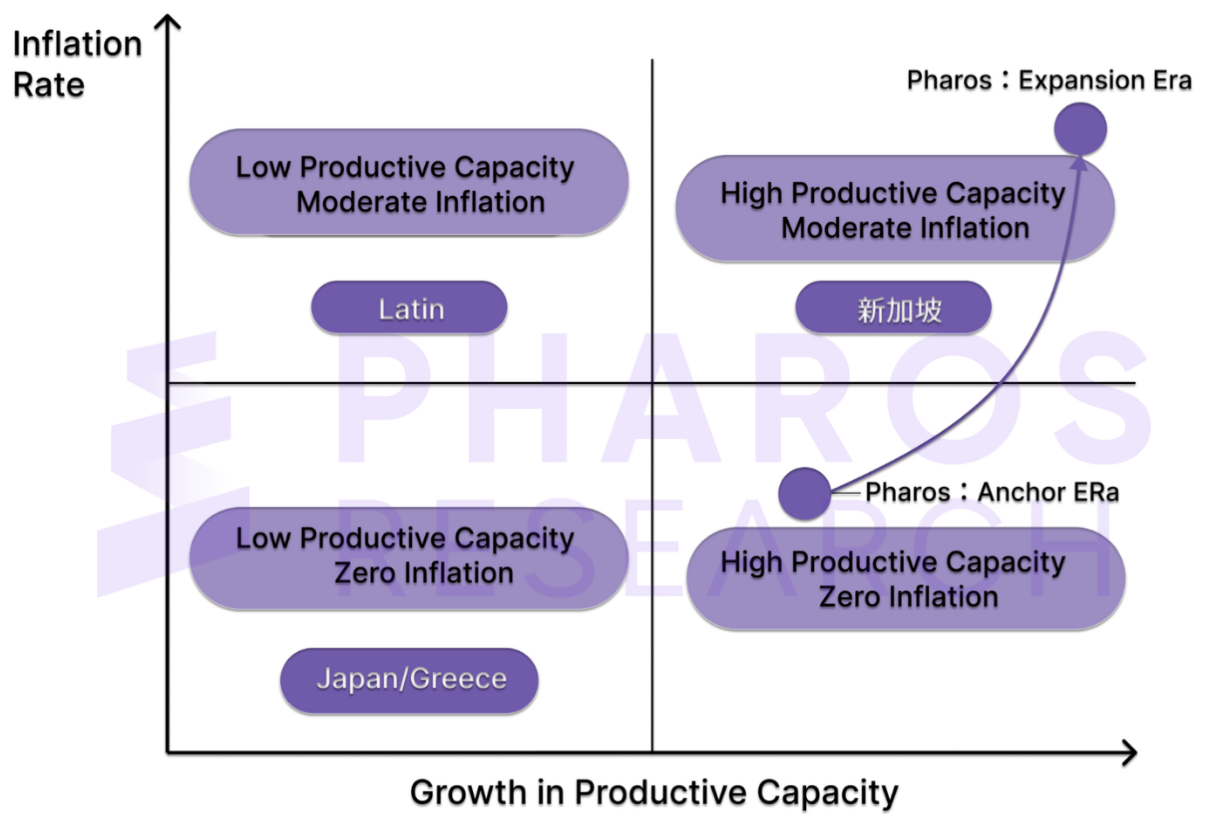
These cases can be grouped into three broad combinations: stable supply with expanding productive capacity, stable supply with stagnant productive capacity, and supply expansion with contracting capacity. What separates the outcomes is not inflation alone, but whether the monetary rule remains aligned with real output.

The nineteenth-century United States and Singapore show that stable supply can coexist with growth when productive capacity is rising and institutional discipline is credible. Japan and Greece suggest that where capacity growth is weak, monetary restraint by itself does not restore dynamism and may end up constraining demand. Peru and Venezuela show the opposite failure: where productive capacity is weak or shrinking, monetary expansion is more likely to surface in prices than in output, undermining the currency’s pricing and exchange functions.

Pharos’s staged supply framework can be understood within this broader institutional logic. In its first phase, supply restraint and rule rigidity are meant to establish price signals and build credibility. In the second phase, once productive capacity and usage demand have begun to take shape, a more moderate form of supply expansion can be introduced to support security budgets and ecosystem spending. The transition between the two phases is conditioned on the accumulation of productive capacity and assets, which in theory helps reduce the disruption that supply expansion might otherwise cause to the credibility already built in the earlier phase.

