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Will the TerraClassicUSD (USTC) Ever be Worth \$1 Again?

In an effort to get the former stablecoin of [Terra Classic](#) back to its \$1 peg, a developer has submitted a proposal, but there are serious problems with it.

Abstract;

- The [Terra Classic](#) community has been working on a proposal from Terra developer Tobias Andersen to re-peg [USTC](#) to \$1.
- Andersen suggests that luring additional companies onto the Terra Classic blockchain could accomplish the repeg.
- The lack of a true price stabilizing mechanism is just one of many problems that cast doubt on the plan's ability to succeed.

As soon as a Terra developer proposed getting USTC back to its \$1 peg and keeping it there, the price jumped 57%.

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Return from the Grave?

The supporters of the failed stablecoin Terra Classic are holding out hope that it will be revived.

Yesterday, Terra developer Tobias Andersen published a Medium post arguing that the Terra Classic community, or "Lunatics," should work to restore the \$1 peg of TerraClassicUSD (USTC), the original stablecoin of the Terra ecosystem.

The post triggered a 57% increase in USTC price on Binance (the most liquid exchange for the token), from \$0.029 to \$0.045. Following that 12% drop, the token is currently trading at \$0.039, down from its initial price of \$0.04. The price of USTC has increased by 592% from its June 18 low of \$0.006, as reported by CoinGecko.

A while back, Terra's crowning achievement was the UST stablecoin, an algorithmic cryptocurrency. One LUNA (Terra's native governance token and UST's balancing mechanism) could be exchanged

for one UST through a predetermined algorithm, and vice versa. During the 2021 cryptocurrency bull run, the mechanism aided in making LUNA and UST two of the largest tokens by market capitalization. In addition, when the stablecoin lost its peg in early May and investors stopped using it, a negative feedback loop was triggered. More than \$40 billion in cryptocurrency market value was lost in a matter of days due to the failure of UST, LUNA, and the rest of the Terra ecosystem.

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Reasonable Concerns

Even though Andersen has a lofty objective, his proposal is extremely thin on details.

Andersen asserts that a USTC repeg is possible by encouraging startup companies to adopt Terra Classic's blockchain network. Andersen recommends a burning mechanism for USTC, lock-up periods for staking LUNC, and the development of partial swap and partitioned pool mechanisms to achieve this goal (which could then be taxed). However, the Terra developer doesn't explain how USTC would benefit from the successful implementation of these features.

The three most common stablecoins exist today. Some, such as USDT and USDC, have reserves denominated in official currencies such as the U.S. dollar or the Euro. MakerDAO's DAI, on the other hand, uses an overcollateralization process in which users can mint DAI by depositing ETH or other cryptocurrencies. Last but not least, algorithmic stablecoins like the old UST are typically supported by algorithmic mechanisms that aim to direct market forces toward stabilizing the coin's price.

However, even a target of \$1 is probably unrealistic. The proposal seems to conflate growth in demand for USTC with increased activity on the Terra Classic blockchain. I'm afraid that won't cut it. Unless a system is put in place for USTC to capture some of the value brought to the Terra blockchain, there are no fundamental reasons for the price of the former stablecoin to change. Network activity may increase the price of the ecosystem's native token, LUNC.

It also doesn't explain how USTC would keep its value stable over time and not devolve into a speculative instrument.

It wouldn't be the first time a Lunatic put their faith in a questionable strategy. The LUNC token, currently trading at \$0.00029, has recently seen widespread community support for the prediction that its price could rise to \$1. This would require the token's market cap to increase by an amount greater than that of Bitcoin.

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