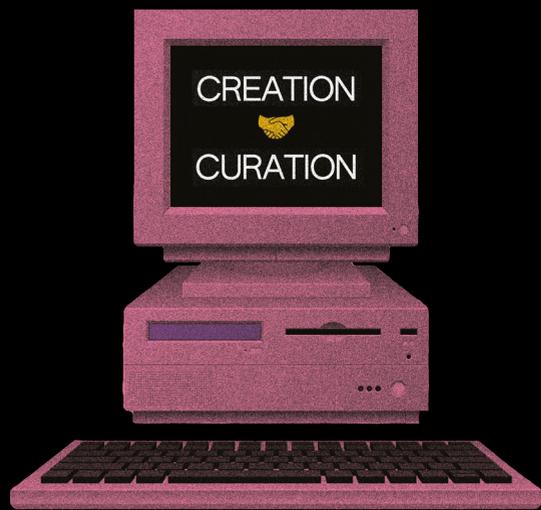*theory*

practice

future

DAO ANTHOLOGY

theory

practice

future

CREATION
CURATION

Curation is how we make sense of a world of abundance. Without it, we're swimming in infinity.

Curation is an act of love. Think of sending your friend a book, or playlist, or a meme, and saying, "this made me think of you."

Curation is the collective counterpart to the individualism of creation. It brings the multitudes into one.

This zine is an act of curation. For this piece, I gathered the articles that meant something to me in the DAO space. They changed my perspective or gave an already-held belief a completely new meaning.

In some cases, they changed everything I thought I knew about DAOs.

But this zine is more than curation. It's an experiment. Because what endeavor in the DAO space isn't one?

It's an experiment in metalabels, in co-creation, in retroactive funding for articles that made an impact. Like any good experiment, it feels like walking into the unknown. But to find the path forward, we must take the first step into the dark.

Many of the future-leaning articles today will become the theory of tomorrow, which then spur the next round of practice. It's an endless cycle of innovation, of re-trying, of ruthlessly cleaning up the cutting room floor. We're in the realm of beginnings that lead not to endings, but to other beginnings. It's messy and beautiful and raw. It's how humans organize on the internet—how could it not be all of these adjectives and more?

Welcome to the DAO Anthology. I hope you love this journey as much as I do.

:)

This Zine is organized into three sections:

1 *theory*

The DAO space, and crypto in general, starts with "why." In this section prepare to dive off the deep end and sit with the thoughts of some great writers as they ask why we're here and why we build what we build.

2 *practice*

What we glean from theory we try to put into the practice, in all its messiness of experiments and tinkering. You'll read short, actionable, slightly-redacted versions of experiment-focused articles to get clear insights you can take back to your organization today.

3 *future*

Practice leads to future predictions, hopes, and plans. In this section, you'll be thinking deeply about what could be and what will be. Plunge into the pieces that could predict the future of DAOs and lay the groundwork for the next cycle of innovation.
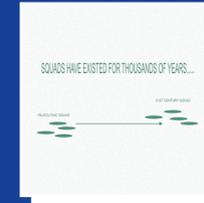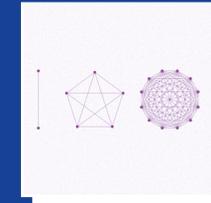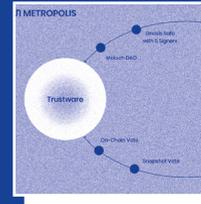
Samantha Marin
May 2023

theory

Theory is the foundation upon which everything is built. Without theory, we're still looking for the light switch in the dark room, still experimenting with no real end goal in mind. Theory helps us articulate values and standards, so we can safely test what we eventually put into practice. It also helps us stay in check: are we building the structures we set out to create? Or have we strayed away? These writers strike a balance between looking at plankton in a microscope and pointing a telescope at Andromeda. They're not afraid to ask one of the greatest questions of humankind: "Why?"

theory

A. 1
A THEORY OF
JUSTICE FOR WEB3

BY LI JIN AND KATIE PARROTT

ORIGINALLY PUBLISHED ON LI.SUBSTACK.COM ON MAY 12, 2022

One of the most powerful narratives surrounding web3 is that it is a movement toward a better, fairer internet. Specifically, web3 proponents envision an internet in which users can wrest back power from a small number of extractive, centralized institutions, and in which everyone with an internet connection can participate on a level playing field.

But web2 started with a similar promise of empowering individual creators and removing intermediaries — a promise left unfulfilled. Now, standing at the precipice of a new era of the internet, we should ask ourselves: Is web3 actually democratizing opportunity? And if not, how can we better design platforms and governance systems to promote fairness?

The social and political philosopher John Rawls' thought experiment known as the "veil of ignorance," proposed in his influential 1971 work A Theory of Justice, provides a useful framework for these questions. When creating the foundations for an ideal society, Rawls contends, we should imagine that we do not know where we ourselves would fall within it — that is, we should adopt a veil of ignorance. A just society is one "that if you knew everything about it, you'd be willing to enter it in a random place." Rawls adds:

Among the essential features of this situation is that no one knows his place in society, his class position or social status, nor does anyone know his fortune in the distribution of natural assets and abilities, his intelligence, strength, and the like. I shall even assume that the parties do not know their conceptions of the good or their special psychological propensities.

Rawls' thought experiment is particularly relevant now because we are standing at precisely the kind of inflection point that the veil of ignorance imagines. Web3 presents the opportunity to build an entirely new internet — indeed, entire new economies — from scratch. The question then becomes: What kind of internet should we be creating?

Some might say that web3 is young, and these issues will simply work themselves out over time. But questions about impacts and externalities were left too late in the design of web2, with consequences ranging from election manipulation to widespread vaccine misinformation. Some indicators show that early design choices in web3 are replicating or compounding the inequalities of web2 and the real world.

If we want web3 to make good on the promise that it can materially improve the situations of everyone within the ecosystem, and not just a handful of people at the top, we need to design it according to principles that will make that happen.

HOW DO WE DECIDE WHAT'S FAIR?

Philosophers and thinkers have been debating for centuries how best to allocate resources among participants in a society. The body of thought devoted to answering these questions is known as "distributive justice," and there are varying schools of thought within the discitpline:

- Strict egalitarians argue that the only just system is one in which resources are distributed absolutely equally — in other words, everyone should have the same amount of material goods. The principle is rooted in the belief that everyone is morally equal, and thus deserves to have equal access to materials and services.

- Luck egalitarians argue that what's important is equality of starting position, and that any inequalities that emerge after that point are justified by differences in merit.

- Libertarians argue that individual freedom should be the sole consideration, and that any effort to redistribute resources infringes on that freedom.

- Utilitarians argue that the most just system is the one that maximizes the sum of total happiness and well-being of all participants. Under utilitarianism, redistribution of wealth would be desirable because each marginal dollar would do more to raise the well-being of a poor person than a wealthy person.

Common among these theories of justice is a tension between two equally important yet often opposing values: freedom and equality. A society in which all actors are completely free is likely to result in a significant amount of inequality, since individuals differ in their motivation to pursue wealth and will behave in ways that advance their own interests. Conversely, a society that is completely equal inhibits freedom, since individuals cannot behave in any way that causes them to be unequal to others — even if that unequal outcome is "earned" through hard work or skill.

Using veil-of-ignorance reasoning, Rawls introduced his own theory of distributive just

known as "justice as fairness." It has two parts: the greatest equal liberty principle and the difference principle. The greatest equal liberty principle affords all citizens equal rights and liberties to the fullest extent that's compatible with others also having those liberties. Justice requires equal rights for every person.

The difference principle says that any social or economic inequalities that do exist in society should meet two conditions. First, they must be "attached to offices and positions open to all under conditions of fair equality and opportunity." Social positions, such as jobs, should be open to everyone and allocated by merit. In other words, a person's prospects for success should reflect their level of talent and willingness to use it, not their social class or background. And second, any inequality that does exist should maximize the benefit of the least well off. This is a profound principle. Under this principle, it's acceptable that doctors earn more than janitors, because that compensation differential incentivizes doctors to pursue their careers and ensures that janitors (and everyone else) will receive quality care if they fall ill.

Rawls' theory is nuanced, but in short, it's unique in how it resolves the central tension between the competing demands of freedom and equality. By requiring that inequalities benefit the least advantaged, Rawls builds in a natural corrective to the rampant inequality that would otherwise emerge in a system that privileges freedom above all else.

This balance between freedom and equality makes Rawls' theory compelling as a philosophical framework for the internet. It leaves space for builders to be rewarded for their contributions, which is necessary to foster incentives for smart, ambitious people to build in the ecosystem. At the same time, it places a burden on those builders — and the ecosystem as a whole — to build in a way that creates opportunity for less-advantaged participants.

EVALUATING THE CURRENT INTERNET AGAINST JUSTICE AS FAIRNESS

How well does the current internet abide by Rawls' principles? In many ways, the web2 internet has expanded and enhanced opportunity for a broad set of people and exists in closer accordance to Rawls' difference principle than the pre-internet world. Before the internet, access to participation

in various industries was limited by a handful of gatekeepers, ranging from movie studios to music labels. The internet and social media platforms made it possible for anyone to participate in content creation and distribution, and therefore enabled more creators to succeed.

But you don't have to look far for evidence that the web2 internet falls short of the mark in other ways. Consider just a few examples of how web2 platforms have inhibited equality and violate the difference principle: Gig economy platforms bring in billions of dollars in revenue, while the frontline workers who deliver their services earn poverty wages and are shut out of decisions that impact their lives. Social media companies and media platforms earn billions of dollars in ad revenue from algorithmic feeds that elevate misinformation and damage vulnerable communities. Platforms' creator funds typically reward creators with the most views and engagement, leading to the concentration of income among those who already have ample sources of revenue while failing to broaden access for less-well-off aspiring creators. And we've written before about how the internet's original sin of not enabling payments led to the extractive, advertising-based business models that define the web2 economy today.

But it's not just web2 platforms that fail to reach Rawls' standard of justice. Web3 in its current form is also exacerbating inequalities. Web3 projects commonly issue crypto tokens as digital representations of value. Early versions of token distributions have led to unsustainable dynamics wherein speculators are rewarded instead of those who are adding consistent value to networks through actual usage. Some play-to-earn games have implemented dual-token systems in which users earn income but not governance power, creating the risk of replicating the dynamics of the current economy in which workers earn salary but not equity, compounding wealth inequality. Business writer Evan Armstrong points to strong parallels between some current NFT projects and multi-level marketing schemes, in which later

arrivals to the ecosystem are structurally unable to achieve the same level of success as early adopters due to system design.

HOW TO ENSURE JUSTICE AS FAIRNESS IN WEB3

We've seen how both the web2 internet and early iterations of web3 fall short of ensuring a free, fair playing field that benefits the least advantaged. So what would an internet that meets Rawls' standards look like? Some general anti-principles start to come into focus:

· Don't build a system that only benefits the wealthy, because what if you're poor?

· Don't build a system that disproportionately favors early adopters, because what if you're not embedded in networks that give you early access to knowledge?

· Don't build a system that demands extreme technological savvy to succeed, because what if you don't have the aptitude or resources to learn those skills?

Using these anti-principles as guides, builders and participants of the web3 ecosystem can do three things to ensure it aligns with Rawls' ideals of liberty, equality, and the difference principle: First, promote self-determination and agency. Second, reward participation, not just capital. And third, incorporate initiatives that benefit the disadvantaged.

Promote self-determination and agency.

One of the flagship principles of web3 is the idea of self-determination: Unlike in web2 platforms, with a cadre of founders, executives, and shareholders holding all the power, web3 communities will be controlled by their members. This would be consistent with economist Albert O. Hirschman's "Exit-Voice-Loyalty" model, which describes the choices individuals have when confronted with dissatisfactory situations in organizations and states. Ideally, on web3 platforms, users can voice concerns to try to change their situation; exit to new platforms; or wait, out of loyalty, for the situation to resolve.

But the reality today is more complex. Early governance structures have largely instituted token-weighted voting, with the result being plutocracies that are not all that different from

the boardrooms they're meant to be a corrective to. And the problem with plutocracy, whether it happens in a boardroom or a DAO Discord channel, is that the people holding the power are likely to look out for their own interests.

As a first step in aligning web3's future with Rawls' principles of justice, participants and builders of the web3 ecosystem need to push for democratic systems of governance that give a voice to all its members, not just a select few. Everyone should be equally enfranchised in the systems in which they participate.

There are additional systems of governance that can combat plutocracy, such as:

· Reputation-based governance: According greater governance power to those with higher reputational value.

· Delegation: Enabling community members to nominate others to vote on their behalf.

· Pods/subDAOs: Smaller groups within an organization whose scope of governance can be constrained to their missions.

An example of a project purposefully diversifying its member base is Mirror's airdrop of the $WRITE token, which is needed to register a custom subdomain on the platform — and, in the future, to participate in governance. To broaden the base of users who would be able to influence governance, tokens were distributed according to an algorithm designed to maximize diverse social clusters. According to Mirror, this airdrop "further democratizes the selection process and broadens the criteria for entry…the expansion of the Mirror community will be determined by those who have been most integral in shaping it thus far."

Beyond the importance of voice — the ability for people to change a system from within through governance — participants also need a viable path to exit. Web2 platforms coerce user loyalty through network effects and closed data, and exiting a platform leaves creators without access to their audiences or content. Web3 affords the opportunity to build systems that foster user agency and self-determination through true digital ownership, open data, and networks that are built atop open-source software.

Reward participation, not just capital.

A core philosophical tenet of web3 is that there are more ways to provide value to an ecosystem

than through capital — and furthermore, that value should be able to be earned, not just purchased. This is a radical departure from the existing structure, where those with capital earn more through investments than people can earn through work — resulting in a widening wealth gap over time.

Distribution of ownership to participants is also a major shift away from how incumbent platforms are built, wherein meaningful ownership accrues to employees and investors but excludes users whose content and contributions make those platforms valuable.

An important step in aligning web3 with the principles of justice as fairness is to ensure that everyone is on an equal footing and can attain positions of power or compensation through their own merit and contributions. The reality so far has been that those in the right knowledge networks can compound their wealth through strategies like sybil farming (creating multiple accounts) to receive additional token airdrops. And while early distributions of tokens often perversely incentivized short-term mercenary behavior — like participating in yield farms then exiting them days later in search of higher yields — there is an opportunity to iterate and improve the process to support networks' long-term retention and sustainability. One way is by making it possible to earn ownership through ongoing participation in networks, not just capital investment. Projects that are working to expand access to ownership through active contribution include RabbitHole, Layer3, Gitcoin, BanklessDAO, and FWB.

Incorporate initiatives that benefit the disadvantaged.

The difference principle is grounded in the idea that inequality, per se, is not a bad thing. With fair equality of opportunity as a prerequisite, inequality remains an inevitable outcome of people's natural abilities and level of desire and effort to earn money. But when inequalities do arise, do those arrangements benefit those less privileged in society?

This is a challenging principle to apply in the context of technology. But consider this thought exercise: Do the current social networking feed algorithms promote content that maximizes the benefit to the least well off? For platform creator funds that give payments to content creators, predicated on views and engagement: Do such inequalities in payouts maximize the benefit to the least well off among their users? The answer

is likely no. While top creators have a plethora of ways to monetize and can sustain their output regardless of creator fund payouts, the least well off may not even participate in content creation due to financial constraints.

The difference principle will be particularly important to the democratization of web3, since participants will enter the ecosystem at different times with a wide variety of backgrounds, incomes, and technological fluency and access. There are already many examples of projects leveraging crypto to maximize the well-being of the least well off. For example, SuperHi, a for-profit creative education platform that is planning to decentralize ownership to its members and instructors, tested a basic income program with the goal of broadening access to creative careers. Projects like Proof of Humanity and ImpactMarket seek to use blockchain technology as a foundation to provide basic income to those in need. Communities like LaborDAO are leveraging building blocks to build worker power, while others like she256, We3, and Komorebi Collective are focused on increasing diversity in the blockchain space.

Besides projects that have social good as an explicit mission, all web3 networks should be incentivized to adhere to the difference principle and maximize benefit to the least well off, since that approach maximizes attractiveness to new participants, propelling further network effects. A just network is one in which participants would be willing to enter at any time, at any position, with any level of tokens.

A FAIR, JUST INTERNET IS POSSIBLE

Web3 offers the opportunity for a meaningful course correction — a chance to reimagine the internet and build new platforms from first principles. But in order to do that, we need to agree on what those principles should be, and why. Rawls' principles of justice provide a useful starting point. Without full knowledge of where our positions will be, our aim should be to design new systems rooted in fairness and consideration for all.

"A society in which all actors are completely free is likely to result in a significant amount of inequality, since individuals differ in their motivation to pursue wealth and will behave in ways that advance their own interests. Conversely, a society that is completely equal inhibits freedom, since individuals cannot behave in any way that causes them to be unequal to others — even if that unequal outcome is 'earned' through hard work or skill."

BY LI JIN AND KATIE PARROTT

12

13

A. 2
SQUAD WEALTH

SQUADS HAVE EXISTED FOR THOUSANDS OF YEARS.....

21ST CENTURY SQUAD

PALEOLITHIC SQUAD

BY SAM HART, TOBY SHORIN, AND LAURA LOTTI

FULL VERSION ORIGINALLY PUBLISHED ON OTHERINTER.NET ON AUGUST 19, 2020

Recent events have completely exposed the limits of individual agency, creating a powerful demand for squad-based forms of resiliency. The COVID-19 pandemic is the most recent of these social bonding agents: though we're physically distancing, emotionally we're getting closer. First priority when the virus dropped was securing your squad. The need for group coordination and decision-making soon followed.

But today's emerging culture of group cohesion is driven equally by the social and financial precarity of urban life. Family are those we share space and rent with. Priced out of tier-1 cities, individuals have banded together to survive a jobless market with no social safety net.

Squads are both a product of—and a response to—contemporary social atomization. The trope of "getting a place upstate" signifies young city-dwellers' desire for new kinds of squad-based homesteading. HOMESQUADING is a modern day back-to-the-land movement—swap Whole Earth-inspired post-war communes with post-internet surf clubs microblogging the virtues of cooperative housing, permaculture gardening, and solar-powered mesh networks.

Squad culture is the antithesis of neoliberal individualism. Millennials are healing from decades of irony poisoning, rediscovering what it's like to have generative, exploratory relationships with one another. Younger generations are already imbued with extremely powerful squad energy, equipped with formative experiences in Minecraft, DOTA 2, and Fortnite parties.

Military connotations aside, the arrival of group DMs ushers a new age of "SQUAD" discourse. Whether bound together for survival or for lols, the squads formed by today's crisis will be resilient. Distance is no longer a barrier with the closeness of network space—soon vital culture will be predominantly enacted by fictive kin. Group collaboration is now the strong default, putting squads at the center of social, cultural, and economic life. To paraphrase K-HOLE: today people are born as individuals, and have to find their squad.

THEORY OF THE SQUAD

While ancient squads were brought together by the struggle for survival, always-on group communication sets the scene for contemporary squad culture. Group chats and adapted team workspaces create shared context and institutional memory. One necessary condition of the squad is this sense of persistence: co-presence and continuous availability to one another.

But the squad is more than a loose network of affiliations, it's a coherent body. A second prerequisite of squad formation is self-recognition. It's not you or me. It's Us. We. Ours. This pillar often follows from the first. Squads may start as one-off Telegram channels, but they soon become "The Group Chat," a metonym for the squad itself.

For the squad to understand itself as a whole, it maintains boundaries circumscribing strong group norms. Fuck a Dunbar number—the ideal squad count is no more than 12. How can you really be present with more than a dozen people? Small groups are crucial for tight coordination. A greater network may surround the squad, making it appear big and fuzzy from the outside. But for the core crew, an invisible circle binds and protects a space of group identity.

As SQUAD VIBES grow, so does the possibility of interdependence and resource sharing—social, emotional, financial. Trust brought by consistent socialization and self-recognition is a foundation for exploring what the squad is capable of together. SQUAD CULTURE has only just begun.

The pandemic flipped the script on sharing space IRL, but our newly domestic reality only brought to the physical world what was already extremely online. Originally conceived as series of linked documents, Web 2.0 mass productization turned the internet into a series of linked interiors.