In that sense, Pharos's two-stage arrangement is best seen not as a choice between fixed supply and inflation in the abstract, but as an attempt to place supply restraint and supply expansion at different stages of development. Its success will depend less on the intrinsic superiority of either regime than on whether each stage remains aligned with the evolution of network fundamentals, real output, and actual usage.

Figure 3. Pharos's Trajectory in the Productive Capacity–Inflation Matrix



Source: Pharos Research

04 / Crypto-Native Comparison: How Pharos Differs from Mainstream Token Models

Sovereign monetary history provides a general point of reference, but Pharos's token design also needs to be tested against crypto-native projects. Across the industry, token supply models differ mainly along four dimensions: how an early price anchor is formed, where the security budget comes from, how incentive structures affect real on-chain usage, and whether validator rewards and public-goods funding remain sustainable during expansion.

Figure 4: Four Key Dimensions of Value Construction in Decentralized Networks

Comparative Dimension	Core Question	Main Observation
Formation of the Early Price Anchor	What establishes the token's initial valuation baseline and credibility expectations at launch?	Whether price discovery is driven mainly by scarcity, release discipline, or yield subsidies.
Source of the Security Budget	Who pays validators and stakers, and through what mechanism?	How security costs are shared across fee income, inflationary issuance, and treasury support.
Effect of Incentive Design on Real Usage	Do incentives encourage durable transaction and settlement activity, or mainly attract short-term liquidity and arbitrage capital?	Whether usage gains during the subsidy period remain after rewards are reduced.
Sustainability of Validator Rewards and Public-Goods Funding During Expansion	Once the network enters expansion, can security spending and ecosystem finance be maintained on a stable basis?	Whether the network has adjustable issuance tools, fee-recycling arrangements, and treasury accumulation capacity.

Source: Pharos Research

4.1 Fixed-Supply Models: Bitcoin, Nano, and YFI

Bitcoin's supply rule is highly rigid and exogenous. Total supply and the issuance path are fixed at the protocol level, so price formation revolves largely around expectations of scarcity and the credibility of the rule set [6]. The model's core strength is that it gives early price discovery a clear boundary: the promise that dilution cannot be changed at will becomes part of the asset's monetary credibility.

Its limitation is just as clear. Fixed supply can limit dilution, but it cannot endogenously solve for validator incentives or the cost of maintaining the network. Bitcoin still relies on block rewards and transaction fees to keep miners engaged, but as block rewards continue to fall, network security will depend more heavily on fee income, and the long-run stability of that arrangement remains unsettled.

Similar constraints appear in other fixed-supply projects. Nano's zero-fee design strengthens its payment use case, but more complex networks still need an external source of funding for security and ecosystem support [7]. YFI's extreme scarcity works well for governance concentration, but it is not a natural fit for an L1 that must carry a continuing security budget [8].

Pharos's first phase resembles fixed-supply models in function: it uses supply restraint to strengthen price signals and credibility. The difference is that Pharos treats this as a staged arrangement, preserving room for a security-fiscal layer in the second phase.

4.2 Inflation from Genesis: Solana

Solana represents the opposite model: inflation from genesis. From mainnet launch, it introduced an inflation mechanism with an initial annual rate of roughly 8%, declining over time, so that validators had a predictable source of return from the start [16][17]. For a high-performance chain that requires significant hardware investment, that design helped establish an active validator set quickly.

The trade-off is that early token pricing is driven largely by staking yields and issuance dynamics, leaving less room for the market to price network fundamentals directly. For networks centered on high-frequency trading and DeFi, this may be tolerable, since participants are highly responsive to changing yields and capital tends to move quickly across protocols and reward opportunities. But for a network aimed at RWA, payments, and settlement, the quality of the price signal matters much more, because institutional trust depends on whether the token can serve as a credible unit of account and settlement asset.

The main difference between Pharos and Solana is one of sequencing. Solana prioritizes security budgeting early, so fiscal needs are capitalized into token pricing from the outset. Pharos places greater weight on credibility formation first, and postpones the security-fiscal layer to a later stage.

4.3 Expansion-Phase Security Finance: Celestia and Sui

Celestia and Sui represent a third path: inflationary security finance embedded from genesis, with rates of roughly 8% and 3%, respectively. As these networks expand to support more applications and transactions, validator sets and system operating costs rise with them, and inflation becomes a continuing source of funding for security budgets and ecosystem incentives [18][19][20]. The broader lesson is that once a network enters an expansion phase, initial token allocations alone are often not enough to cover validator incentives and ecosystem spending; some form of rule-based security finance becomes increasingly common.

Pharos differs mainly in timing. Because Celestia and Sui do not pass through a zero-inflation stage, the market never gets a price-discovery benchmark that is relatively free from dilution. Pharos aims to build a more independent price signal in Phase I, so that any supply expansion in Phase II rests on an already formed layer of credibility and a prior price anchor.

