Token Economics (Tokenomics)

Lesson 5: Summary

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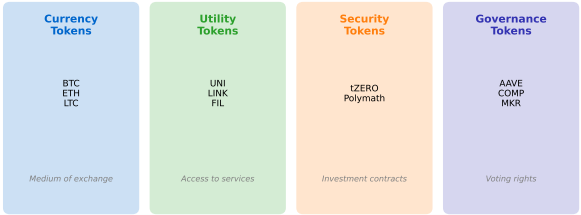
Token Types

Token Classification by Function



Utilit

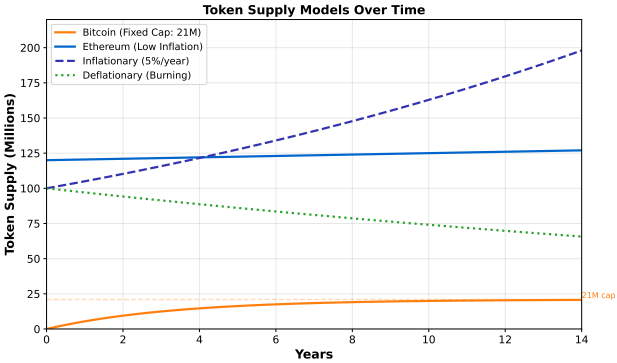
tokens provide access; security tokens represent ownership; governance tokens grant voting

Key Token Categories

Utility Tokens: Access to products/services (BAT, FIL, LINK)
Security Tokens: Investment contracts, subject to regulation
Governance Tokens: Voting rights in protocols (UNI, AAVE, MKR)
NFTs: Unique tokens for digital ownership

classification affects utility, regulation, and value

Supply Mechanics



Fixed supply = scarcity; inflationary = security funding; burning = deflationary pressure

Supply Models Compared

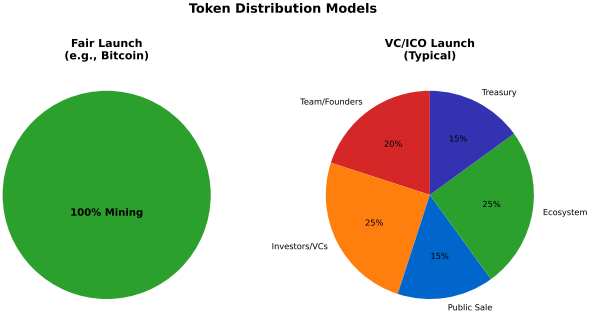
Fixed Supply: Bitcoin (21M max) – digital scarcity
Inflationary: Rewards validators, dilutes holders
Burning: Ethereum EIP-1559 burns fees, can be net deflationary
Key Metrics:

- Circulating Supply: Currently tradeable
- Max Supply: Hard cap (if any)
- FDV: Price $\times$ Max Supply

Comp

market cap to FDV to assess dilution risk

Distribution Models



Fair launch = most decentralized; pre-mine = team funding; airdrops = user rewards

Distribution Best Practices

Typical Allocation:

- Team: 15-25% (with 2-4 year vesting)
- Investors: 10-20%
- Community: 40-60%

Vesting: Lock tokens to prevent dumping
Airdrops: Reward early users (UNI gave $1,200+ per user)

Vesti

aligns incentives; airdrops bootstrap decentralization

Evaluating Tokenomics

Red Flags:

- Team $>$ 30% without vesting
- No clear utility or value accrual
- High FDV / Low circulating supply

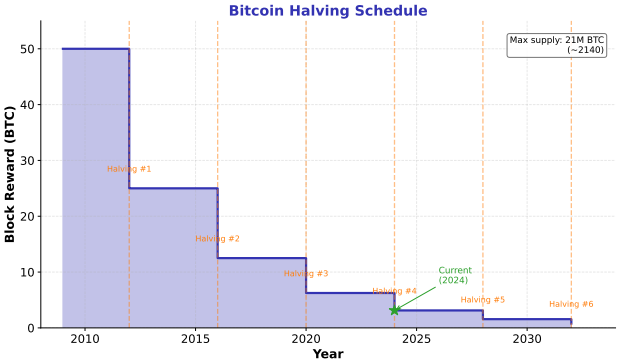
Good Signs:

- Essential utility (gas, staking)
- Fee burning or revenue sharing
- Long-term vesting schedules

Ask:

Why does this project need a token?

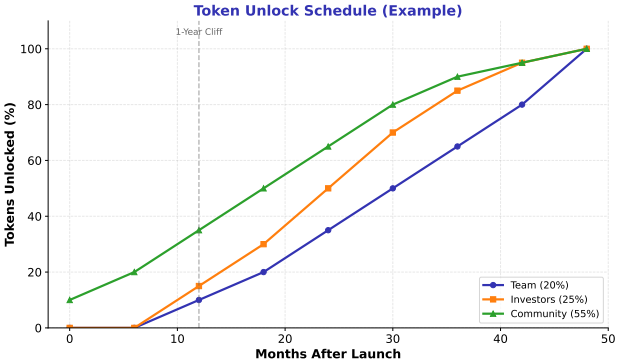
Bitcoin Halving Schedule



Halvi

reduce supply inflation, historically followed by price appreciation

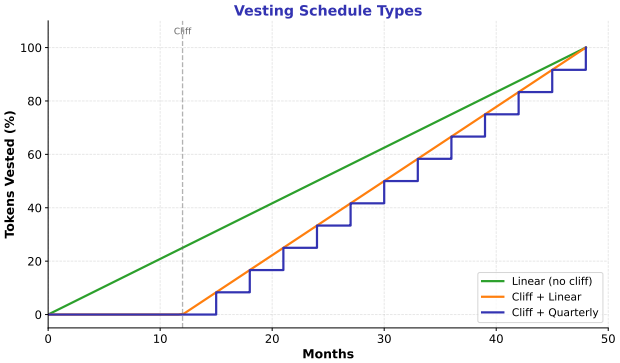
Token Unlock Schedule



Large

unlocks create sell pressure—check schedules before investing

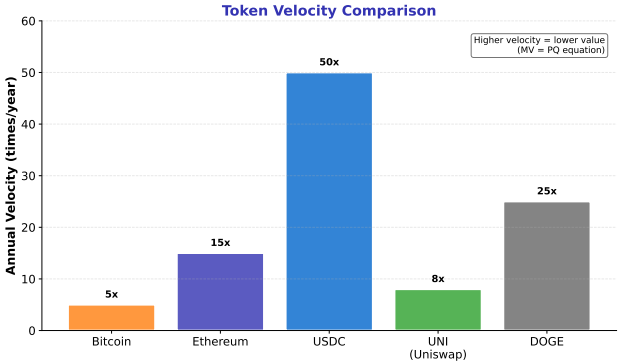
Vesting Cliff Types



Cliff

prevents early selling; linear distributes over time

Token Velocity



High velocity = tokens not held = lower value; staking reduces velocity

Key Takeaways

1. **Token Types:** Utility, security, governance, NFT
2. **Supply:** Fixed creates scarcity; burning adds deflation
3. **Distribution:** Fair launch vs. pre-mine trade-offs
4. **Valuation:** Market cap vs. FDV reveals dilution

Core Insight: Good tokenomics align incentives through supply, distribution, and utility design.

Next:

Decentralized Finance (DeFi)

Thank You

Questions?