Today's squads are expressions of digital locality and the new squad era forces us to reconsider the individuated logic of early social networks. Contrary to early visions of hypertext, the internet is not a singular World Wide Web, traversed by individuals. To be online today is to enter the global arena. Mass social media are hazardous PvP zones no one should traverse without team support.

The Twitter subcultures shown above are only a sliver of an expansive social deep web. Beneath this fuzzy graph is SQUAD SPACE, the network of inner-zones where digital microcultures are born: group DMs, Discords, Slacks, Keybases. Memes forged in SQUAD SPACE bubble out into the "clearnet" above, pwning NPCs on the internet of beefs.

Squad culture is downstream of squad space, and the digital places squads inhabit are only getting more advanced. The Discord can suddenly be on

15

calls together. The Keybase can now use Git. The team toolkit defines its capabilities, and different platforms enable different modes of squad thought. Squad space is more than environment, it's a collective body, a shared cognition layer. Squad space is where market-moving trades are planned, conspiracies are conceived, and memes are spawned. Members of the squad may live in different geographies—but within this space, everyone is on SQUAD TIME. The founding of a new group DM is year zero.

Group dynamics ebb and flow with their environment, and nowhere more than SQUAD SPACE. Ecology calls this process "niche formation." Online it's SQUAD CULTURE.

SQUAD VIBES

Inside the subterranean caves of the social deep web, chosen-kin groups grow their own culture. The squad doesn't need its own micro-currency—images, art, music, takes, shitposts, and, indeed, roasts are the native medium of exchange. Likewise squads have little use for internal financial incentives. Instead, playful exchanges produce trust, reciprocity, and VIBES—the ineffable group energy that squads value most. Accordingly, the core of squad production is the continuous production of the squad itself.

Evidenced by the power of crypto memetics, ragtag squads of shitposters have the power to define new forms of value based on their own esoteric social frameworks. Memeing produces "assets" that cannot be traditionally valued, but are capable of commanding cultural and economic movements.

Memes, hot takes, internal language, aesthetics… artifacts that can only be formulated as a group are the mainstay of squad production. The group exudes potent SQUAD VIBES, and vibes attract. Outsiders want to share the vibe—sometimes for the social capital, sometimes because the content produced is of strategic value, and always because the energy is infectious. After enough fire in the group DM, some squads begin to externalize their social products. Podcasting is obviously a squad technology. Rapid publishing turns memes into whitepapers, quickly flooding the marketplace of ideas with locally-grown squad humor.

Whether formed by necessity or chance, once together the squad's potential for creative production is immeasurable. VIBE is an unstable substance of high information density. In formalizing their vibes, squads may accidentally give birth to headless brands, virtual personalities, and pseudonymous entities they may not even be able to control. Thus the squad transitions from its youthful, entropic state, harnessing its vibes to create a source of unfathomable squad energy.

SQUAD PRODUCTION

Group identity. Shared space. Vibes. These not only enable the creation of social capital, but strengthen the squad's capacity to organize, minimizing transaction costs and leading to greater productive capacities and resilience; this is "the nature of the squad." But while squads can be viewed as a "nexus of contracts", unlike the Coasean firm, they are without legal structure. Social contracts are instead effected through the unspoken bonds of mutual respect and ingroup norms.

But to sustain this solidarity economy the squad may look for ways to translate vibes into monetizable modes of public engagement: clients, subscribers, sponsors, music deals, yields. SQUAD PRODUCTION begins with the creation of processes and interfaces to convert creative labor into units that can be transmitted by global network participants. Here SQUAD TOOLS come into play. Vibes generated at the DAW, on the Figma board, or in the gaming lobby are turned consumable cultural instruments. Then it's just a matter of distribution. Young artists create online galleries and independent labels because they allow groups to interact (and transact) with the world through familiar organizational patterns. Bandcamps, Twitch pages, DAOs are public APIs for squads to interact with entities beyond their trust boundary.

Some digital tools are public interfaces, while others are used to coordinate internally. Today this SQUAD INFRASTRUCTURE is comprised of simple software primitives: Venmo, Splitwise, Cash App. These apps are financial plumbing that facilitate internal coordination between squad members by minimizing the awkwardness of asking your friends for money. Despite the strong demand for SQUAD RESILIENCY, the social stigma of group finances is still a major barrier to economic exchange among friends.

In-app mechanics like budget trackers, polls, and coin-flips offer a half-way point between social agreements and technical solutions. For instance Splitwise relies heavily on the social norms to ensure expenses are entered accurately. By allowing individuals to opt-in to a set of rules for retroactive settlement the group's social friction and coordination costs are reduced. Civilization advances by extending the number of important functions squads can perform without thinking.

Some believe new software can liberate "individual creators." But this kind of thinking inevitably leads to Uberized platform-mediated wage labor. We want to liberate squads. The group is the basic user class for the tools we need today as a society, yet few pieces of software allow the squad as a whole to produce cooperatively and generate wealth together. To fully realize SQUAD CULTURE this must change.

SQUAD WEALTH

With new plug-and-play financial tools, squads are becoming more economically and socially resilient. Individuals may have limited access to compounding returns, but groups have greater flexibility to move along the risk-reward curve.

Contributions to the squad are positive sum. And in return for their contribution, members have access to an expanded set of opportunities, claims on future economic flows and guarantees backed by the group. By risking together, a scrappy group can gain access to multiplicative yields—the path to SQUAD WEALTH.

A strong social fabric and the right tech stack will unleash a new wave of bottom-up economic experiments: interest-free P2P borrowing, anonymous lending pools, collective insurance, socialized ETFs, DAO-based freelancer unions, rotating savings schemes, revshare guilds, meme venture syndicates, crypto ponzis, exit scams, in-browser miners, upstate yield farms, boy bands, cults, and sovereign vacation funds.

The point is clear: access to finance and the creation of capital assets is crucial. What squads need now is the technical infrastructure to capture and compound jointly produced value.

When your squad meets another squad

Though dollars keep squads afloat, dialing up the financial infrastructure too soon can kill the vibe. The squad economy primarily yields non-monetary forms of value. SQUAD WEALTH is a rate of 5 memes per day, it's the e-girls vacation, the TikToker hype house, the empty church your crew rented upstate. SQUAD WEALTH is when the Discord is popping off and it brings you more joy than a 70-hour-week hustle ever could. Millennials all want to quit their jobs and start venture-funded companies, squads are already on some other shit.

Squads are woke to the empty neoliberal promises of gig-economy "employment" and para-social personal brands. Squads value self-determination, not through individualism, but through collective maintenance and care for one another. Squads value creative expression, but celebrate the group rather than individual authorship. For the squad, the autonomous is always collective.

But can squads scale? Squads are first and foremost cultures, not businesses. Financial maximization is not their primary objective—squads just want to keep the vibes going. Stable revenue is a worthy accomplishment in and of itself.

Instead, squads can extend themselves horizontally by inventing new aesthetics, organizational forms, and creative products that become the template for others. When squad vibes transmit they take on a life of their own. While the material value of these patterns may be limited, the significance of memeing a new bottom-up economic model into existence cannot be understated.

Squads will be as important as companies in the years to come. And as the micro-structure of our social and economic fabric changes, strong vibes and sustainability will become the new metric of success. Squads don't need to scale. They can just spread the big squad energy.

BIG SQUAD ENERGY

How big is BIG SQUAD ENERGY? Yes, squads are friends empowered by digital tools, but this is much more than new chat apps and online "community platforms." This is the movement. Squaddom is about new ways of being together, learning, and making meaning in an increasingly complex world. Squads are groups fueled by vibes, memes, and values, but they are not mindless swarms. Rather squads are proto-institutions that engage the world on their own terms.

theory

A. 3
ROUSSEAU'S BREADCRUMBS AND THE BLOCKCHAIN LEVIATHAN
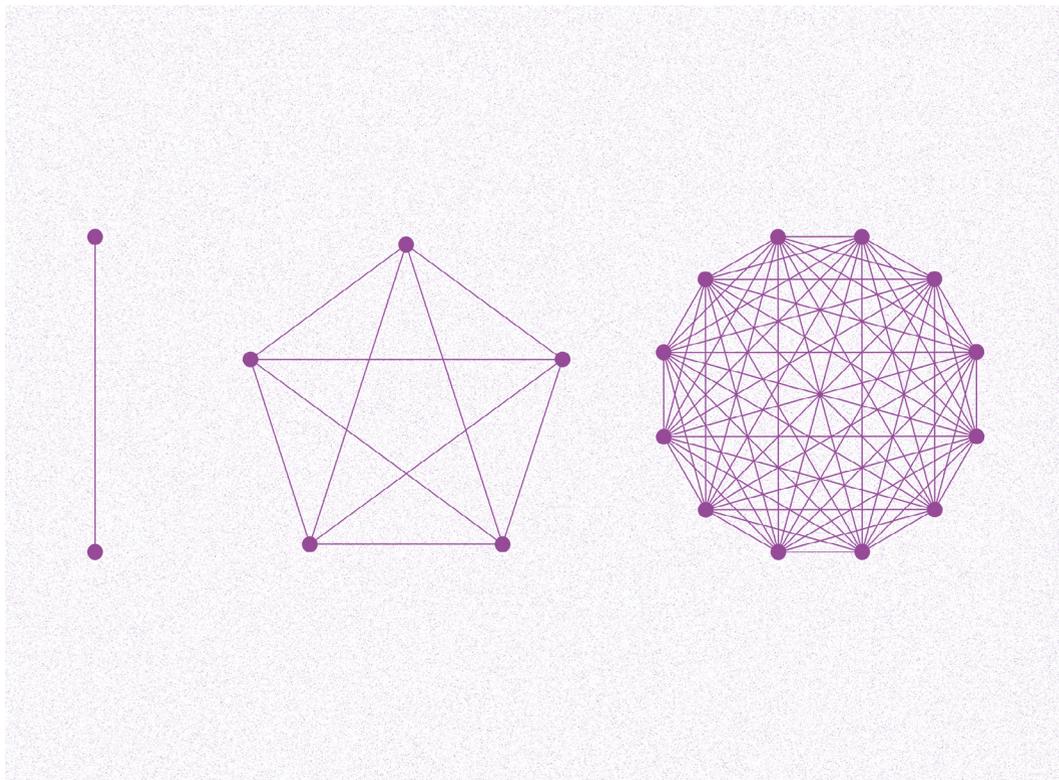
BY JON HILLIS

Modern politics, and its underlying post-Enlightenment political theory, is stuck in a rut. Since the French Revolution of 1789, when the nobles sat on the right side of parliament and the commoner delegates sat on the left side, we've used these terms to describe the political spectrum.

Political polarization has become so entrenched that it is hard to see the path out. While the temperature of political discourse has turned up dramatically in the past few years, it's a phenomenon that has been growing for decades. Here's a visualization of polarization in the US House of Representatives, 1949-2011 (see above).

Suffice it to say: the picture has not gotten prettier since 2011 and it's increasingly unclear how we can break this cycle. We need a new paradigm of political philosophy that steps outside of the well-worn troughs we find ourselves stuck in.

Those Right and Left wheels of democratic society are deeply entrenched in ruts caused by two foundational works of political theory: Hobbes and Rousseau. If we backtrack to the origins of Right and Left, we can better understand how modern technologies and ancient social practices offer a more compelling future that throws out the Right/Left divide in favor of a focus on supporting a wider range of small, local, diverse, and decentralized governance struct

A SHORT REFRESHER ON POLITICAL PHILOSOPHY 101

The grandaddy of the Right is Hobbes, who espoused the need for centralized sovereign leadership in order to avoid "the war of all against all" in an imagined state of human nature. You can skip the fine print and get the basic gist of his perspective by admiring the original cover etching for Leviathan, which Hobbes helped design himself. It features a giant white dude with a crown and a dashing mustache—scepter of governance in one hand, sword of war in the other—a sovereign body, literally made of people, paternally watching over the city of civilization.

In contrast, the Left looks to Rousseau to define a social contract for humanity. Rousseau's Social Contract provided, at the time, a radical new perspective: sovereignty was not just a top-down phenomenon, but a bottom-up one. People could devise methods of self-governance that replaced a traditional all-powerful leviathan ruler with a system of government that derived legitimacy from the people.

It's easy to draw analogies along this well-worn spectrum: Hobbes/Rousseau, Right/Left, autocracy/democracy, centralization/decentralization. But this dichotomy blinds us to other ways of thinking about self-governance.

BREAKING THE DICHOTOMY

While Rousseau's Social Contract developed the crucial principle of self-governance, it disappoints in the same way the modern Left tends to disappoint: glimmers of a hopeful alternative, ultimately undermined by complicated bureaucratic abstractions.

Rousseau has long been viewed as the grand alternative to Hobbes, but a modern reading of his works leaves the reader feeling like Rousseau is just rearranging furniture in Hobbes' house. The problem is that both men came from a time and place deeply steeped in the idea of monarchs and large sovereign states. Hobbes justifies this condition as a necessity, and Rousseau suggests that some technocratic administrative changes to the governance structure could promote greater equality (sound familiar?).

Ultimately, both of these threads of modern political philosophy rely on the assumption that governance happens at the scale of millions of people. These philosophies were born and formed as part of the transition from kingdoms to nation states, and the conclusions they come to are constrained by the scale of the problem they are trying to solve.

But Rousseau drops some hints, little sets of breadcrumbs, that point towards different paths outside of the culturally accepted standards of his time. The first breadcrumb comes from the preamble to his Discourse on the Origin of Inequality.

It's a cheeky bit of subterfuge. While Rousseau takes six opportunities to dedicate the essay to his "most honourable, magnificent and sovereign lords," he uses the rest of the dedication to describe the type of society he would prefer to live in: one that doesn't have sovereign lords.

Instead, he describes a society "which had an extent proportionate to the limits of the human faculties [...] every person being equal." In other words, a small, cooperative, democratic city-state:

> "Without the need for any additional sovereign entity, anyone can now create an organization that provides immutable rights of governance to members and, if they want, create an independently controlled currency for the organization."

BY JON HILLS

"a free city situated between several nations, none of which should have any interest in attacking it, while each had an interest in preventing it from being attacked by the others; in short, a Republic which should have nothing to tempt the ambition of its neighbours, but might reasonably depend on their assistance in case of need."

The second breadcrumb comes in a preface and footnote in his seminal work, The Social Contract. In the preface, he claims he "will show later how the external power of great people can be combined with the ease of administration and the good order of a small state". In a later footnote, he acknowledges that while he "would have come to confederations" to address this question, he has "long since abandoned" the pursuit and "the rest of the work no longer exists."

It's impossible to know if Rousseau abandoned these paths because he understood the ramifications they could create for the sovereign lords that determined if he stayed alive or if he ran into mental roadblocks trying to imagine a future beyond the sovereigns and nation states of his day. But I believe that these two breadcrumbs—a preference for small, local, cooperative political structures and the idea of autonomous confederations of these structures—point the path towards a better social contract.

THE SUCCESS AND FAILURE OF EARLY FEDERATIONS

The founding fathers of the United States seem to have understood this in principle when they created a carefully balanced federation of semi-autonomous states. While their creation was a miracle of political progress, it suffered the same two limitations as Rousseau's philosophy: a culture deeply steeped in existing sovereign monarchies and the need to create administrative systems that could work at the scale of a growing nation-state.

Their goal was to organize 2.5 million former subjects of kings, spread across a quarter million square miles of land, with extremely limited transportation and communication technologies. The options on the table were limited by these realities, and further constrained by the boundaries of the Rousseau-Hobbes spectrum of political possibilities (and, of course, the fact that it wasn't exactly a diverse decision-making body).

Given these limitations, our current political state should come as no surprise. The grand

CREDIT: DECLARATION OF INDEPENDENCE BY JOHN TRUMBULL, 1818

attempt at a federated structure has ultimately re-centralized, devolving into a low fidelity duopoly of political parties, entrenched in each of the basic social contracts offered by Hobbes and Rousseau. It's a damning choice between being trapped in submission to a strongman and the bureaucratic administration of increasingly complicated attempts to manage inequality.

CONSIDERING ALTERNATIVE PATHS

What happens if we take a step back and retrace the origins of these political philosophies to look for alternatives? Are there other approaches that make more sense within the context of the coordination tools now at our disposal?

If we want to find alternatives to the trappings of our Western political philosophy, an obvious starting point is the woefully understudied political organizations of non-Western civilizations. David Graeber and David Wenrow's The Dawn of Everything extensively documents historical examples of political and social structures that are not well understood or accounted for by Western political theory. The WEIRD (western, educated, industrialized, rich, and democratic) society that has been writing history recently has deep cultural blinders to other ways people can self-organize. Our basic cultural story — simple egalitarian tribes in the garden of Eden, the emergence of agriculture and hierarchy, the development of states and economies, the inevitable resulting tradeoffs of leviathans and inequality — is not the only path:

We do not have to choose between an egalitarian or hierarchical start to the human story. Our early ancestors were not just our cognitive equals, but our intellectual peers too. It's becoming increasingly clear that the earliest known evidence of human social life resembles a carnival parade of political forms.

The society described by Rousseau is not just some abstract ideal. It was the lived reality of some groups of humans for long stretches of history, alongside an incredible diversity of other approaches to political systems and social contracts. The goal here is not to identify some abstract idealist tribal state to return to, but to consider the full set of options available to us and then run lots of local experiments.

GOVERNANCE EXPERIMENTS

Political science is not, per se, about science. Most of academia got physics envy over the past half century and tried to turn everything into science. But no matter how much statistical analysis you do on nation states, the questions of political science are really philosophical debates about how we should live and govern ourselves. There aren't many nation states, and they typically don't let academics go run experiments in governance.

The field of political science is defined by the study of sovereign entities and the historical biases of Hobbes and Rousseau. But some political scientists have broken out of their WEIRD blinders and explored other methods of self-governance. The founding explorer of this political tradition is Elinor Ostrom, who studied questions of common pool resources and collective action problems, with a focus on irrigation networks in traditional agricultural societies.

In one of her excellent essays, "Beyond Markets and States: Polycentric Governance of Complex Economic Systems", Ostrom describes the ways in which "humans have a more complex motivational structure and more capability to solve social dilemmas than posited in earlier rational-choice theory." In order to understand and improve the complex adaptive systems in which humans self-govern, she argues, it's "important to examine the effect of precise combinations of variables in an experimental setting."

As a starry-eyed fan of Ostrom in college, I designed my senior thesis around this goal. I ran experiments using common-pool resource simulation software created by Marco Janssen (a research scientist alongside Ostrom) with the guidance of my thesis advisor Tun Myint (who completed his PhD with Ostrom). The experiments brought groups of students together to play a computer game managing a shared common pool resource. I studied how successfully they maintained the shared resource under different communication and information limitations.

It was a rudimentary experimental design using meager academic resources. There were no conclusions that could be reasonably abstracted to other settings, and Ostrom's dreams of an experimental political science felt hopeless in the real world. Political science, as a discipline, remained trapped in its philosophical roots. Political scientists assumed that one did not just go start new governments in the real world to see what happens.

Now we can. Informed by the vast tapestry of human organization across history, we can use blockchain tools to create new models of coordination. We can design new social contracts—not by writing theoretical essays and submitting them to academic contests (as Rousseau did), but by studying history and testing in prod out in the real world.

THE BLOCKCHAIN LEVIATHAN

The Left/Right dichotomy is an increasingly false choice. It treats the leviathan — whether in the form of a king or a federal bureaucracy — as a basic requirement to organize large societies and enforce the rule of law.

What is fundamentally interesting about blockchains is that they refactor the basic assumptions of Hobbes and Rousseau into a technology that doesn't require human administrators: a new type of leviathan. By allowing people to self-organize into capture resistant small pods of effective coordination, blockchains rewrite the basic assumptions about the necessary scale of governance.

I'm not suggesting that blockchains are prepared to fully replace the monopoly on violence of nation states. But in the same way that iPhones put a supercomputer in everyone's pocket, blockchains put the basic building blocks of sovereignty in everyone's private keys.