4.4 Cross-Sectional Comparison

Set against these three models, Pharos's positioning becomes clearer. Compared with Bitcoin, it preserves room to introduce validator rewards and ecosystem funding later. Compared with Solana, it separates early price formation from inflationary incentives. Compared with Celestia and Sui, it seeks to begin supply expansion only after a prior price benchmark has been established in Phase I.

The key distinction across token supply models is not simply whether they inflate or whether total supply is fixed. The deeper difference lies in how they sequence supply restraint, security budgeting, and price discovery. Pharos's staged design does not try to compress all three objectives into the moment of genesis. It places them in different phases of development. For a network oriented toward RWA, payments, and settlement, that sequencing is arguably more consistent with its functional ambitions.

Figure 5：Four Dimensions for Comparing Crypto-Native Token Supply Models

Project	Inflation Profile (Current / Design)	Supply Model	Source of the Security Budget	Institutional Characteristics
Bitcoin (BTC)	Long-run inflation approaches 0%; total supply capped at 21 million; block subsidies decline through periodic halvings.	Hard-capped fixed supply.	Security relies mainly on block subsidies in the early period; over time, the design shifts toward transaction	A classic "strong scarcity as a credibility anchor" model: scarcity helps build both a price anchor and a
Solana (SOL)	Initial inflation of 8%, declining by 15% per year and converging to 1.5% long term; official forum materials in 2025 indicate a	No hard cap; continuous inflation with declining issuance.	Officially explicit: 100% of inflationary issuance is distributed to stakers and validators; transaction fees	A typical "inflation from genesis" model with a front-loaded security budget.
Celestia (TIA)	Initial inflation of 8%; reduced to about 5.0% with v4 in July 2025; reduced again to about 2.5% with v6 in November 2025; converging to 1.5% over the	Continuous inflation with a declining-convergence profile.	The security budget relies mainly on inflationary issuance plus staking rewards; parameters can be adjusted through	Closer to a "mature, institutionalized security-finance" model.
Sui (SUI)	Not an open-ended regime of permanently high inflation; total long-term supply is capped at 10 billion tokens; early issuance is used to subsidize staking rewards, but there is no	Capped-supply model with early subsidies and a storage-fund mechanism.	Gas fees + stake rewards + storage fund. Official documentation makes clear that early issuance subsidizes validators, while the storage fund affects	A relatively strong example of "institutionalized security finance" in a mature PoS network, rather than a system that relies entirely on a single inflation narrative.
Nano (XNO)	Commonly understood, in the project's own framing, as 0% inflation with no ongoing issuance; it emphasizes zero fees and does not rely on mining or minting.	Basically fixed supply with no continuing issuance.	There is no protocol-level inflationary finance and no fee-financed security budget. Security therefore depends more heavily on node operators, external incentives, and network externalities beyond the	An extreme "payments-first" low-friction model.
Pharos	First six months: 0% staking inflation. From month seven onward: 5% annual staking inflation, with later adjustments tied to network conditions. The design moves from price discovery toward security	Two-stage model: fixed genesis supply with phased release and zero staking inflation in the initial period, followed by constrained dynamic issuance.	In the second stage, newly issued supply can be directed toward three uses: validator rewards, ecosystem funding, and treasury accumulation.	A staged "anchor first, expand later" model.

Source: Pharos Research; translated and standardized for consistency with the current report.

05 / Conclusion and Outlook

5.1 Core Findings

Pharos's two-stage token supply framework offers its own answer to the question of how issuance should be aligned with network output: constrain supply while credibility is still being built, then introduce rule-based expansion only after the network has begun to develop a real productive base.

Based on current public disclosures, Phase I combines a fixed genesis supply, phased token release, and zero staking inflation during the first six months in order to establish a price baseline and monetary credibility. The nineteenth-century U.S. gold standard and Singapore's early monetary discipline both suggest that supply discipline can coexist with real growth, and the Bitcoin model likewise shows how a hard supply boundary can support price discovery. Phase II begins in month seven with staking inflation set at 5% annually, with later adjustments tied to network conditions, thereby creating a continuing source of funding for validator security and ecosystem support. Japan's experience suggests that if zero inflation is treated as a permanent condition, it can suppress usage demand and weaken resource allocation; Peru and Venezuela, by contrast, show that supply expansion must rest on growth in productive capacity.