Without the need for any additional sovereign entity, anyone can now create an organization that provides immutable rights of governance to members and, if they want, create an independently controlled currency for the organization. Re-read that last sentence, and then consider how Rousseau might have reacted if you told him this was possible.

3   10   21   36
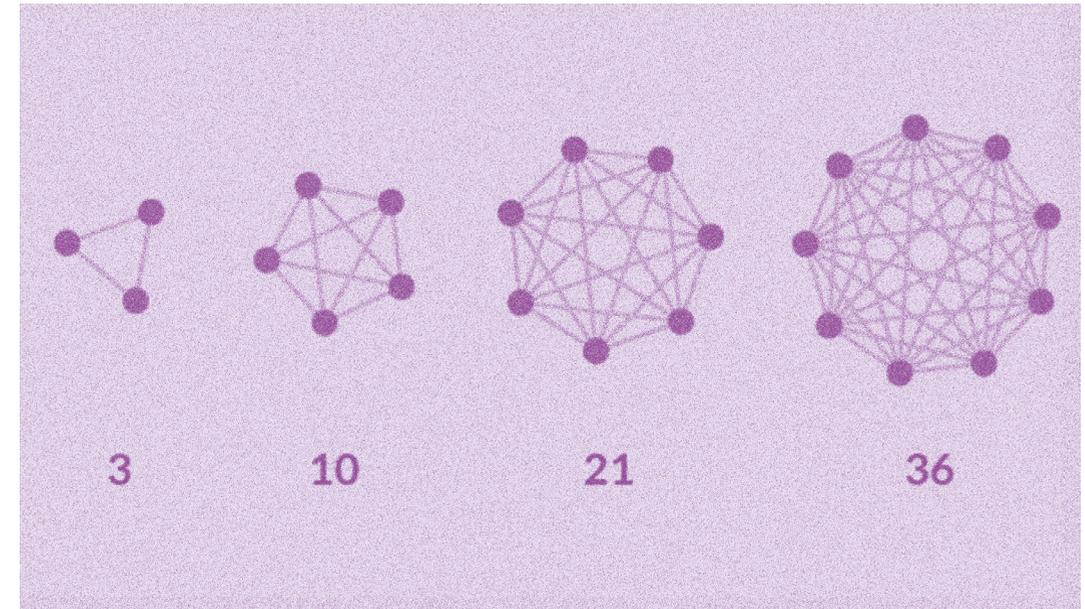
SOCIAL SMART CONTRACTS

DAOs are social smart contracts. Each one uniquely embeds a set of cultural norms and immutable rules into an entity. They are using this socialware and trustware to actively develop, test, and explore blockchain tools for coordination and self-governance.

Through building and operating these organizations, we can experiment across a broad design space of rules, norms, and behaviors for people working together. Through the chaos, we can develop political systems that reach into the knowledge of the past and apply it to the tools of the future.

Over the past 18 months, a few principles have developed across many projects simultaneously, pointing towards some possible underlying truths of the unique powers of these new tools. One principle that has become increasingly clear for DAOs is the need for small, autonomous pods loosely coordinated through diverse, decentralized governance. Vitalik wrote about this model in his most recent piece on DAOs and Metropolis has pioneered on-chain management tools for pods.

Whether they are called pods, working groups, fellowships, guilds, or subDAOs, most decentralized organizations have come around to the realization that you need small groups to get things done. If you ask people what group sizes they like working with, they will generally tell you numbers between 2 and 12 people. Amazon is well known for popularizing the term two pizza team to describe this concept (though at Cabin, we prefer one sauna teams).

Adding more people usually doesn't result in better outcomes, because coordination costs increase geometrically. This coordination cost is the flip side to Metcalfe's Law (see above).

Macroeconomics generated the idea of economies of scale, and similar calculations are made in the context of the macropolitics of nation states. But in what we might call micropolitics — the study of small group collective action — scale comes with significant costs. When there is no need to use economies of scale to subsidize centralized coordination and trust management mechanisms, the default size is small and the topology becomes a network.

David Ehrlichman, who has been studying and growing impact networks for years, has diagrammed the way that this network topology grows over time.

These networks of small self-sovereign entities are starting to look a lot like what Rousseau hinted at in the margins of his greatest works. We are rediscovering in practice what he began to theorize about: small, local, cooperative political structures organized into autonomous confederated networks.

But we no longer need to theorize about how they could work. With the tools of governance and self-sovereignty offered by the blockchain leviathan, we can begin to explore and create these complex network structures. Hopefully they point the path towards a better social contract.

A. 4

SCALING
TRUST IN DAOS:
TRUSTWARE
VS. SOCIALWARE
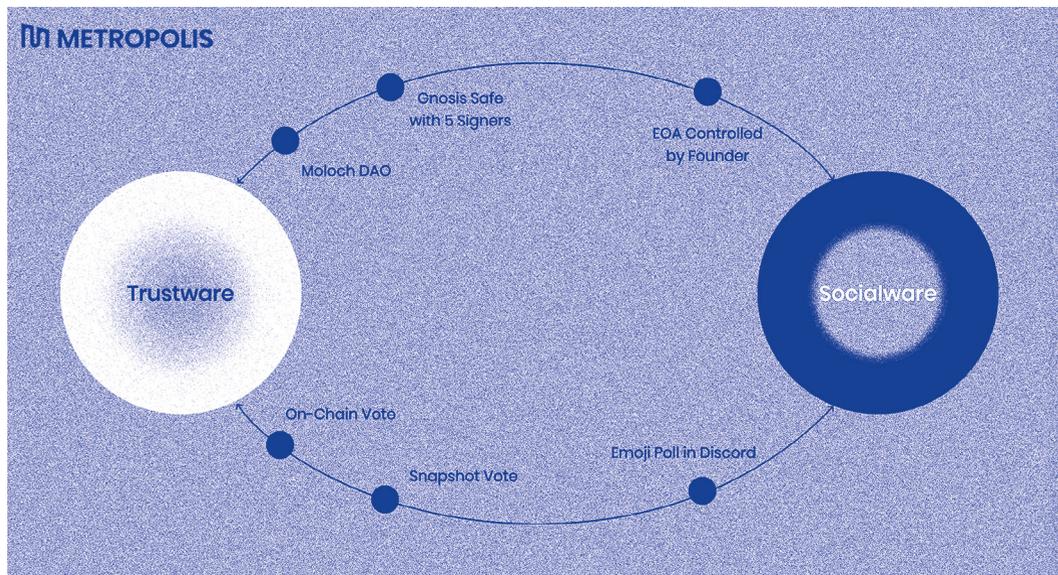
BY FROGMONKEE, JULIA ROSENBERG, AND CHASE CHAPMAN

In the past few decades, our trust in institutions has begun to erode:

- When government officials lied about invading Iraq, we lost trust in our representatives.

- When banks lied about the creditworthiness of mortgage backed securities, we lost trust in our financial institutions.

- When news outlets began to report false information, we lost our ability to trust credible news media.

Trust is the cornerstone of any organized society, from student clubs to governments. If we cannot be assured that our peers will follow the same rules we operate from, we hamper our ability to cooperate with one another.

And so we attempt to codify trust. We create charters and constitutions to set fundamental rules for the game. Laws help further elucidate the nuances of these rules and we employ physical and financial force to create a cost to not playing fair. In doing so, we create a strong system of assurances that you and I will respect the rules of the game through codification, cultural norms, and consequences.

For most of human history, these structural guidelines existed at the social layer. They required humans to create, disseminate, and enact these rules, which ended up being fraught with operational error, human biases, or limitations on available resources. As an example - we say the law is blind and applies indiscriminately, but because we rely on humans to enact laws, we run into biases around race, gender, socioeconomic status, and other demographics.

However, we live in the 21st century, surrounded by rapid innovations in technology with deep implications for how we organize and trust one another. We are able to encode rules into our technologies and minimize reliance on humans as intermediaries, though even encoded rules have biases.

In doing so, we begin to shift organizations from purely socialware to those aided by trustware.

TRUSTWARE VS. SOCIALWARE

Contracts, laws, charters, constitutions, and other such agreements are mechanisms that organizations use to set rules between agents in a system in order to assure certain behaviors. This assurance can come from two places:

- Socialware - Mechanisms that create assurances through human relationships, incuring a high social coordination cost

- Trustware - Mechanisms that create assurances through technology, incurring a low social coordination cost

Take, for example, a simple lemonade stand. You could set up your stand and sit there for a few hours, waiting for people to come by and purchase your delicious drink. But the assurance that people will pay is enforced at the social layer - no one will steal or underpay for a drink if you are standing there, monitoring each transaction. Though this method produces high assurance, it comes at the cost of your time. This is socialware.

A form of trustware would be a vending machine. It serves the same purpose as a lemonade stand, but the machine itself produces the assurances through technology. It's much harder to steal or underpay when the rules are codified into a physical machine that dispenses lemony goodness.

Take another example: Protecting your valuables. You could lock your belongings away (trustware) or rely on the legal system to protect them (socialware).

In theory, both assure that your property will be protected. The lock provides assurance through its physical presence while the law provides assurance through consequences with decades of precedent. However, in actuality, socialware is only respected when the outcome is enforced through coordination between lawyers, judges, and law enforcement whereas the lock's enforcement is embedded into its function.

Furthermore, the social cost of the law is high. Setting up contracts involves lawyers, money, time, and knowledge of the legal system. The social cost of a lock is low - it's easy to install a

lock and distribute keys to trusted key holders, all of whom understand how keys and locks work.
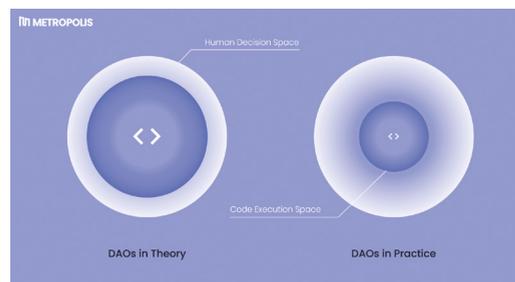
SOCIALWARE AND TRUSTWARE IN DAOS

Blockchain and smart contracts are a massive technological level-up for trustware. Through code, we are able to create strong assurances that members of a given system will behave as the system permits them. They cannot lie, cheat, steal, or manipulate by breaking or bending the rules.

By using blockchains as our underlying assurance mechanism, we can codify organizational governance through code and not purely documented principles that rely on humans to coordinate around. In doing so, we foster greater trust between parties by minimizing trust in people and maximizing trust in technology.

This is the great "promise" of DAOs - code at the center, humans at the periphery. This is the idealistic model that allows us to maintain flat organizations that rely on consensus because we can outsource the execution of decisions to code. DAOs were envisioned as mostly trustware.

However, anyone that has worked within a DAO in the past year knows this is rarely the case. In reality, many DAOs operate using socialware, relying on documented practices and hoping there is sufficient human attention and coordination to follow these written rules.

DAOs in Theory   DAOs in Practice

SOCIALWARE IN DAOS

Much of the organizational structure and governance in most DAOs exist at the social layer. Through codified documentation and processes that live on Notion and Discourse, we set rules about quorum, term limits, voting thresholds, etc then proceed to vote on Snapshot, and rely on a multisig to execute the terms of the snapshot vote as per the rules we set.
I've had a lot of these experiences at BanklessDAO.

We spent dozens of hours working to set proper rules, such as the Project Proposal Framework, Governance Rules, Seasonal Specification, and Writers Guild Governance document.

Although we had systemized our rules, we still relied heavily on human coordination. These rules only mattered if we had the awareness to follow them. And because humans are prone to error and forgetfulness, there were many times we did not abide by our own standards.

The high social coordination cost of socialware often results in a gap between how a system is supposed to operate vs how it actually operates.

TRUSTWARE IN DAOS

Trustware in DAOs means bringing rules on-chain. Using blockchain and smart contracts, rules defined at the social layer can be brought on-chain and enforced without reliance on human coordination.

There are a number of examples of trustware in DAOs - Juicebox, Moloch, Governor, and Pods to name a few. These tools allow humans to make decisions at the periphery and rely on code to execute the consequences of their decisions, as defined by the rules of the governing smart contracts.

This type of technology is different from simply digitization. Digitization takes something analog and makes it digital, including all sorts of redundant human tasks. Trustware is a subset of digitization that focuses specifically on trust agreements that incur a social cost through coordination. Digitization often reduces social coordination costs, but it doesn't focus specifically on trust. We cannot digitize trust until we have sybil and censorship resistance - both qualities of blockchains.

Take, for example, the Governor contract. As mentioned above, many DAOs use a combination of Snapshot and multisig, including BanklessDAO and Yearn. In these cases, token holders vote on Snapshot, but rely on coordination between multisig signers to execute their decision - a form of socialware. The governor contract automates this step, automatically executing a transaction as soon as a vote reaches certain governance parameters, like quorum or submission thresholds. The governor contract provides equal assurances as the Snapshot + multisig combination with less social coordination. In other words, trustware.


> "Traditional organizations over index on socialware precisely because they have only a smattering of trustware at their disposal whereas in the web3 world, we're still only scratching the surface of what organizations operating on trustware look like."

The trust-minimized environment that trustware creates is what allows strangers to raise $40 million to buy a copy of the Constitution. Such outcomes would likely not be feasible if relying on legal assurances and not smart contract assurances.

TRUSTWARE AS A SPECTRUM

One important caveat to note is that trustware and socialware exist on a spectrum. The definitions above are relative to one another, they are not absolute.
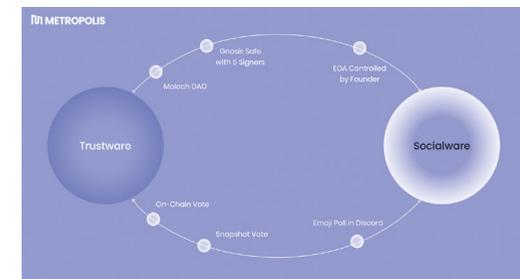
Multisigs are a great example. At Orca, we had a weeks-long debate on whether multisigs are trustware or socialware. After all, having a treasury managed by multiple signatories reduces the harm of any one bad actor relative to a single

address controlling all funds. But at the same time... have you tried wrangling multi-sig signers? It still requires quite a bit of social coordination. We settled on the fact that multisigs are closer to trustware than a single EOA account, but closer to socialware than something like the Governor contract or even pods.

BALANCING TRUSTWARE & SOCIALWARE

Trustware is not the end-all-be-all for DAOs. DAOs are inherently human organizations that will require systems that adapt to how humans relate and behave, not robots. But successful DAOs will have a combination of socialware and trustware, each with its own healthy balance depending on the needs of the DAOs.

As of now, most DAOs orient heavily towards socialware, for apparent reasons:

- Socialware is flexible and can adapt to changing circumstances much faster than trustware

- Socialware is easier to implement, requiring less technical knowledge and execution

- Trustware can leave a DAO susceptible to governance attack vectors

- Trustware is still underdeveloped and cannot adapt to the granular needs of human governance

At Orca, our view is that the assurances provided by blockchain unlocks a new paradigm of trustware technology that is relatively underexplored. One that could potentially reduce the friction and operational overhead that slows down companies and creates unfavorable working environments. Traditional organizations over index on socialware precisely because they have only a smattering of trustware at their disposal whereas in the web3 world, we're still only scratching the surface of what organizations operating on trustware look like.
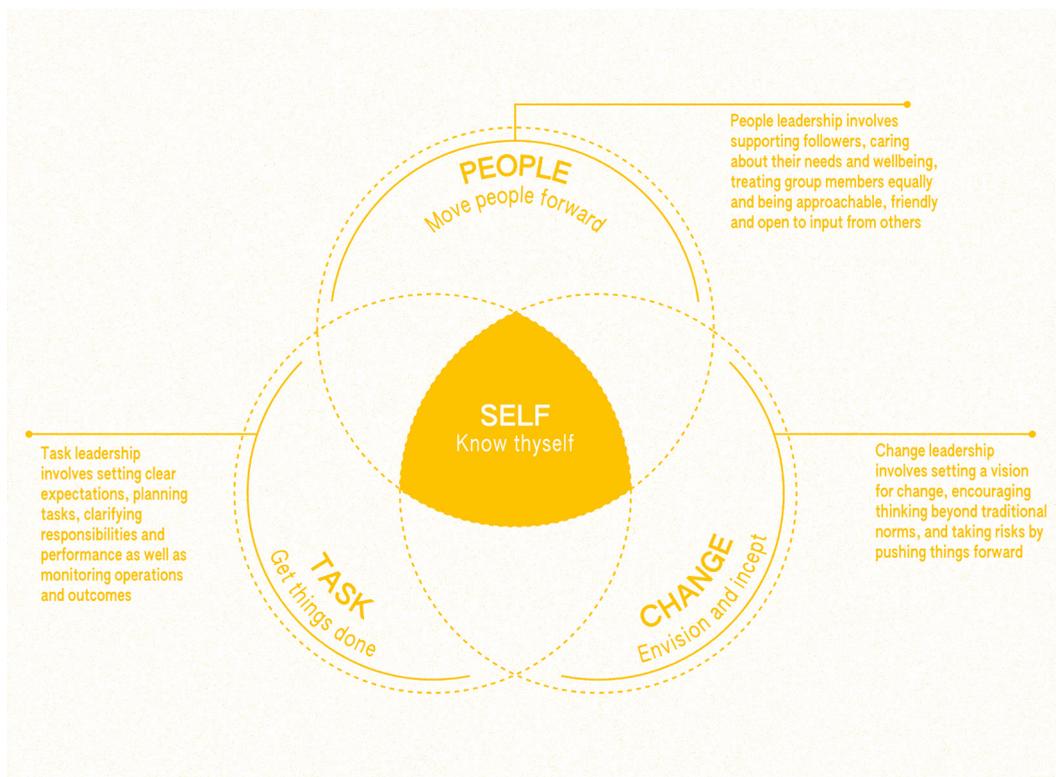
Over time, we expect DAOs to transition elements of socialware into trustware and expand the code-at-the-center of their organization, but this will take time, technological advancements, trial and error, and continued mistakes and iterations.

We're grateful to be a part of that process.

theory

A. 5

DAO LEADERSHIP: BUILDING ON THE SHOULDERS OF GIANTS

People leadership involves supporting followers, caring about their needs and wellbeing, treating group members equally and being approachable, friendly and open to input from others

PEOPLE
Move people forward

SELF
Know thyself

Task leadership involves setting clear expectations, planning tasks, clarifying responsibilities and performance as well as monitoring operations and outcomes

TASK
Get things done

CHANGE
Envision and incept

Change leadership involves setting a vision for change, encouraging thinking beyond traditional norms, and taking risks by pushing things forward

BY MR. NOBODY AND LISA WOCKEN

FULL VERSION ORIGINALLY PUBLISHED ON
MIRROR.XYZ/SIGNORNESSUNO.ETH ON MAY 3, 2022

PRELIMINARY PERSPECTIVE ON DAO LEADERSHIP

Leadership and DAOs

Leadership enables organizations to function effectively, directing, inspiring, and coordinating the efforts of individuals, teams, and organizations toward the realization of collective goals (Carter, 2015). Leadership research started getting attention after World War II. Over the past 70 years the field has grown exponentially through multiple ≪waves≫ of research: from simple behavioral theories, to more sophisticated cognitive explanations, to the emergence of leadership in complex, dynamic networks (Lord, 2017).

Leadership is conceptualized as a ≪dyadic, shared, relational, strategic, global, and a complex social dynamic≫ (Avolio, 2009). In one-word leadership means influence. Leadership synonyms are power, authority, decision-making.

DAO stands for decentralized autonomous organization. We defined a DAO as a blockchain-enabled organization with shared community, purpose, and capital.

For many people talking about leadership in DAOs is an oxymoron. In fact, claims about DAO leadership abound: they are leaderless, there are no bosses, software rules aka «code is law«. Yet how can DAOs coordinate without leadership? What if everyone is a leader instead?

Working definition of DAO leadership

The rise of decentralized organizational designs and self-managing teams calls for new inquiry into what constitutes leadership. Given the decentralized nature of DAOs, we have been looking for more appropriate forms of group leadership than hierarchical leadership. We noticed the leadership field is moving from a leader-centric and individual-level phenomenon, to a dynamic and interactive group-emergent property, as captured by research on shared, distributed, and collective leadership in the realm of network science (e.g., Carter et al. 2015; Contractor et al. 2012; Scott-Young et al. 2019). As such, we provisionally define DAO leadership as:

a dynamic, emergent group property in which people flexibly lead one another - selectively using skills and expertise based on the evolving needs and context of the DAO - by sharing responsibility to perform specific leadership behaviors to achieve group or organizational goals

At a deeper level, let's distinguish what DAO leadership is, and what it is not:

- Leadership is relational, versus top-down influence from one to another. DAO leadership is interactive. Without followers there are no leaders, and without leaders there are no followers. In DAOs, when one person engages in leading, the other accepts the following and vice versa. Put simply, ≪no one should lead all the time and everyone should lead some of the time≫ (credits Enspiral).

- Leadership is a process or action, versus a status or title. DAO leadership is a role function or set of behaviors anyone can perform depending on the demands of a situation. Based on the function you can serve or the problems you can solve, in DAOs you are ≪a≫ leader, not ≪the≫ leader (credits @tracheopteryx).

- Leadership is heterarchical, versus hierarchical. DAO leadership is heterarchy with flexible hierarchies. In theory, heterarchy means everyone has the same degree of power or authority. Yet leading accrues power to individuals; thus rotating authority overtime through flexible hierarchies helps to adjust power asymmetries that arise, in terms of information, relationships, skills, reputation, money and time (credits Enspiral).

DAO leadership is shared

DAOs are neither horizontal by default nor are hierarchical by destiny. We assert that core DAO leadership is shared rather than centralized in the hands of a single person. When we form a shared leadership culture in a team, members co-govern, participate in decision-making, undertake their tasks collectively, and occasionally offer guidance to other team members to achieve their common goals. Leaders emerge formally or informally based on the needs of a situation, so there is no one leader but multiple ones. Research on forms of collective leadership shows that shared leadership correlates with team performance, team viability (i.e., how much a team stick together), and team attitudinal outcomes, behavioral processes and emergent team states (D'Innocenzo, 2016; Wu, 2018; Wang 2014; Nicolaides, 2014); in particular, shared team leadership is a stronger predictor of team outcomes compared to hierarchical leadership in teams that are more virtual in nature (Hoch, 2014; Greer, 2018).

What are the conditions for shared leadership to emerge?

Our research points to three pre-conditions for shared leadership to emerge: shared purpose, social support, and voice (Wu, 2020). These factors require you to set up structural supports to ensure the group know where to go and how to get there (shared purpose), lend a hand to each other (social support), and can influence team direction and actions (voice). When shared purpose, social support, and voice exist in groups, teams are more likely to provide leadership and to respond to the leadership of others. When people share a common purpose, they are more committed to their work and more motivated to participate in leadership activities. Social support instead creates an environment where group members can collaborate better and feel responsible for results. Finally, when group members are willing to speak up and get involved, they are more likely to exercise leadership.

What is ≪shared≫ in leadership?

So far we discussed shared, distributed, collective leadership as the underlying framework of DAO leadership. We also outlined the necessary conditions for these forms of leadership to emerge, namely, shared purpose, social support and voice. What we are left to answer though is what is the content of leadership? What is actually shared in DAO leadership?

Leadership behaviors that drive outcomes

There are four categories of leadership behaviors that predict individual and organizational outcomes: people, task, change, and self-leadership (adapted from Yukl, 2002). To determine what is shared in DAO leadership we use this simple yet meaningful conceptualization:

- Self-leadership involves exerting self-influence over one's thoughts, feelings, and behaviors at work.

- People leadership involves supporting others, caring about their needs and wellbeing, treating group members equally, and being approachable, friendly, and open to input from others.
- Task leadership involves setting clear expectations, planning tasks, clarifying responsibilities and performance as well as monitoring operations and outcomes.

- Change leadership involves setting a vision for change, making strategic and tactical decisions, encouraging thinking beyond traditional norms, and taking risks by pushing things forward.

Researchers used this taxonomy to cluster multiple leadership models under each category and test their predictivity over outcomes. Our research shows that:

1. Self-leadership behaviors correlate with individual performance, creativity, and self-efficacy (Knotts, 2021), individual productive thoughts, behaviors and attitudes (Harari, 2021), and development of self-leadership capacity (Krampitz, 2021)

2. People leadership behaviors correlate with followers' organizational commitment, task performance (Borgmann, 2016), virtual team performance (Brown, 2021), perceived team effectiveness (Burke, 2006), team learning behaviors (Burke, 2006; Koeslag-Kreunen, 2018), and followers' fairness perceptions (Karam, 2019)

3. Task leadership behaviors correlate with followers' organizational commitment, task performance (Borgmann, 2016), virtual team performance (Brown, 2021), team productivity (Burke, 2006), team learning behaviors (Burke, 2006; Koeslag-Kreunen, 2018), and followers' fairness perceptions (Karam, 2019)

4. Change leadership behaviors correlate with followers' job satisfaction, organizational commitment (Borgmann, 2016), and fairness perceptions (Karam, 2019)

ON LEADING

Leaders are made, not born

We need to correct a common misconception: people were born with a natural gift for leadership. This fixed mindset of you either are or are not a leader is as false as it is counterproductive. DeRue (2011) investigated whether innate characteristics like personality traits (conscientiousness, extraversion, agreeableness, openness to experience, emotional stability) and intelligence were more important than behaviors in predicting individual leader outcomes. The conclusion is that what you do matters more than who you are, that is, leadership behaviors predict outcomes like leader effectiveness, group performance, follower job satisfaction, and satisfaction with leaders, more than leader traits do. Of course genes impact where the journey begins and may explain the speed with which you pick up leadership skills, however genetics doesn't determine the destination. In fact, progress comes from luck and a whole lot of practice.

Are you motivated to lead?

One of the prerequisites for leading is to be motivated to lead. According to Chan and Drasgow (2001) there are three types of motivation to lead:

- the degree to which you enjoy leadership roles and see yourself leading

- the degree to which you view leadership as a responsibility and duty

- the degree to which you view leadership opportunities positively despite potential costs and/or minimal personal benefits

Those who have more motivation to lead are more likely to emerge as leaders, engage in beneficial leadership behaviors, and perform more effectively in leadership roles (Badura, 2020). Given the emergent nature of leadership in DAOs, the first question to ask is: Do I want to put my skin in the game?

No noise, just signals

Many leadership models exist today. Since ≪all models are wrong, but some are useful≫ (Box, 1976), we sought to separate the wheat from the chaff. We built our framework for DAO leadership to include only leadership models that predict individual and organizational outcomes across many organizational contexts. We have left out those models that, despite looking sound at face value, did not add anything to the more established frameworks.

Sharing leadership means taking ownership of your behaviors, acting in ways that prompt the team processes that underlie team effectiveness. Since leaders' behavior can have powerful impacts on collectives like teams, units, and organizations, our aim has been to give DAO members the means to an end, that is, evidence-based recommendations on which leadership behaviors to perform to drive DAO outcomes. Are you motivated to lead? Core DAO leadership equips you with the leadership skillset you can practice to drive progress, spur commitment, galvanize coordination, and contribute to make decentralized work become the future of work.

"DAOs are neither horizontal by default nor are hierarchical by destiny. We assert that core DAO leadership is shared rather than centralized in the hands of a single person. When we form a shared leadership culture in a team, members co-govern, participate in decision-making, undertake their tasks collectively, and occasionally offer guidance to other team members to achieve their common goals."
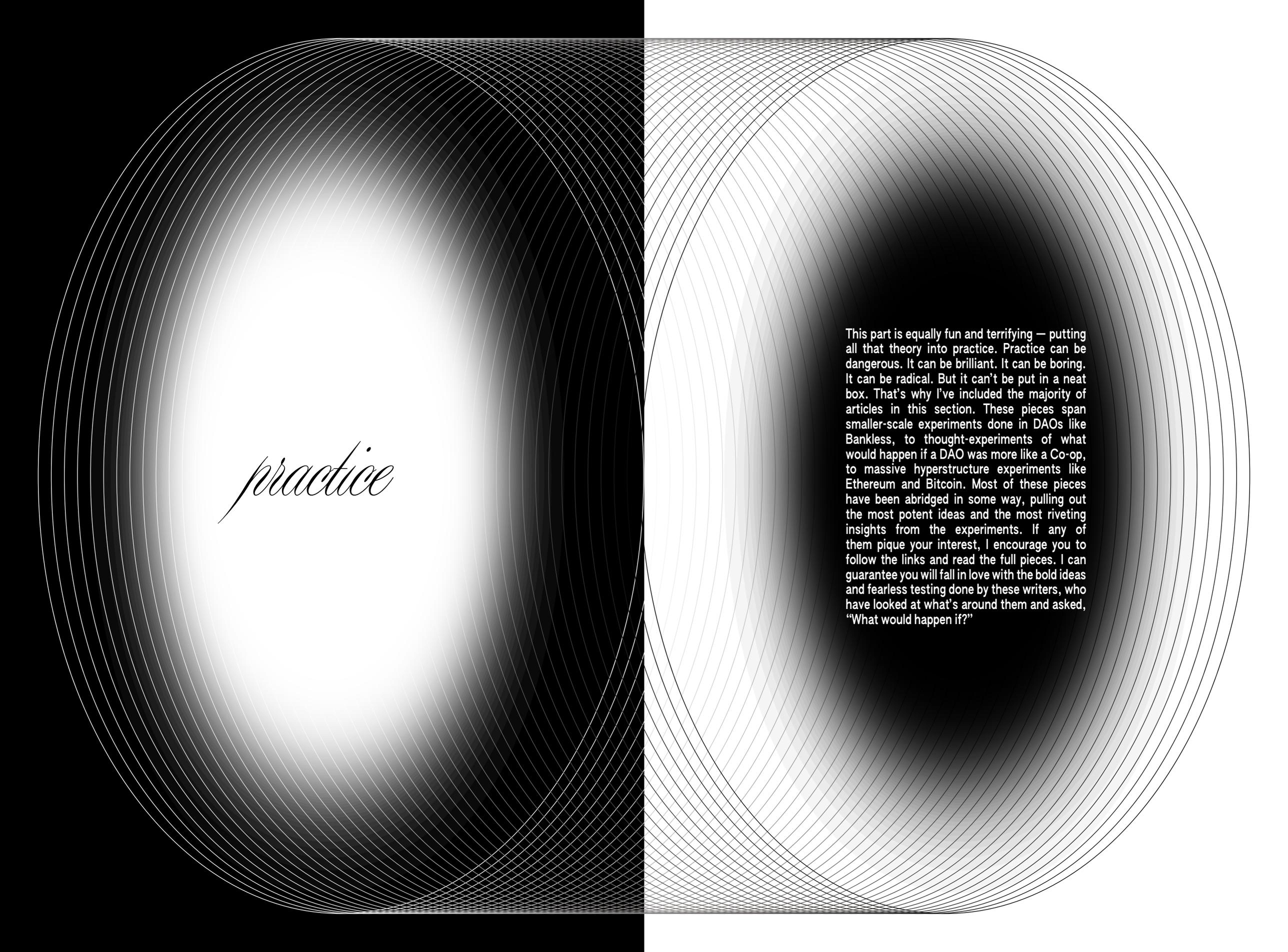
practice

This part is equally fun and terrifying — putting all that theory into practice. Practice can be dangerous. It can be brilliant. It can be boring. It can be radical. But it can't be put in a neat box. That's why I've included the majority of articles in this section. These pieces span smaller-scale experiments done in DAOs like Bankless, to thought-experiments of what would happen if a DAO was more like a Co-op, to massive hyperstructure experiments like Ethereum and Bitcoin. Most of these pieces have been abridged in some way, pulling out the most potent ideas and the most riveting insights from the experiments. If any of them pique your interest, I encourage you to follow the links and read the full pieces. I can guarantee you will fall in love with the bold ideas and fearless testing done by these writers, who have looked at what's around them and asked, "What would happen if?"

practice

A. 6

MEMES OF PRODUCTION: DAOS AS FINANCIAL FLASH MOBS AND HYPERSTRUCTURES
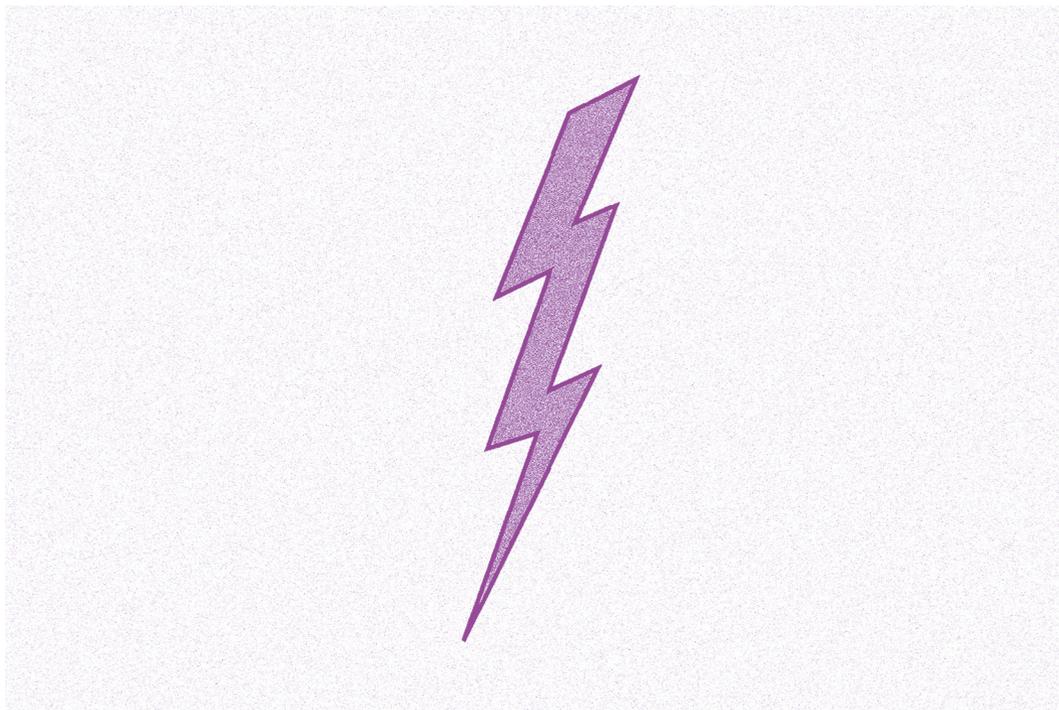
BY JON HILLIS

There are two types of DAOs that seem to be gaining traction: financial flash mobs and hyperstructures. Each taps into a unique quality of DAOs that isn't feasible via traditional corporate structures. They represent different extremes of on-chain coordination: fast and hot, or slow and long. In both cases, they ultimately represent ways that memes can be merged with blockchains to create emergent structures of coordination. When combined, they could point towards how we bootstrap the public goods infrastructure of an abundant future.

FINANCIAL FLASH MOBS

Financial flash mobs turn potent memes into money very quickly. Constitution DAO was a breakout moment for this type of DAO: over 17,000 people came together to pool $47M in less than a week. Typically, it takes longer than that just to set up a corporation and open a bank account.

Beyond the basic ponzinomics of the greater fool theory, there are some people who just love the meme and will never sell. Owning the token (and, for economic purposes, staking it) has become a part of the identity attached to the wallet and its owner.

The deep irony here is that, while most financial flash mobs burn out with the same rapidity that they caught fire, the ones with the deepest meme potential may cross the chasm into the other end of the spectrum and live on forever.

HYPERSTRUCTURES

On the other end of the spectrum are DAOs trying to build hyperstructures that will last indefinitely. Hyperstructures, coined by Jacob Horne at Zora, are crypto protocols that can run for free and forever, without maintenance, interruption or intermediaries.

Hyperstructures are a platonic ideal for DAOs—unstoppable, free, valuable, permissionless protocols that can serve as infrastructure for a wide range of use-cases and applications. This platonic ideal is essentially how DAOs were originally conceived, but not how the term is commonly used today.

Most human organizations, like companies, get much less efficient as they grow. What enables these hyperstructures to survive indefinitely without centralized leadership is that they get better with scale. While nature builds ecosystems like this naturally, humans have built very few

examples of things that will last indefinitely and get better with scale. The only human structures that have this property are emergent systems like economies and cities.

COMBINING MEMES AND HYPERSTRUCTURES

Hyperstructures are an incredible form of perpetual public goods infrastructure, but are very hard to bootstrap. Financial flash mobs are relatively easy to spin up, but usually burn out quickly. Could these two DAO-native structures be combined to produce something even more potent?

I think so. Ultimately, the best hyperstructures are very potent memes with thoughtful technical implementations. This is, of course, best explained via a meme:
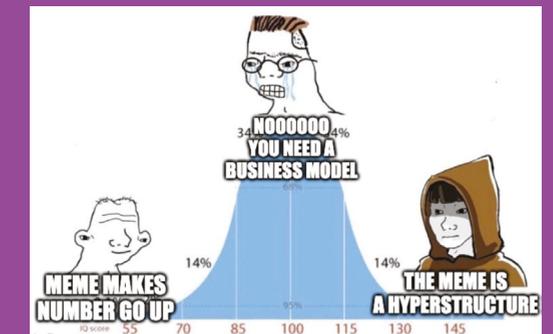
The inevitable endgame is that the best memes will be turned into hyperstructures. Building on the original memetic hyperstructures of Bitcoin (self-sovereign currency) and Ethereum (global shared computer), successful DAOs will figure out how to distill a potent meme, use it as a financial flash mob to gain initial resources like capital and contributors, and then use those resources to embed the meme into a protocol that can live on as an on-chain hyperstructure.

practice

A. 7
CREATING A WINNABLE GAME
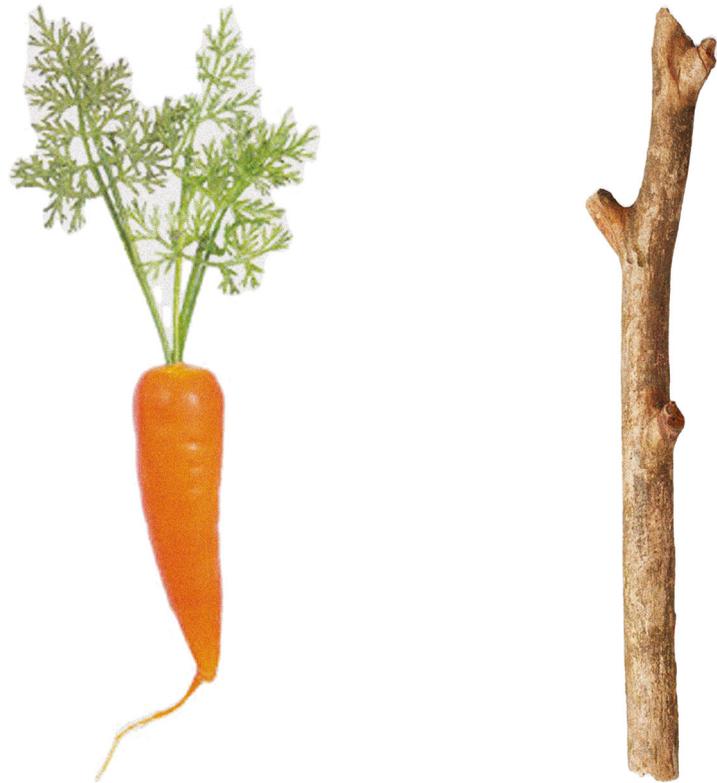
BY AL MITHANI A.K.A. LINKS

RULES ARE SO WEB2

BanklessDAO voted on a specification which instantiated a Grants Committee. This committee had a very tight scope: mid-season funding. Seasonal project, guild, and even contributor rewards were meant to be disbursed by separate bodies. In fact, these rules continue to exist, but the reality on the ground is that the Grants Committee is responsible for disbursing all BanklessDAO funding.

Those aren't the only rules that were ignored. For instance, projects are responsible for reporting on KPIs every two weeks at the community call, but there is nothing compelling them to do so. The result was that most projects didn't report on KPIs, if they even reported anything at all. This was the environment at BanklessDAO at the end of Season 3. DAO members were clamoring for increased accountability.