Viewed against other crypto-native models, Pharos also occupies a distinct position. Compared with Bitcoin's permanently fixed-supply model, it preserves room to introduce validator rewards and ecosystem funding later on. Compared with Solana, it separates early price formation from inflationary incentives. Compared with Celestia and Sui, it seeks to begin supply expansion only after Phase I has already produced a more independent price benchmark. For a network focused on RWA, payments, and settlement, the quality of the price signal matters directly for institutional trust. That is the main reason Pharos places credibility formation ahead of inflationary incentives.

5.2 Variables to Watch

The two-stage design is internally coherent, but what matters in the end is how it performs in operation. That depends on four concrete variables.

First, the trigger conditions for phase transition. How indicators such as the staking ratio, liquidity depth, or transaction scale are selected and quantified will determine whether the launch of Phase II appears intelligible to the market. If the shift comes too early, the initial price benchmark may not yet be stable; if it comes too late, pressure on the security budget may already be building. The trigger mechanism itself is therefore central to whether the design is understood and accepted.

Second, the governance constraints on later issuance adjustments. According to current public disclosures, Pharos applies 0% staking inflation during the first six months, sets annual staking inflation at 5% from month seven onward, and may then adjust it in response to network conditions. What matters is not whether some abstract range can be defended in theory, but whether later adjustments rest on stable criteria, a clear process, and reasonably predictable boundaries. If the issuance path repeatedly departs from earlier explanations, market expectations will move with it.

Third, the pace of productive-capacity formation during the zero-inflation stage. Phase I only works if the network is actually building real usage demand during that period. If on-chain transactions, RWA settlement, or protocol revenue fail to grow, supply discipline may start to function less as a credibility device and more as a liquidity constraint. If capacity and demand expand together, by contrast, the shift to the next phase is likely to appear much more natural.

Fourth, the credibility of the project team and governance layer in adhering to the rules. The key to a two-stage design is not simply that the document says “zero inflation first, adjustable issuance later.” What matters is whether the market believes that the timing and adjustment of Phase II will not be reinterpreted opportunistically. If trigger conditions, decision criteria, and governance procedures lack stability, the mechanism may still be logically sound on paper but fail to generate stable expectations in practice, weakening the price signal and credibility built in the first phase.

How these four variables evolve will determine whether this design remains an intellectually coherent framework or becomes a supply regime that can actually operate in a stable way across changing market conditions.

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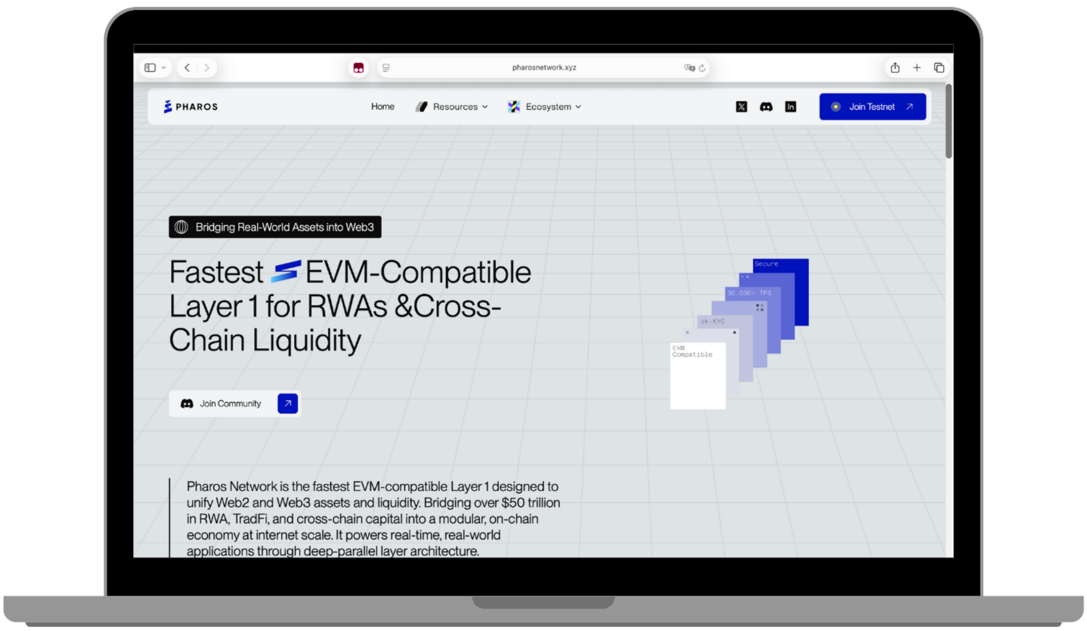
Pharos' Official Website: https://www.pharosnetwork.xyz/



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