This highlights a key insight: rules without enforcement aren't worth the blocks on which they are minted. Writing down rules and hoping individuals follow them doesn't lead to a post-scarcity nirvana, it leads to people breaking rules (often without realizing it). For rules to work, you need a central authority which is enforcing them. This was a challenge for the Grants Committee. We had existing rules and a clear mandate from the DAO for increased accountability, but we had no enforcement mechanism and not enough resources to do a deep dive on every project and guild.

So if rules wouldn't work, what would?

CARROTS AND STICKS

Decentralized systems don't have rules enforced by a central authority; Vitalik isn't signing off on new Ethereum blocks one by one. Instead they create incentives (both positive and negative) for participants to be part of the system. Validators get ETH for validating new blocks (carrots), and they lose ETH if they are inactive or not connected (sticks).

Conway's Law says that a product's design will mirror the organization that created it. In my experience, organizations built on top of certain technologies also end up mirroring the technology upon which they are built. When looking to build our organization at BanklessDAO, looking to blockchain not only follows our values, it gives us a path of least resistance.

This idea of building a system of carrots and sticks

> "Decentralized systems don't have rules enforced by a central authority. . . Instead, they create incentives for participants to be part of the system."

isn't new. In fact, one of my favourite books on organizational design (The 4 Disciplines of Execution) describes the key to creating engaged teams: setting up winnable games. Humans are natural game-players, so turning work into a game leads to engagement.

ONE TYPE OF WINNABLE GAME FOR BANKLESSDAO

On the Grants Committee, this means we needed a way to create a game around accountability. Our answer to that was report-based funding, which laid out two incentives:

1. Distribute seasonal project funding in two tranches: the first one immediately, and the second one after projects reported on Key Performance Indicators (KPIs)

2. Work with projects to set two KPIs per season, with the goal to help focus projects on impact and self-sovereignty

In this system, projects get additional eyes on their strategy, which helps them focus their team and create synergies with other projects (carrot). They also leave 50% of their BANK on the table if they don't report KPIs to the DAO (stick).

If we truly want to ensure the success of BanklessDAO, we need to make winnable games for everyone. Luckily, BanklessDAO is a place where ANYONE can create a winnable game through our governance processes, driven by our shared ethos. If you don't like your situation, you can complain, or you can use your freedom and agency to improve it. To that end, perhaps you should ask yourself:

Which carrots and sticks do you want to create?

practice

A. 8

DECENTRALIZED MEDIA IN WEB3 IS NOT WHAT YOU THINK IT IS

steph 🥷🦅
@cryptohun3y

Media will be the umbrella to subsume brand and marketing for DAOs.

DAOs should prioritize standing up their own media verticals to broadcast the community narrative and POV.

1:45 PM · Jul 1, 2022

87 Likes   17 Retweets
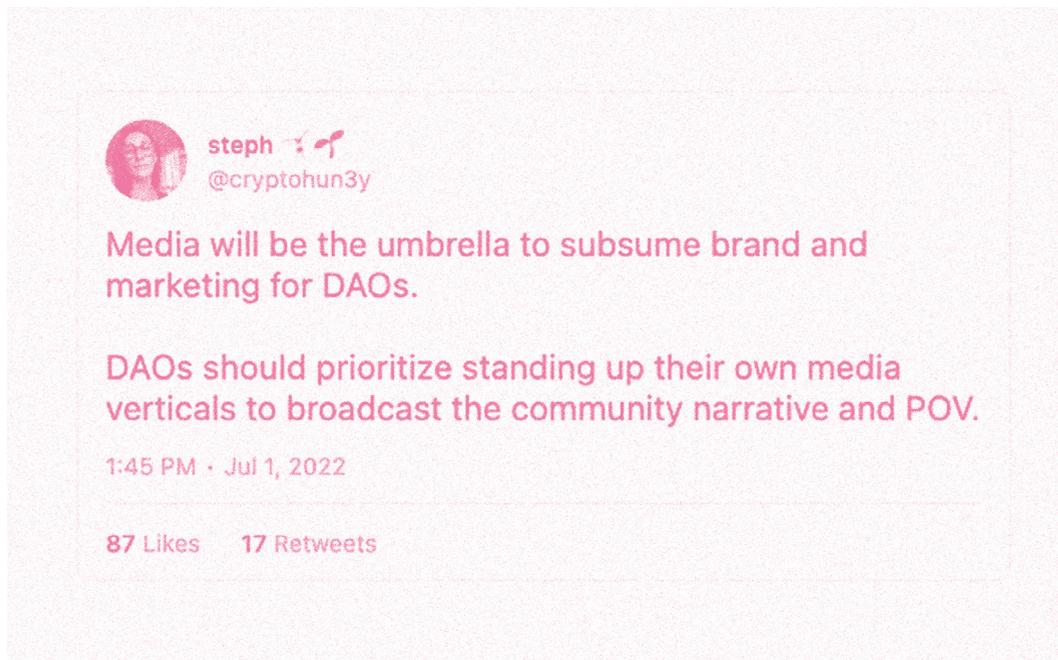
BY STEPH ALINSUG

FULL VERSION ORIGINALLY PUBLISHED ON HUN3Y.MIRROR.XYZ ON JULY 11, 2022

Let me start by saying what decentralized media is not: decentralized media is not decentralized content creation.

Decentralized content creation is a skeuomorphic mental model that we ported from web2. Web2 social apps already provide the conditions for decentralized content creation. We can look to the meme and narrative network effects enabled by web2 social as a starting place for web3 decentralized media, but we shouldn't glorify decentralized content creation as an end. Decentralized content creation can be a component of decentralized media, but it's not a precondition.

Let's talk about what is decentralized media in web3.

Media in web3 is the meta-container for everything related to the DAO or Tokenized Community's narrative network effect. This means Media is responsible for ensuring the narrative and POV (vision), brand (strategy), and marketing (execution) are aligned across the entire community ecosystem.

Functionally this stack includes media creation, media curation, and media distribution. By media here I mean anything that the DAO or Tokenized Community outputs. Editorials and podcast episodes are obvious examples, however we should broaden our interpretation of what we consider media; a governance proposal is a great example of medi. (Side note: I believe we should treat governance proposals as media to ensure narrative alignment. If we create governance proposals with the community's canonical narrative as the first principle, then the proposal will have a greater likelihood of success.)

Progressive decentralization of media starts at the bottom of the stack — distribution. The community supports the narrative network effect through peer-to-peer sharing. This looks like someone Tweeting about a piece of media, or even about the community itself. Decentralizing distribution is one way to engage the community in storytelling.

At the top of the stack is media creation, the facilitation of which should live within whoever is closest to the vision and strategy. This is usually the instigator, founder, and /or core team. These stakeholders should develop the initial narrative and POV and codify it as canon. This canon then provides the necessary guardrails for decentralization progressing down the media stack. If the DAO or Tokenized Community narrative and POV are clear, compelling, and

actively practiced then the community will be more inclined to distribute the narrative through their own experience of it in action.

(For more on the role of canon within decentralized communities, listen to this episode of web3 with a16z featuring Rob McElhenney. McElhenney demonstrates one way in which progressive decentralizing starts with a canon through the creation of writers rooms in his project Adim.)

Finally, curation lives in the middle of stack. Curation allows community participation in the DAO or Tokenized Community's media while also ensuring quality assurance and narrative alignment.

WHY DAOS AND TOKENIZED COMMUNITIES NEED MEDIA VERTICALS

I argue that DAOs and Tokenized Communities should stand up media verticals in the way that we stand up working groups, guilds, or teams to facilitate other critical outputs such as Product, Community, Operations, etc.

In web3, we're engaged in the unprecedented exercise of shaping the culture of our individual organizations while simultaneously shaping the culture of an entire movement.

We do this via narrative, facilitated by media.

If we acknowledge the role of media in the physical world as the fourth estate, its principal function is to influence the body being governed. Media is agnostic of the specific governing ideology but serves a similar function across ideologies. From the United States pseudo-democracy to autocratic Russia and China, the core functioning of the media is to inform (influence) or outright control the body being governed.

Layering this line of thinking on top of DAOs and Tokenized Communities, we understand the need for media within all decentralized communities. All DAOs and Tokenized Communities are engaged in decision-making processes; governance is the catchall word for how decisions are made. Narratives — facilitated by our media — is how we shape governance, the culture of our individual organizations, and the culture of the web3 space at large.

practice

A. 9
DAOS AS
ECONOMIC ENGINES
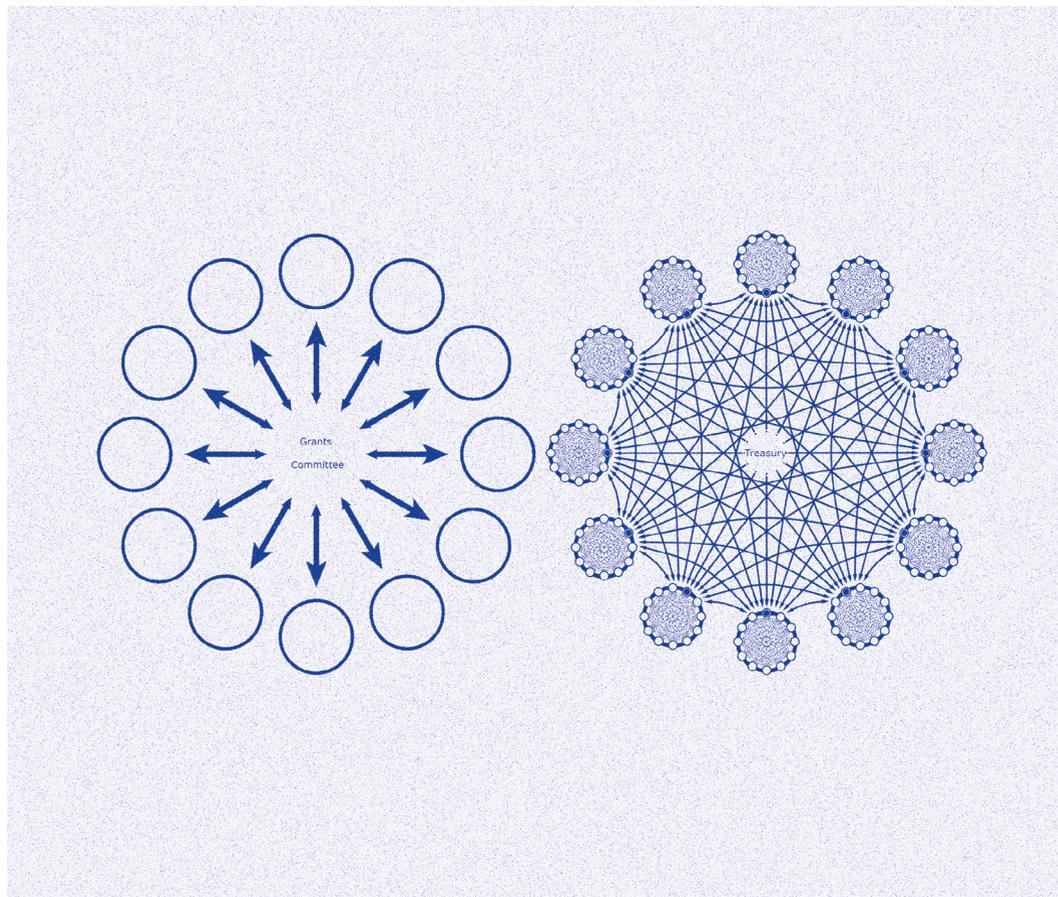
CREDIT: BANKLESS.COM

BY FROGMONKEE

FULL VERSION ORIGINALLY PUBLISHED ON BANKLESS.COM ON OCTOBER 13, 2021

How can DAOs efficiently allocate and distribute capital without burdening the system with bottlenecks and bureaucracy?

The answer is perhaps to make these decisions at the peripheries, not the center.

DECENTRALIZED CAPITAL FLOW

Capital is leverage. When applied properly, it provides us with the right incentives and purchasing power to build.

In our current phase of evolution, capital often comes from centralized sources within a DAO—its treasury. If you look at any major DAO, each has its own grants program for funding projects and other initiatives that are valuable for the DAO. It's a useful primitive for allocating capital, but it's centralized around a core committee.

As with anything centralized, committees like these face scaling challenges. They have limited staff, a clogged pipeline of projects to fund, mandates from the community, and other bottlenecks that can hamper how quickly initiatives can get up and running.

The next phase in our evolution is to move capital flows to the edges and enable discrete groups to create their own standard operating procedures for circulating capital. DAOs will evolve into complex structures where each node in the network interacts with the others to receive and distribute capital in the form of grants, revenue splits, bounties, paid positions, and more.

Not only will this unlock multiple sources of funding, each uniquely curated to address a particular capital requirement, but it will also form a resilient and scalable economic structure that can only be attained through organic and decentralized governance.

DECENTRALIZATION AND RESILIENCE

The main benefit of moving from centralized to decentralized capital flows is... decentralization! Creating an economic engine will ultimately reduce reliance on centralized intermediaries, like a grants committee.

Transitioning to distributed capital flows also creates a resilient economic structure, not reliant on a centralized source of funding, susceptible to corruption, bottlenecks, and inefficient practices.

Velocity of Money

A DAO economy with distributed capital flows would increase the velocity of money transacted within.

In economics, the velocity of money refers to the number of times a single unit of currency changes hands—the more transactions, the higher the velocity. Velocity is a useful heuristic for understanding how much value a single unit of currency can create. A single USDC from a central treasury is only worth 1 USDC, but it can have a larger economic impact if that single USDC is exchanged five times a week.

For example, Bankless DAO has recently funded the writers guild. Let's say that 600 $BANK will go to compensating a new member who has completed the writers guild first quest. A third of that payment gets redirected to the First Quest team, who then use the 200 $BANK to pay a designer to create a new graphic. That 200 $BANK has now changed hands three times despite being the same 200 $BANK.

In this way, a DAO can increase the impact of its native token by fostering an internal economy where tokens change hands more often.

THE ROAD AHEAD

In our current state, most DAOs distribute capital to recipients from a centralized source.

The next phase of our evolution will mean that DAOs look more like economies, where discrete units have their own operating procedures and methods for capturing inflows and distributing outflows. DAOs will inevitably evolve into complex ecosystems, where each edge can engage in commerce with others.

Doing so will create resilient economic systems, multiply the economic impact of capital, and empower creators to build self-sustaining initiatives that can properly compensate for their work.

A. 10
WHAT CO-OPS AND DAOS CAN LEARN FROM EACH OTHER

	CO-OPs	DAOs
governance	one member, one vote	one token, one vote (mostly)
ownership	legal	proxy (range of financial & governance powers)
finances	bank account	smart-contract based treasury
org design	jurisdiction-based	flexible
law	fewer unknowns	more unknowns

CREDIT: FWB

BY AUSTIN ROBEY

FULL VERSION ORIGINALLY PUBLISHED ON FWB.HELP ON JANUARY 13, 2022

Cooperatives, or "co-ops," are businesses where ownership is shared by workers, customers, or both — and operate on a one-member, one-vote basis. DAOs are token-coordinated internet-native organizations that use blockchain as their foundation.

Although co-ops and DAOS are both collectively owned and co-determined organizational forms, there are some key differences. Primarily, cooperatives have one-member, one-vote governance. This means that people vote, not dollars. No single member of a cooperative can purchase more power than anyone else. While it is possible for DAOs to emulate cooperative governance, it's more common to observe the easier-to-implement governance pattern of one-token, one-vote, since verifying one's personhood is still a nascent field in the world of blockchain.

WHAT DAOS CAN LEARN FROM CO-OPS

Historical Context

People in the DAO space would be mistaken to believe that collective modes of work and organization are a tech-related invention. In reality, communities have been practicing mutual aid and democratic ownership in nearly every corner of the world throughout history.

In America, the cooperative tradition has an overlooked history of marginalized groups that were forced to create solidarity networks for survival and self-sufficiency. DAOs have plenty to learn from these historical examples, especially when it comes to non-hierarchical work modes and collective decision-making.

Economic & Racial Justice

Co-ops often emerge as an attempt to respond to market failures and exploitative economic systems. They are designed to bring benefits to their members: good jobs, dignity, and collective agency. Because co-ops are motivated by serving members' needs, rather than profit, they are often guided by racial and economic justice missions. There aren't any particular structural mechanisms that advantage cooperatives to more effectively focus on social justice than DAOs; it's more a question of founding motivations.

There are some encouraging conversations happening around Decentralized Impact Organizations, which could become a useful framework for allocating resources towards longer-term social impact outcomes.

Ambitious Definitions of Ownership

Crypto networks and DAOs often use the concept of the "ownership economy," an idea first articulated by venture capitalist Jesse Walden, as a kind of guiding philosophical infrastructure. "The ownership economy doesn't always mean a literal distribution of tokens, stock options, or equity," Walden wrote in a post outlining the idea. "Rather, it means that ownership — which may manifest in the form of novel economic rewards, platform governance, or new forms of social capital — can be a new keystone of user experiences, with plenty of design space to explore." By defining ownership so broadly, this argument risks diluting the concept of ownership to mean little more than "exposure to upside," or a "feeling of ownership."

This is where cooperatives have a long track record of expertise and a time-tested toolbox for creating robust shared ownership through legally defensible means: bylaws, operating agreements, and IP ownership, in addition to clearly defined rights, responsibilities, and lines of accountability.

Shared Principles

There's another thing cooperatives have in common: They tend to unite around a shared set of principles. As new entrants rush into the Web3 ecosystem to form DAOs, it may be useful to develop a common set of principles that can guide us as we build Web3 — values that help us to avoid recreating the dark patterns of Web2, and that could perhaps form the basis of collaboration between likeminded DAOs.

BLENDED MODELS

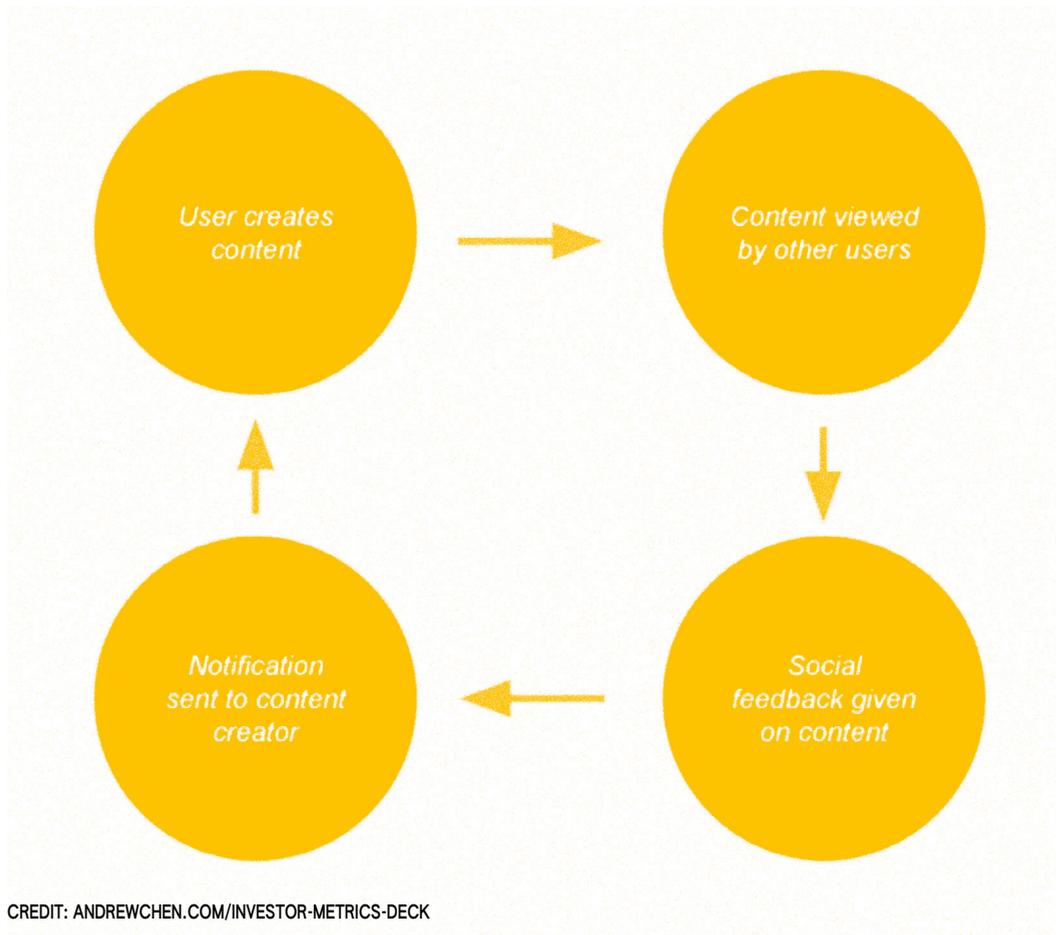At the end of the day, the best framework for an organization may not be a choice between a cooperative or DAO model, but a blend of both. By learning what we can from the past, and looking forward to the future, we can create communities that embody the best of both worlds: effective, principled, well-resourced organizations working to build a more equitable, democratic, and collectively-owned future.

practice

A. 11
THOUGHTS ON DAO TOOLING

User creates content → Content viewed by other users

Notification sent to content creator

Social feedback given on content

CREDIT: ANDREWCHEN.COM/INVESTOR-METRICS-DECK

BY PATRICK RIVERA

FULL VERSION ORIGINALLY PUBLISHED ON P.MIRROR.XYZ ON MARCH 23RD, 2022

"DAOS" AREN'T A MARKET

Saying you're building DAO tooling is like saying you're building tools for corporations. It doesn't really mean anything. There are protocol DAOs, social DAOs, NFT collector DAOs, service DAOs, grant DAOs, and more. So the first step in building DAO tooling is to clearly define the target audience.

DAOS' NEEDS VARY

Most DAOs share the same core components. But depending on the type of DAO you're building for, they'll most likely prioritize completely different feature sets which impacts the product roadmap. A few examples:

- Protocol DAOs. Prioritize security and transparency.

- Social DAOs. Prioritize active communication between members.

- NFT collector DAOs. Prioritize mechanisms for adding funds to their treasury, governance tooling for investment decisions and easily coordinating to allocate funds.

THERE'S NO CLEAR BUSINESS MODELS (YET)

If your DAO tool is a protocol (i.e., smart contracts deployed to a blockchain network), the obvious business model is an on-chain transaction fee. But most DAO tools are just UIs that write to a database. For the latter, there aren't clear business models yet.

Although there aren't any best practices yet, there are a few potential ways that DAO tools could monetize such as a monthly fee in USDC, an NFT subscription, or a utility token.

EVERYONE IS COMPETING OVER THE SAME HANDFUL OF LEGITIMATE DAOS

There just aren't that many legit DAOs out there yet. Most DAOs are just for the lolz and don't care about becoming long-term projects. When a new DAO tool launches, you usually see the same three to five DAO logos presented as customers on the landing page. I also think this is mostly a near-term concern that will eventually be solved as it becomes easier to start, manage, and scale DAOs.

Although there are challenges with building DAO tooling, I still think there's tons of opportunity if you're thoughtful. Here's some high-level guiding principles based on what I've seen work:

— — — — — — —

Start with services
When every DAO tool is competing over the same handful of DAOs, you need a distribution advantage. One of my favorite approaches is to start by providing services to different DAOs so you can develop expertise in a specific domain, build relationships with core teams, and eventually productize your service.

Dominate a niche
Instead of building a mediocre product for a wide initial market, build the default product for a very specific domain. To do so, think about your positioning vertically and horizontally.

Focus on retention and biz dev
On the product side, you should be laser focused on improving existing features and adding new features that keep your initial set of users and DAOs engaging with the product on a recurring basis. On the distribution side, onboarding a DAO is more like enterprise sales than bottoms-up adoption.
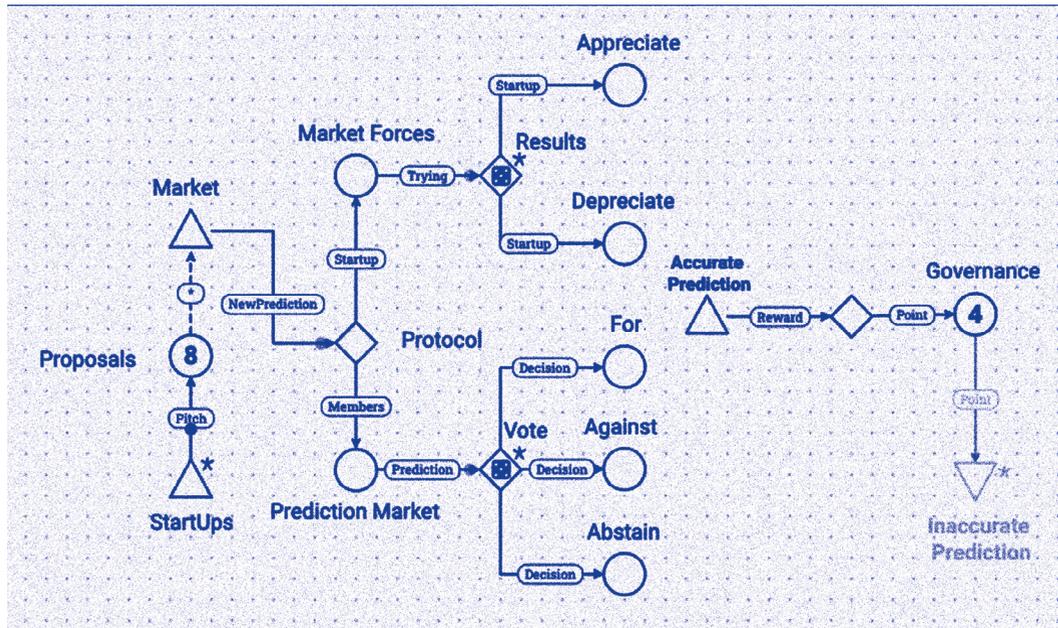
Grow the market
You can increase average revenue per customer by increasing prices / take rate, offering more features, and driving more engagement. But given the limited number of DAOs in the market today, you'll probably run into an upper limit pretty early if you don't build a system to onboard and retain DAOs at scale.

Become a DAO
One of the novel affordances of web3, blockchains, and cryptoeconomic networks is that they enable new internet-native org structures. That's basically what a DAO is. The best DAO tools will become protocol DAOs. The purpose of a protocol DAO is to create a self-sustaining protocol (shoutout G for this definition). Another good description of this end state is a Hyperstructure.

— — — — — — —

Although there's definitely some challenges with building DAO tooling today, there's still quite a bit of opportunity if you narrow the focus, become the dominant solution for a specific use case, and expand from there. Take your time identifying gaps in the market, focus on liquidity over scale early on, and progressively decentralize. It's that easy.

45

A. 12
GAMES OVER GOVERNANCE: RECENTERING DAOS ON COORDINATION

BY 0XJUSTICE

FULL VERSION ORIGINALLY PUBLISHED ON OPERATOR.MIRROR.XYZ ON FEBRUARY 14TH, 2023

The DAO conversation almost exclusively revolves around governance. The entire space effectively speaks of them equivocally.

Centering DAOs on governance is a mistake and a recipe for failure. Unscoped governance is a poison to DAO effectiveness and a force multiplier of coordination.

The strength of DAOs is coordination, not governance. DAOs can be decentralized economic game engines and create order from chaos if appropriately structured. They are the gamification of companies. We can advance this idea by building with coordination at the center and only adding governance as needed.

GAME DESIGN PRINCIPLES

Design Multiplayer Games
DAOs must structure as multiplayer games to achieve maximum coordination effectiveness. They must source resources from anyone and be able to provide those resources to anyone. Platform business models are the only structure that supports this. Pipeline businesses rely on trade secrets, IP, or private resources to function and are incompatible with decentralization. Explicitly state the sides of the game and understand what will attract each player to come.

Reward Outcomes, Not Activity
Incentivizing and rewarding activity is a significant malpractice in DAOs. Paying people for participation or merely voting misses the point. We need good decisions, not just decisions. Decisions and activities that produce value can be structured to distribute shared rewards to the driving participants. Web3 is uniquely suited to this pattern of shared ownership, and neglecting it negates a core value proposition of DAOs.

Build in Growth and Self-replication
DAO coordination games should incentivize their continued playing and not require any player's perpetual involvement. Organizational autonomy means building self-perpetuation and self-propagation into the game. On-chain organizations are a form of digital life. They should sustain their own life and encourage beneficial replication. We can pursue this self-preservation by creating graduated contribution rewards and encouraging on-protocol game replication.

Minimize Governance Through Parameterization
Remember, we are turning coordination up by turning governance down. One way to do this is through parametrization. This parameterization

> "The strength of DAOs is coordination, not governance."

can be as simple as proposal templates or as strict as contract parameters, changeable through governance. We can't eliminate governance, but we should pursue a balance that harnesses the advantages of automation and programmability.

These principles are neither exhaustive nor absolute, but they're enough to test our thesis. Let's now apply them to everyday DAO activities and see what happens.

ONE EXAMPLE OF A DAO GAME

How do we determine the success of a grant DAO? Often the touted metric is the number of funds distributed. A more helpful success metric could be the ROI derived from the appreciation of the underlying cap table. How could this be made into a game?

We turn this into a game by creating a prediction market from our fund. Players get presented with early-stage startups and must predict how each project will perform over a specified timeframe, and projects with majority support get funded.

In a standard investment DAO setup, there is no incentive for voting against a proposal with majority support. In this scenario, you are because the game will reward you with greater governance power for voting against funded projects that don't perform.

Notice as well that non-voters get diluted in this setup. This feature targets free riders and coheres with our self-perpetuation principle. We have turned our investment DAO into a game where even the cynics are incentivized to play.

By centering on coordination, we re-enter the token engineering domain and gain its modeling and simulation methods. We reap the rewards of compounding returns by designing testable and reusable game elements.

This approach isn't utterly novel, but it's far from normative. Let's change that.
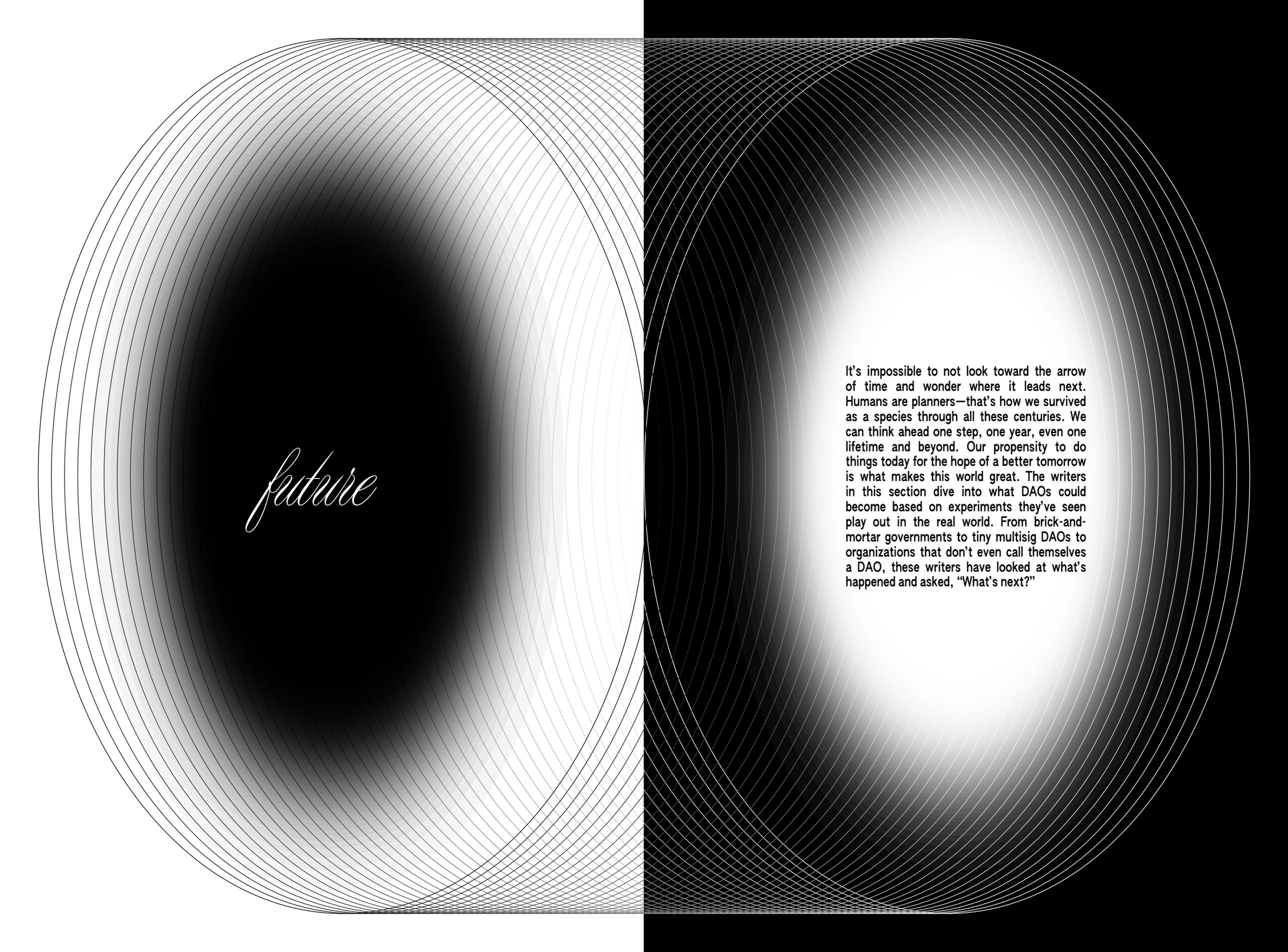
future

It's impossible to not look toward the arrow of time and wonder where it leads next. Humans are planners—that's how we survived as a species through all these centuries. We can think ahead one step, one year, even one lifetime and beyond. Our propensity to do things today for the hope of a better tomorrow is what makes this world great. The writers in this section dive into what DAOs could become based on experiments they've seen play out in the real world. From brick-and-mortar governments to tiny multisig DAOs to organizations that don't even call themselves a DAO, these writers have looked at what's happened and asked, "What's next?"

future

A. 13

FINDING FREEDOM
AND AGENCY IN DAOS

Power!

Autonomy!

Agency!
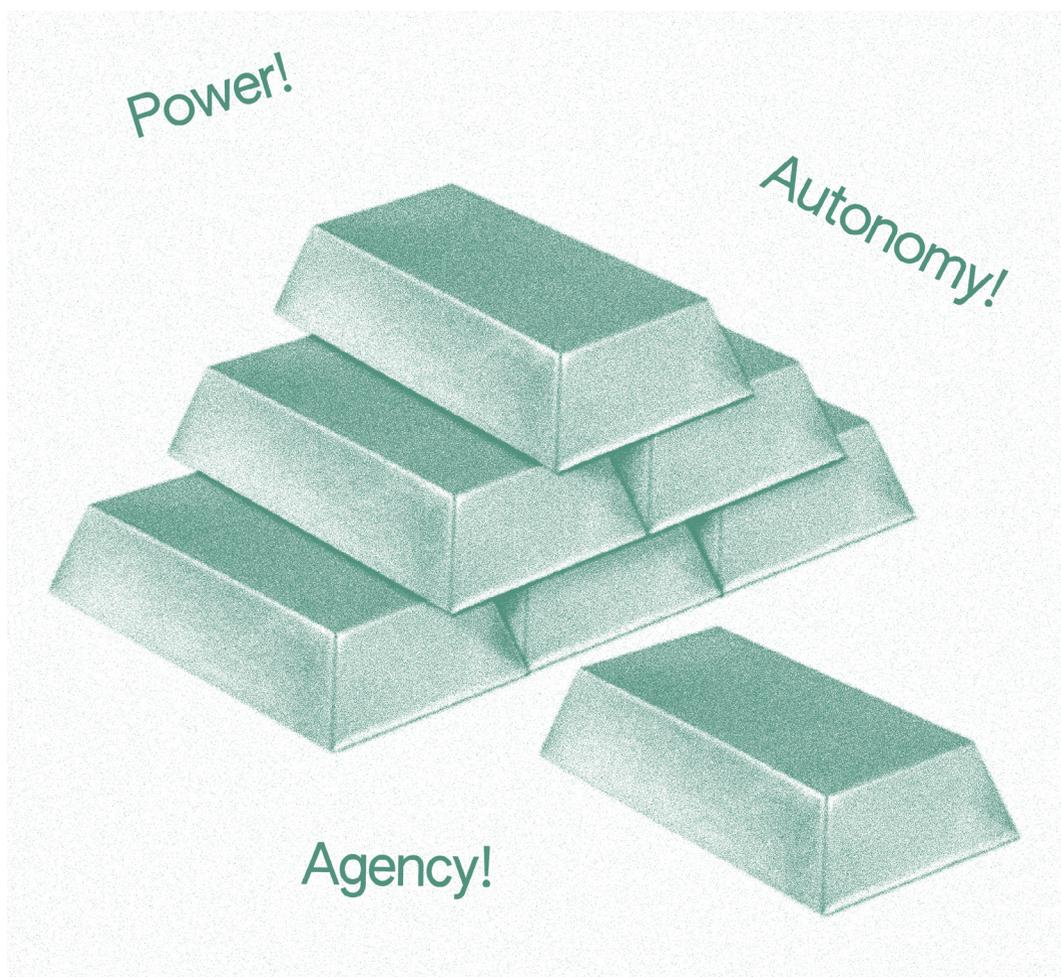
BY SIDDHEARTA

ORIGINALLY PUBLISHED ON SIDDHEARTA.MIRROR.XYZ ON MAY 5TH, 2022

HOW DECENTRALIZING POWER CATALYZES PERSONAL AUTONOMY

Power dynamics are an implicit part of every organization and they affect the way we work together. Since the beginning of time, organizations have formed to create new products and solve interesting problems, but coordination is hard. Early organizations often used power coercively to control and manipulate others. Often, a central figure or small central body was in charge of all decision-making and submission to the will of the central body was the name of the game.

Today, most traditional organizations have evolved to democratize power and ownership. It is still common for planning and decision-making to happen at the top in most organizations, while much of the actual work happens at the bottom. We still call these types of organizations centralized, because they centralize decision-making, authority, and power behind closed doors.

The unstated belief of centralized organizations is that the lower levels of the organization need direction—they need to be told what to do, how to do it, and they are not able to manage themselves. The need to supervise your employees means that you do not trust them to deliver on their work. You do not trust their autonomy.

In many ways, the employee belongs to the organization: they hire you, dictate the terms of your employment, and have the power to terminate your job based on the outcomes of your work compared to their expectations.

Having relegated your power, you are left to work as a machine. You might have ideas about how to improve things, but your suggestions often go unheard. You are expected to act like a professional, to don the mask of conformity, and to leave your personal life and self-expression at home.

The result of handing over your power and conforming to the status quo of the traditional company is work for work's sake. You exchange your time and energy for a paycheck. We try to reclaim our power and dignity in other things our culture values, but in a materialistic culture this often gives rise to endless consumption and a feeling that we are never enough, all of which serve to reinforce a feeling of scarcity and powerlessness. In the end, you end up chasing money, titles, and working your way up the corporate ladder because those are ways to assert your power and value in modern society.

For too long, humans have exchanged their power for security. With limited or no ownership in the organization, we have willingly submitted to the system and accepted the bargain: I will give you my time and energy, and you will provide me with a safe and secure future. For too long, members of society have abdicated their responsibility, which is to say their life, in favor of following directions and staying in line with the status quo.

It's time to take off the corporate mask, reclaim power over your own life, find out what matters to you, and live the life you imagine.

THE AGE OF THE DAO

Decentralized autonomous organizations are often described as community-owned organizations. Decentralization is understood to mean that there is no centralized authority or leadership that is in control, guiding all decisions, and the organizations tend to be flatter and less hierarchical. The aim to decentralize power is based on the basic principle that everyone has power. What is decentralized is decision-making, authority, and ownership.

By taking power out of centralized parties and distributing it across the community, DAOs give everyone the power to stand up, pitch new ideas, hold each other accountable, resolve challenges, and take ownership. In BanklessDAO, it is commonly stated that governance is everyone's responsibility, meaning everyone is called to participate in the decision-making process.

In order for people to use their power most effectively, it also requires that DAOs are transparent and permissionless. Transparency is a prerequisite to decentralization; when people have the power to make decisions, they need access to information in order to make them. Transparency comes in many forms: public ledgers, open-source code, and distributed information systems, among others. With everything in public view and responsibilities clearly stated, it is easier to hold each other accountable for our actions.

DAOs are also permissionless, meaning that everyone has equal access. There are no gatekeepers who restrict access or grant permission. It is this permissionless characteristic of DAOs that gives people agency, meaning they have power and now they can use it.

DAOs offer one last principle, for the first time in history, that might be the final key to solve coordination failures: ownership. Leveraging the decentralized, transparent, and permissionless

nature of DAOs, power is no longer exchanged, but acted on and captured.

RECLAIMING YOUR POWER

When we enter an organization or a group of people, we often fail to appreciate the significance of our presence and the impact of our contribution. We often don't understand how our choices and actions influence and shape our own and the collective experience. How you show up matters. The way that you communicate leaves an impression. The collective action of groups of individuals determines whether or not a movement becomes a revolution.

Working in a DAO is like entering a dance hall. There is a general vibe when you enter, and you are faced with a few choices:

1. The Lurker: Watching and learning on the sidelines.

2. The Contributor: Joining in the dance.

3. The Leader: Steps out on the empty dance floor and takes a chance.

Lurking is a valid choice. Take away the value judgments about what you should be doing, and lurking often makes the most sense. You need time to get oriented, to connect with the vibes, to learn how people dance here, to chat with some people to establish trust and rapport. Lurking allows you to watch and learn, and to take the time you need to feel comfortable enough to step out on the dance floor. But the presence of the lurker can also reinforce the feeling of fear, uncertainty, and doubt for those who have started dancing but aren't fully assured. The lurker can validate the fears of the contributor. Should I be dancing? Am I a good dancer?
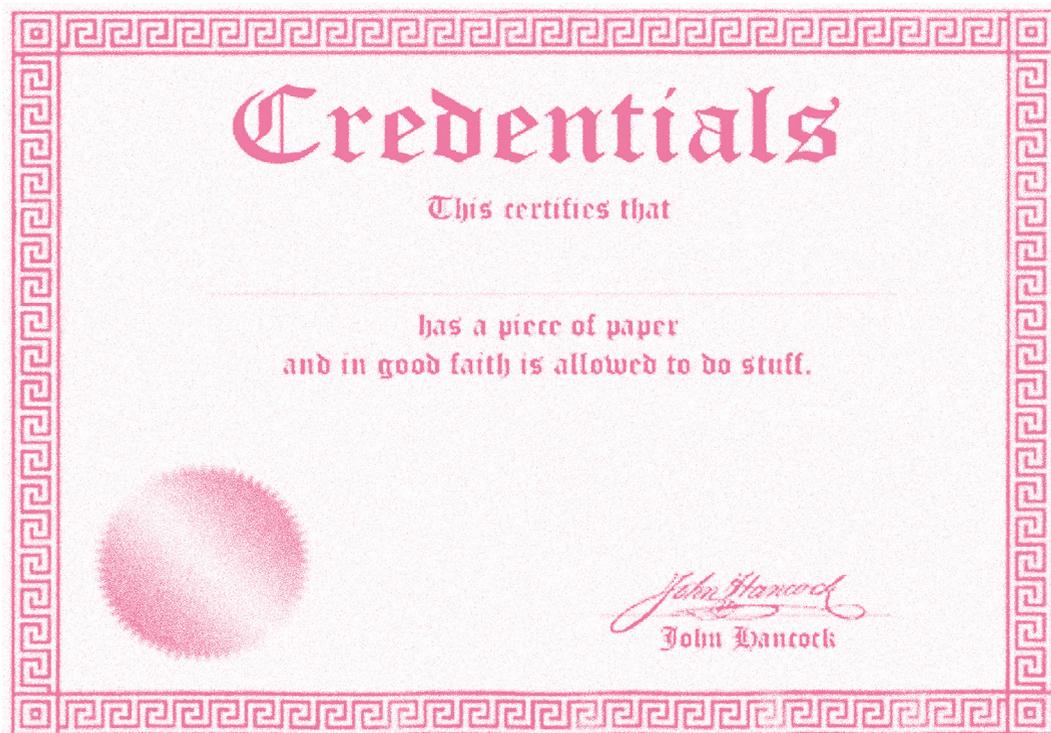
The contributor is one who joins the dance. They might jump right in, or start off with the two-step. Either way, they are dancing. The contributor connects with the vibe, they are committed to the work, and they show up even when they start to get tired. Those on the floor dancing are engaging in an endless play of leading and following, of joining and parting. The contributor has to sync with the music and the people around them, otherwise things can unravel quickly.

Every once in a while, in the course of dancing, the vibes might change or part of the floor drops out and a gap opens up, creating an empty space

calling to be filled. In those situations, it takes a leader to step into the void and start something new or make something better. They are taking a chance that others will follow, that failure won't wash over them and ruin their reputation, or even worse, that they will be banished from the dance floor. When the gap of a problem or opportunity opens up, who will step out on the floor and lead?

In DAOs, these three scenarios are playing out simultaneously all the time. There are people watching and learning on the sidelines, there are the contributors on the floor dancing to the beat, and there are gaps opening up waiting to be filled by the next person to take the lead.

These three options, the lurker (learner), contributor, and leader are playing out within ourselves too. We browse the channels and forums, listen in on the conversations of others, and learn as we go. We unmute our mics, raise our hand, and contribute to projects. And sometimes, we see an opportunity or a problem and start to create a solution, in which case, we are faced with the decision to lead.

The power that is actualized and distributed in DAOs is the power of agency. You get to choose your adventure. You get to reclaim your power and vote with your actions. In DAOs, as in life, how you show up matters. With the freedom of self-expression, you are faced with a nebulous question, what are you going to do with it?

Everyone seeks freedom; it is one of the core values of modern society. But learning how to inhabit our freedom is not an easy task, and we haven't really been trained in how to do it well or properly. DAOs give us the opportunity to explore our freedom and agency in a community where those values are recognized and we have the supporting principles to act on that freedom. The layers of control, manipulation, and bureaucracy have been stripped away in favor of the recognition that here, in this dance, we all have power.

PUTTING POWER TO USE

If our presence in the group and how we show up matters, the question arises: how do we exercise our power in DAOs? Power is decentralized and distributed in DAOs, which means everyone on a project or team is involved in the decision-making process. This can seem overwhelming, because if everyone is involved, how are decisions actually made?

The Rules of Engagement
Every DAO follows their own guidelines for decision-making, but there is a lot of common ground. At the base layer of the organization are the rules for managing the treasury and executing decisions. While some DAOs operate using smart contracts, most DAOs are really self-managed organizations with the rules instantiated in governance documents and team structures. Even without a smart contract executing decisions, there is no single person or central authority in charge of making decisions and allocating funds.

Finding Agency in the Decision-Making Process
As a member of a DAO, you can choose to exercise your power in the decision-making process. You can choose to read proposals, provide feedback to others, write a proposal based on an idea you have, or provide a solution to a problem. If you see something, say something. Your voice matters.

There are different models by which DAOs make decisions. Proposals for new ideas or changes can be put forward by any member. Proposals can be consent-based, advice-based, or approved by soft or hard consensus.

Generally, your proposal should include its purpose and rationale, lay out the financial implications, and be explicit about who needs to be involved and what is needed to execute it. The proposal process requires a "discussion and amendment" period, where relevant parties and members are invited to provide feedback, followed by a voting period to gather consensus.

In the discussion and amendment process, it is important that the proposer recognizes that while they must be open to feedback and seek advice from others, not all feedback needs to be included in the final proposal. Consensus doesn't mean the initial proposal has to be watered down to include everyone's ideas. It means you must be open and receptive to feedback and then commit to a way forward. If there are no principled objections to a proposal, you need to accept that this might not work, but things can always be revisited and revised later.

Consensus is a word that you will hear a lot in DAOs. Everyone has a voice and the freedom to partake in the proposal process and discussion, but there is no decision that can be made where everyone agrees. Consensus is a line in the sand that everyone agrees on. You need to establish the rules of engagement for what consensus is and then stick to it.

This proposal process gives ownership and responsibility to the proposer and team. It fosters initiative and motivates team members to be accountable for results. The proposal process can seem to take a lot of time, but it also creates community, engenders humility in leaders, fosters learning, and hopefully leads to better decisions. And it can be fun.

Culture of Leadership
Even though power is decentralized and distributed in DAOs, natural hierarchies form based on skills, personal traits, social capital, and reputation. These are not the power dynamics of traditional companies, nor are they the centralizing of decision-making. Leaders in DAOs emerge based on opportunities that exist for designing better systems, building new products, or helping new members level up. Leaders must lead by example, inspire their teams, and work hard to understand the art of collaboration.

As DAOs evolve, various structures and practices will emerge and dissolve, but it is the culture that will shape its people and their behaviors, determining whether the movement will thrive and grow.

NAVIGATING THE SOVEREIGN LIFE

The promise of DAOs is that you can reclaim your agency and thus your power. You hold the keys to the life you imagine. The sovereign individual must learn to occupy their freedom with purpose and intent. This newfound freedom and power can create struggle in the beginning. There is so much you could do, so many places for your attention to go and your energy to follow. How do you prioritize your commitments? When do you say yes, and when should you say no?

Despite the values of freedom and power, it is still challenging for people to stand up, unmute their mics, and raise their hand. DAOs give you that power, but you are responsible for your own learning and personal development. You are responsible for your decisions and accountable for your actions. You might make mistakes along the way, but that's okay. We all do.

We trust that you have something to learn and something to contribute. We trust that you will use your skills, develop your talent, level up, and grow. We also trust that when you see a gap, when the opportunity presents itself and you see a chance to lead, that you will step into that empty space and start dancing.

future

A. 14

THE FUTURE OF DAOS:
THE PRODUCT

Credentials

This certifies that

has a piece of paper
and in good faith is allowed to do stuff.

John Hancock

John Hancock

BY SAM MCCARTHY

ORIGINALLY PUBLISHED ON SAMMCCARTHY.SUBSTACK.COM ON JAN 28, 2023

In the previous essay, I proposed the primary purpose—the mission—of DAOs as the creation of social value. DAOs will aggregate communal beliefs of value through open onboarding processes and novel governance systems. DAOs will then leverage token-based incentive structures to direct collective action towards those objectives deemed most meaningful by the community—those that maximize social value. In this essay, I claim that this value will accrue to DAOs and their participants as cultural capital.

A common refrain in crypto and Web3 asserts that by democratizing employment opportunities and ownership, the industry decreases the importance of initial capital in determining an individual's success. But rather than removing the importance of capital altogether, this technological revolution engenders a shift from financial capital to cultural capital—an essential distinction. Elucidating cultural capital reveals sources of motivation and inequality within our incumbent capitalistic economies—sources traditionally hidden by the discipline of economics and its focus on asocial actors. Increasing access to cultural capital—a vital input that determines both an individual's and an organization's potential earnings—will help level the playing field and maximize productivity within digital communities.

In this, the final part of the "Future of DAOs" series, I outline what I see as a DAO's ultimate product: digital cultural capital. Working from Bourdieu, I first define "cultural capital." Extending the definition to crypto and Web3, I explain why and how this under-explored form of capital will become so important to the DAO ecosystem. Using two case studies, I explore how the fundamental features of blockchain technology and digital tokens form the foundation of a new system of credentialing, one which will produce completely novel ways to accumulate, utilize, and productize cultural capital. I conclude this series by positing how the true future of DAOs is the communal cultivation of culture.

CULTURE AND
DIGITAL CULTURAL CAPITAL

In a recent essay, entitled "Life After Lifestyle," Toby Shorin of Other Internet tracks the origin of the term "culture" back to the concept of "cultivating" the social conditions for a healthy society. "Cultivation" originally meant the British elites who envisioned corrective measures to the wrongs of industrialism, such as poverty and moral destitution. These views concerned the type of people and society that industrialism was producing, along with the type of people and society that should be produced instead. Thus, culture has always been something that is created, or cultivated—a process that influences human behavior by defining the values society should work towards. This normative view of culture rewards those individuals who pursue socially-endorsed endeavors—an environment that fosters Mimetic Theory and the Social Proof phenomenon, wherein people believe an action or outcome is valuable when they see others doing it. And it is this perspective that causes Bourdieu to propose that often intangible, yet influential, rewards are accrued to individuals as cultural capital.

Bourdieu first presents the notion of cultural capital as a theoretical explanation for the unequal academic achievement of children from different social classes. For Bourdieu, cultural capital represents accumulated knowledge manifested in one's skills, tastes, mannerisms, and speech—types of knowledge that promotes social mobility. He states that cultural capital is "external wealth converted into an integral part of the person," differentiating not only between economic and cultural capital, but also objectified and embodied forms of capital. While objectified cultural capital—in the form of pictures and writings—can be transferred, the accrual of cultural capital in the embodied state—in the form of "culture," or Bildung—requires the investment of labor and time on behalf of the actor. And since people from different classes begin at different starting lines, with the upper classes inherently involved in "higher-value" activities, cultural capital becomes a major source of social inequality.

"The practices that establish and allocate credentials—along with the resultant reputations and identities—will change. Rather than credentials passed down by institutions based on pre-defined criteria, these building blocks of cultural capital will be assigned by a distributed network of peers."

56

57

BY SAM MCCARTHY

For this reason, Bourdieu explains that cultural capital acquired through education cannot be measured by a standard length of schooling, as it should incorporate an allowance for early domestic education.

For me, cultural capital transcends the specialized knowledge that Bourdieu uses to illustrate class differences. Importantly, cultural capital engenders in others perceptions of the possessor's legitimacy, competency, and status—integral elements that constitute individual identities and produce certain advantages in a given social context. As a result, I argue that digital cultural capital will represent the killer product for organizations in the emergent crypto economy.

Digital cultural capital extends Bourdieu's approach to a Web3 world—a new environment where digital activities and assets can be owned and aggregated to form more complete, self-sovereign identities. Individuals will accumulate this digital cultural capital in the form of blockchain-based tokens as a result of their on-chain achievements. A DAO too will accumulate digital cultural capital in a reflexive relationship with the activities of its participants. Cultural capital will be embodied as a digital identity—by both individuals and DAOs—thereby generating a verifiable reputation that reflects the legitimacy, competency, and status of its holder, as well as the potential advantages that cultural capital endows.

CRYPTO CREDENTIALISM: THIS TIME IS DIFFERENT?

The combination of cryptocurrency and blockchain technology allows all users to claim digital ownership over their affiliations, contributions, and accomplishments. This fundamental feature will allow DAOs to productize digital cultural capital through on-chain credentialing, a process which will combine Web3's ownership layer with emerging composable reputation and identity tools. In general, these tools—which include ARCx's passport, as well as Noox and Otterspace badges, among many others—already track crypto wallet transactions and issue on-chain identifiers that represent a user's activities. The credentials and identifiers, typically in the form of tokens, will continue to be earned by individuals contributing to DAOs and subDAOs, engaging in protocol governance, and participating in the decentralized financial system—activities that are made public and verifiable by a blockchain. Importantly, any DAOs will be able to issue these credentials, allowing for bottoms-up digital cultural capital

allocation. When tokenized, applications assigning credentials are increasingly opting for either non-fungible tokens (NFTs) or "soulbound tokens" (SBTs), which are both non-fungible and non-transferrable. Following Bourdieu, the focus on NFTs and SBTs highlights that embodied digital cultural capital will take an investment of time and labor to obtain, rather than be easily purchased or transferred. As a result, these tokens—and the capital they represent—will not need to be limited in supply, as their scarcity and value will be generated through the time, labor, and skill necessary to obtain them.

As an indicator of the possessor's legitimacy, competency, and status—and thus, dictating access permissions and earnings potential—digital cultural capital will become a valuable product within the Web3 ecosystem. I will illustrate this point with two examples.

SourceCred: a tool for digital communities that measures and rewards value creation

Through SourceCred, "Cred" is a score earned by contributors, reflecting the value of their contributions. "Grain"—a digital currency with monetary value—is then rewarded to participants based on their Cred. In this system, SourceCred allows projects to allocate digital cultural capital (Cred) based on the community-defined value of individual contributions—cultural capital which, once earned, can be converted into economic value (Grain). The overt separation of cultural and financial capital also grants communities the optionality regarding how to reward bearers of digital cultural capital. Since most people require financial compensation for their time and labor, most DAOs will make such rewards financial (as is the case with Grain). Meanwhile, some DAOs, whose digital cultural capital becomes sufficiently valuable—and thus, indicative of even greater future rewards—may only need to reward contributors with reputation and status. However, this will present a major power centralization risk, as the most valuable digital cultural capital allocators will possess a massive competitive advantage.

LongHash Web (LHW): an on-chain contribution network enabling mentorship and advice for early-stage builders of Web3 infrastructure and applications

LHW will be distributing SBTs to participants in the LongHash Ventures accelerator's network, identifying them as mentors and advisors. Further, embedded metadata will add both breadth and

nuance to the mentor's credential information, including areas of expertise and startups they have supported. This metadata will provide the more qualitative attributes required to fully develop an individual's reputation—attributes that tokens alone cannot account for. (As a side note: the problem of rich identity data is also being addressed by verifiable credentials, issued by projects such as Disco.) By allocating digital cultural capital through this on-chain reputation system, LHW is trying to support the current mentoring and advising of the Web3 startups in their network, as well as promote similar value-added contributions in the future. However, this credentialing system is controlled by LongHash Ventures. In order to differentiate from centralized Web2 applications like LinkedIn, composability and ownership of digital cultural capital is essential. These qualities will allow all users to port their earned capital to any community or project, and enable all DAOs to produce and issue their own forms of digital cultural capital. As a result, this process of assigning and weighing credentials can and will be replicated by DAOs throughout Web3, thereby making digital cultural capital an invaluable product—a product that people will pay for in time, labor, and although it should be discouraged, money.

The crypto industry has a history of decrying credentialism. Yet, the institution of credentialism will not—and should not—be torn down. Instead, the practices that establish and allocate credentials—along with the resultant reputations and identities—will change. Rather than credentials passed down by institutions based on pre-defined criteria, these building blocks of cultural capital will be assigned by a distributed network of peers. Today's paradigm of centralization has weakened the practice of credentialing, stressed structural inequality, and fueled resentment towards credentialed elites—thus revealing a dark side to meritocracy. Credentials should instead reflect earned cultural capital, mutually-assigned by a broad base of participants according to the collectively-calculated value of accomplishments.

THE PRODUCTIZATION AND LIQUEFACTION OF DIGITAL CULTURAL CAPITAL

As individuals accrue digital cultural capital through value-added contributions, the DAOs to which they contribute will simultaneously accumulate digital cultural capital based on the aggregate social value of those contributions. In other words, DAOs will also acquire reputations and identities based on their perceived legitimacy, competency, and status. DAOs will then package and "sell" their digital cultural capital—in the form of tokens—to incentivize contributions by members and partnerships with other DAOs. The actors seeking out ways to improve their status and gain advantages in Web3—as well as the DAOs that offer the opportunities to do so—will then invest time and labor to earn their own digital cultural capital. This process completes the reflexive accumulation of digital cultural capital, thus supporting Bourdieu's observation that capital, in all its forms, has a tendency to reproduce itself.

Cultural capital's tokenization—and accordingly, digitalization—will also improve the liquidity of this form of capital, further driving demand and advancing its productization. While correlated to future financial success, cultural capital has never been particularly liquid. In this context, I use the term "liquid" to refer to the ease with which an asset can be converted into economic value. In particular, Bourdieu states that, unlike money, embodied cultural capital "cannot be transmitted instantaneously," which presents particular problems for the holders who would otherwise like to use or exploit it. Conversely, tokens will facilitate more direct forms of monetization, such as collateralizing cultural capital in order to borrow, or staking digital cultural capital in order to perform—and collect remuneration for—some additional type of labor. When combined with the DAO communal ownership structure, tokenization enables new, bottoms-up methods to account for individual contributions and allows all members to claim their share of collectively-built cultural capital. These attributes transform the previously abstract concept of cultural capital and attach more direct financial value to it, thus reinforcing its influence in dictating collective motivation, entrenching it into DAO strategy, and promoting its accumulation throughout the crypto economy. In the end, digital cultural capital will become the foundation of a DAO's "social operating system", enabling the trust and permissioning required by all forms of social coordination.

CONCLUSION

In The Forms of Capital, Bourdieu states, "The social world is accumulated history," claiming that capital—in all its forms—makes the "game of society" persist throughout time. Accumulated capital grants society continuity, whereby economic activity and social relations in one period depends upon the previous period. In this way, blockchain technology will act as societal memory, storing and promulgating a crypto-economically secure version of history—inclusive of all the activities performed and the digital cultural capital allocated—and thereby facilitating social coordination through consensus. And by giving this symbolic form of capital a more salient existence, tokens will foster its embodiment and construct the basis of individual and group identities. The assurance provided by blockchain technology will shift the focus of public deliberation away from what an individual or group has achieved, empowering DAOs to autonomously assess the value of each achievement. This shift will improve the efficiency of cultural capital allocation, diversify the perceptions of value that advance culture, and drive equal opportunities at digital cultural capital accumulation.

"Capital, which, in its objectified or embodied forms, takes time to accumulate and which, as a potential capacity to produce profits and to reproduce itself in identical or expanded form, contains a tendency to persist in its being, is a force inscribed in the objectivity of things so that everything is not equally possible or impossible."

~Pierre Bourdieu, The Forms of Capital

Therefore—and as a wrap on the series—I assert that the future of DAOs is the communal cultivation of culture. Shorin argues that companies and brands have assumed the primary role of cultivation in modern capitalistic economies—dictating behaviors, preferences, and values. DAOs will continue this trend within the crypto economy, using blockchain technology and digital tokens to replicate and disseminate perceptions of value at a global scale. However, standing in contrast to the controlling, normative origins of culture—whereby States and elites dictated the "right" type
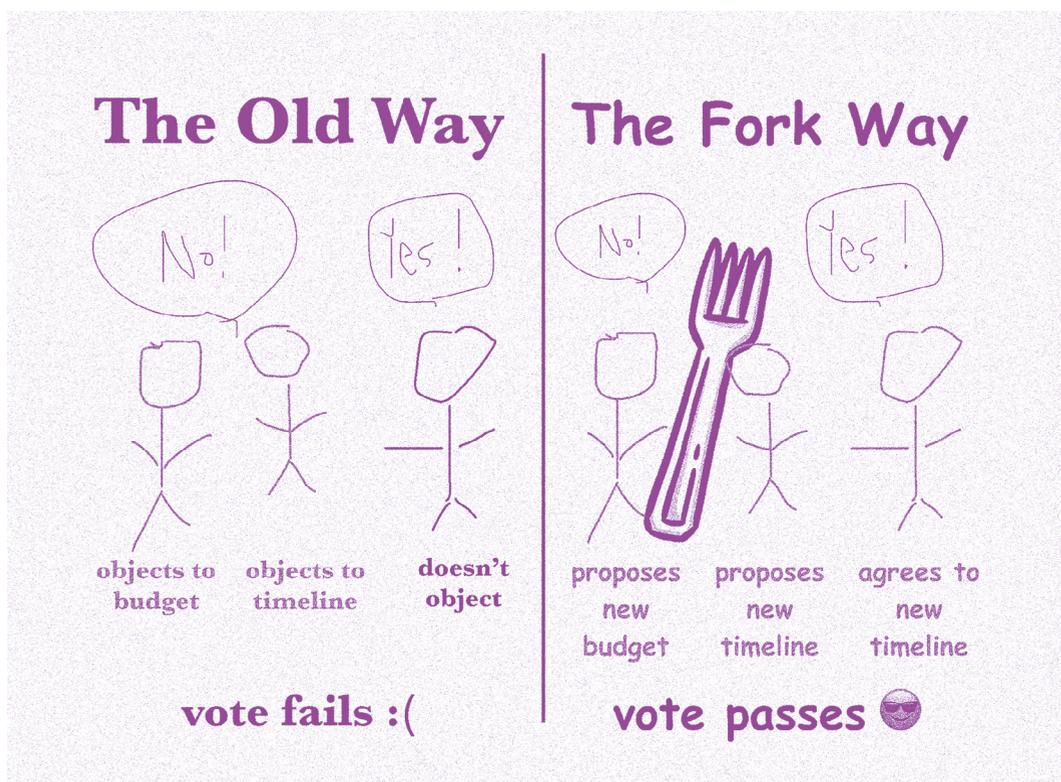

of individual—DAOs will promote bottoms-up, communal culture creation. While the knowledge that engendered Bourdieu's cultural capital was prescribed, DAO participants will be empowered to influence individual perceptions of value. In this way, our digital society will reflect the process by which individuals and communities aggregate their beliefs regarding worth and meaning to advance their collective goals—the process through which social value creation is coordinated.

The crypto economy represents the first time in recorded history that financial markets formed prior to an underlying "productive economy." One of the results of this phenomenon—among others—is the proliferation of the narrative that human beings are completely self-interested and solely responsive to financial incentives. If this perspective persists, humans will continue to be short-term profit-seekers and this technology will have only succeeded in recreating the current system. Crypto will have failed. However, I believe that DAOs represent the way to regain our sociality in crypto, on the internet, and throughout the world.

future

A. 15
GO FORK YOURSELF

The Old Way | The Fork Way

No! objects to budget
Yes! objects to timeline
doesn't object

vote fails :(

No! proposes new budget
proposes new timeline
Yes! agrees to new timeline

vote passes 😎

BY PACKY MCCORMICK, DAVID PHELPS, AND LUCA PROSPERI

In video games, "speedrunning" means completing a video game as fast as possible.

The world record speedrun for Super Mario 64, for example, belongs to the inimitable cheesecheese, who beat the entire game in 1:37:50 while singing and responding to Twitch commenters. Crypto has borrowed the term. It's speedrunning the history of financial markets. It's speedrunning the history of governance. Speedrunning is a catchy analogy, but it's not quite perfect. For one, the best speedrunners play games that they've played thousands of times nearly flawlessly. For another, a speedrun video game ends at the same place that a game played at regular speed does.

What's happening in crypto is different. No one is playing flawlessly. DeFi protocols (and CeFi entities) are doing many of the things that have been done in the financial markets, making many of the same mistakes, and learning many of the same lessons. DAOs are experimenting with the same governance models – from direct democracy to representative democracy, from direct shareholder vote to boards and management – that local and national governments and corporations have tried. They're just doing it really fast, compressing thousands of years of experiments into less than a decade. In a piece by the same name for a16z, Andy Hall and Porter Smith call it Lightspeed Democracy. That gets closer.

But the game shouldn't end there. Just like online advertising started out as a copy-paste of print ads in the form of banner ads and evolved a richer and more sophisticated toolkit than would ever be possible offline, DAO governance can and should move beyond offline models. We think that DAO governance should be more like a biological process run at internet speed: Internet-Native Evolutionary Governance.

The goal shouldn't be to recreate offline governance, online, after a period of trial-and-error. Internet-native organizations can't and shouldn't operate like geographic governments because they don't face the same constraints. Once online governance models evolve past a certain point, they should be both different from and superior to offline ones because of the speed, scale, granularity, programmability, composability, and unboundedness of the internet, and the blockchain.

So what if we flipped the model? What if we viewed the goal of DAO governance not as a way to agree on a limited number of decisions proposed from the top, but as a way to force people to disagree on a whole host of decisions proposed by the community—so that larger groups that are unwieldy to coordinate could continue dividing into smaller, more efficient ones while building value for each other?

The real promise of DAO governance might be forking: using governance to get people to disagree and through the process, discover subcommunities where they're aligned and create their own version of a project. Forking, in that sense, is the ultimate form of decentralization. And it enables governance to become the basis of social graphs where people find others who share their interests so they can pursue those.

In its simplest form, this kind of governance is just a process of decentralized curation to incentivize a community to share and rank its preferences: good governance is just good user research. Through healthy dissent, governance can be used to lead to the formation of subDAOs, and to encourage evolutionary growth in the ecosystem. As non-crypto people know, forking leads to procreation. Viewed through that lens, governance mechanisms might become less defensive – focused less on protecting against hacks that threaten the entire DAO – and more offensive and fun – focused more on governance as a means of entertainment, social discovery, and propagation.

To be clear, there's no one-size-fits-all model for DAO governance, and we're not proposing that every DAO turn on its heels and encourage forking, which should often be a last resort. What we're proposing is something else. Having different types of governance is a strength that lets different groups with different metrics optimize for what's important to them according to their own system. As in nature, biodiversity protects the entire ecosystem.

There are challenges with this model, too, most notably that fragmentation might reduce liquidity, lower talent density, and add complexity.

But if we're experimenting and making mistakes anyway, we should make productive mistakes. We should experiment in a direction that doesn't lead to the same endpoint, and take advantage of new tools and lessened constraints to create new internet-native opportunities. Maybe one day, those new models will circle back and influence the way that humans coordinate offline. Maybe the lines between online and offline will blur to the point that governments and companies adopt new models born through this evolution.

FORKING GOVERNANCE

Forking isn't a new concept in crypto.

The most famous fork, arguably, is Ethereum itself, which was forked into a new blockchain in 2016 to retroactively restore funds to users after The DAO hack. That fork is what we now call Ethereum, and as controversial as it was at the time, it demonstrated a perfect use case for violating the immutability of blockchains to create a better model based on social consensus. Subjectivity, not objectivity, it turns out, was at the basis of functioning governance systems. What, in hindsight, seems a linear incremental evolution was actually an almost-randomic spread of forks where only the fittest for the current environment survived. Forking is a way for nature to maximize the odds. The universe is no maximalist.

The simplest way to understand forking is an internet-native political function that we've never had in traditional states or governments: optionality to start your own online state with its own politics and currency.

Imagine you could opt-in and opt-out of different governmental regimes, and when you disagreed with your government's decisions, you had the option to create your own version—with, of course, all the attendant hassle of trying to build social consensus around your vision. Back in the physical world, this is fairly impractical: to start your own government means managing land, fighting wars, and building social consensus with neighbors in your local bars and clubs.

But online, it's just a matter of copying code and finding anyone else who agrees. And—we'll come back to this point later—good online governance can actually help you find others who agree, maybe outside of your most immediate social circle.

In its own little way, the internet does let us speedrun governments. But it also lets us reduce the inefficiencies of traditional democracies. Forgive us a quick rant.

The popular complaint against democracy, extending from Herodotus to Andrew Sullivan, is that people don't really know what's good for them—we political yokels are not exactly experts, and we're prone to the bickering whims of social media. Indeed, it's all too tempting to look at the current state of America and Europe and conclude that democracy is caught between two terrible poles: violent cultural fracture, as the populace polarizes against each other, or bland committee consensus, in which only the most compromised bills get passed that neuter all

contrarian, visionary proposals to solve pressing problems like climate crisis and health care.

Forking offers a third path. The contrarians might not win, but they can still get allocation from the community, or they can just start their own community dedicated to their goals—and if they're right about their vision, they'll succeed.

Of course, in a traditional company, incentivizing disagreement and splits would be corporate suicide. But in crypto, things can work differently: open-source, permissionless environments let small teams execute quickly by building off the work of others in the space, so small groups can execute efficiently, and just as importantly, value accrues to tokens rather than projects.

Incentivizing communities to fork in order to pursue separate visions of a token can actually help improve the prospects for its value.

HOW FORKING MIGHT WORK

All that forking sounds complicated, though. How might it work? One quick answer is that dissenters should be able to find and communicate with each other on-chain: the ability of on-chain governance to surface correlations among voters, in other words, is arguably more important than the decision itself.

But then what? How do these dissenters fork? Let's look at two types of fork: a governance fork and a proposal fork.

Governance Fork

Imagine a DAO, let's call it DAO X. DAO X performs a certain function (like providing funding or facilitating the exchange of a token for another) and accrues value within its treasury in exchange for its services. The treasury is controlled by the DAO's governance token, let's call it $DAO-X. By voting the token, holders can decide, among other things, how to use the resources available within the treasury. A proposal is now brought forward to governance—e.g. to develop a new swapping product—and two groups battle for Yes and No.

In our one-token-one-vote simple majority system, the winning group would decide what gets implemented and what doesn't. It doesn't matter if the group won the vote with 50.1% vs. 49.9%. The whole DAO has to comply with the results of the vote.
But imagine now a world in which continuous forking is allowed. Now the group losing the vote with 49.9% would instead gain rights over 49.9%

of the value of DAO X's treasury—decisions about what to do or not with this 49.9% would be assigned to a newly minted sub-governance token $DAO-X-LOSERS. The same would happen to those who retain the other 50.1% coordinated by the $DAO-X-WINNER token.

The fork would allow both groups to continue along the journey of protocol evolution they believe in, allocating financial resources that are proportional to the community's approval. Forking would allow for experimentation and evolution, while limiting existential risk for the protocol. The forking process, obviously, could continue into infinity.

This type of forking system would face obvious challenges. Instead of hard-to-win battles for the entire treasury, hackers could wage smaller governance attacks to bite off smaller, but still significant, pieces of the treasury. In other words, a bad actor who controls 10% of a DAO couldn't wage a governance attack to take over the whole treasury in a one-token-one-vote system, but they could run away with 10% of the treasury uncontested in the forking model.

But here's an important thing to keep in mind: people can only vote tokens they control, and the choice may come down to dumping their tokens and leaving altogether, or forking those tokens to do something that has minimal risk, but possible upside, for the core DAO.

Take the Maker case described above. If 10% of the DAO passionately supported climate-positive lending, a group of people who are either passionate or specialists, or both, could fork 10% of the treasury to lend to climate-positive borrowers, and put their full focus on building systems to underwrite exactly that kind of project. In addition to the 10% of the treasury they control and bring with them, they might also attract exogenous capital who value Maker's infrastructure, but would rather focus their dollars on climate-positive lending and not all of the other lending that Maker does. A token swap or fee system could be set up such that the subDAO is backed by Maker's strength, and Maker benefits financially from the upside of potentially riskier loans.

From an investor or participant perspective, such a system would enhance visibility over which forces govern which resources within a DAO, and give them more specific options for their investments. Such an investor/ participant would always have the possibility to expose itself to the value accrued by all offspring, or actually isolate exposure and participation to specific groups, increasing internal uniformity.

But most of the time, it shouldn't need to come to governance forking. DAO members should have the chance to not just vote on proposals, but to propose, tweak, submit, and re-mix them before they come to a binding vote.
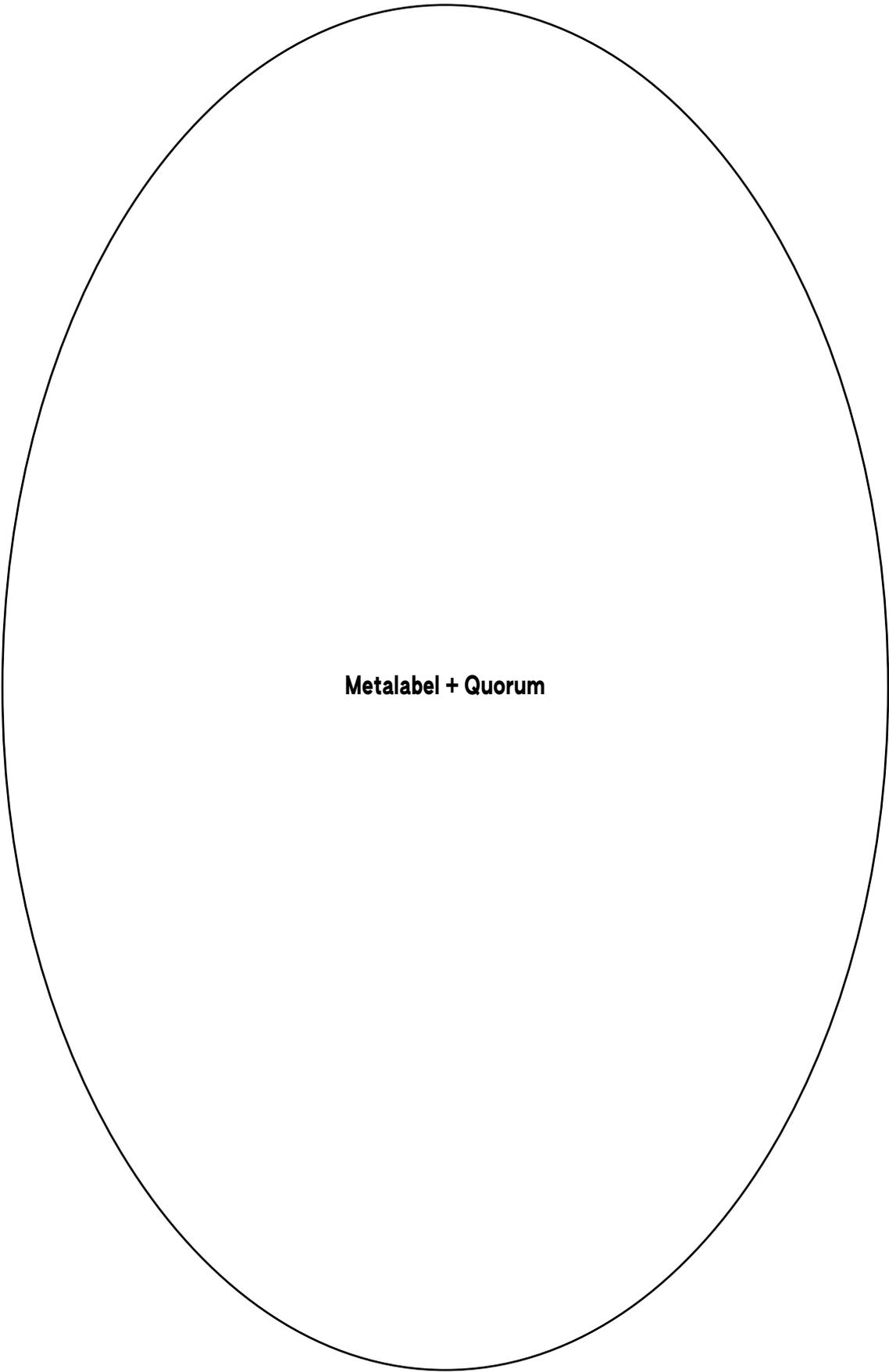
Proposal Fork

Just as significantly, we can imagine a process of proposal forking. Let's say 2/3rds of a group rejects a proposal for different reasons: 1/3 objects to the budget, and another 1/3 objects to the timeline. But what if different parties could submit alternate versions of each other's proposals by changing the details, vote on their favorites, and then put that to a yes-no vote on-chain? Two things would happen.

- First, the community would get a much clearer sense of an ideal implementation of a proposal. Whereas Lido DAO is currently resubmitting various versions of a treasury diversification proposal to a yes-no vote to see which one sticks, they could actually find out what the optimal proposal was if they enabled submissions from their community.

- And second, that 67% that voted no might dwindle to 20% or 30% if there were a more popular version of the proposal to rally around. This process of "proposal forking" would result in far stronger social consensus, not only because parties could actively negotiate with each other to reach shared objectives, but because it would reveal commonalities rather than differences among the community. Not only would the proposal pass, but the community would likely be happier as a result.

All of this is possible on a governance platform like jokedao, and it's simply the effect of incorporating community feedback into the process of governance itself. When people can express their own insights, they optimize for the best insights to win. In some sense, this is what happens for applications building on certain blockchains. We are already living in a world of continuous governance forking—we need only to fully embrace this reality. A mechanism of continuous forking can maximize specialization of work, increase chances of financial survival, and maximize sense of belonging by progressively widening behavioral distance among sub-groups, while maintaining shared vision over the greater plans.

Whatever the implementation, forking offers a new way to think about governance on, of, and for the internet.

Metalabel + Quorum