DAOs and the Future of Humanity

For most of history, humanity has struggled against the environment it inhabits to carve out a better existence for itself. Each new discovery and its technological applications have allowed individuals to push the limits of their environment a little more: travel further, spread their ideas to more people, work farther from home. These little changes in the limitations of individual existence in turn gave rise to monumental socioeconomic transformations.

But most of this progress has been gradual and evolutionary. We have only pushed at the boundaries of our environment, but never entirely negated or reshaped them. This has meant that change has arguably been predictable to a certain degree. Gunpowder may have allowed the exercise of force to an unprecedented degree, but that degree was still within the bounds of understandable possibility. The empire may have conquered and subjugated further than ever before, but its very expansion contained within it the seeds for its collapse. Tyrannical governments may have sought to dominate and control their populace without inhibition, but inhibited they remained by the logistical, bureaucratic, and economic constraints that limit such ambition/scale-of-state-machinery. However, the incredible pace of technological progress and the specific nature of its most important fruits in the last few decades has brought us to an inflection point in history. The Internet, machine learning and artificial intelligence, the blockchain and others in this basket collectively have the power to negate and transform the very limits of our individual existence. And with this transformation, the realm of utopian or dystopian futures is within practical grasp.

Traditional centralized modes of cooperation and capital allocation cannot be allowed to shape this infrastructure layer for the future. Blockchain and cryptocurrencies can allow us to build a trustless decentralized infrastructure layer for society, where the direction of our social development can be shaped by those who have most to gain or lose from it: the people themselves. However, until recently the technological primitives needed for the construction of this decentralized infrastructure still lacked the most critical component: governance. The advent of DAOs has the potential to fill this last remaining piece.

However, an overview of the DAO landscape shows that the potential for decentralized governance using DAOs remains troublingly unfulfilled. While there has been an explosion of DAO organizations, the traditional DAO model remains ineffective. Most organizations that brand themselves as DAOs leave much of the mediums potential unutilized. Several troubling patterns can be observed:

1) While most use the common pattern of a token managed treasury, actual participation in the governance process is extremely lacking. Even the largest and most well distributed DAOs rarely see participation approaching even a fraction of traditional real-world elections. Case in point being the ENS DAO where many of the largest delegates have below 50% participation rates, even though the DAO is quite conservative on new governance initiatives and has had very few, but very significant, proposals voted on.

2) Often general directional questions are put to vote, but the operational details of how things are to be conducted or even the deliberation process for what options are considered is opaque and lacking participation. In the absence of effective utilization of decentralized governance processes, actual operational control and oversight is often even more centralized than was the case in traditional organizations.

3) Often DAO branding is adopted simply as a marketing gimmick. Given the massive recent hype for the DAO concept, the return on investment in marketing as a DAO far outweighs

the possible competitive advantages in terms of sustainability, talent/profit generation and efficiency that a proper investment in trying to utilize the medium could give.

4) Even where the DAO team wishes to properly utilize decentralized governance, the tooling for fully decentralizing operational governance is critically lacking. Current tooling only supports simplistic yes/no decision making. There is hardly any tooling that successfully (if at all) navigates the tradeoff between participation and complex decision making.

However, if DAOs are to survive long-term and if the promise of the decentralized decision making is to be realized, these issues must be resolved. In the long run the hype cycle will die down, and only DAOs that offer real competitive advantages over centralized traditional organization structures will survive. Further, the crypto industry, and DAOs in particular, threaten the status quo political and social organizations, and therefore these status quo institutions will be pressured to limit the existence of DAOs as much possible. When that point is reached DAOs must have a proven track record of offering real and tangible competitive advantages over traditional organizations to be allowed to exist.

In order to understand how we may structure better governance primitives we have to identify what competitive advantages DAOs could possibly have. We may then try to formulate how a DAO's governance, tokenomics, coordination structures etc. can be structured to capture the highest degree of this available value.

One key thing to understand here is that not all DAOs will be structured the same. Each structural design decision carries within itself certain tradeoffs e.g. consensus thresholds vs ability to quickly respond to market, governance complexity vs participation, ease-of-participation vs quality of participation etc.Therefore, just as different organizational structures in the traditional economy are suitable for different market segments/environments, archetypes will emerge for different near-optimal DAO structures for different market segments, types, goals etc. Already this can be seen in the different DAO types emerging e.g., Service DAOs, Investment DAOs, Protocol DAOs, Social DAOs, Meta DAOs etc. This evolution of optimal Dao archetypes is critical for the ecosystem's maturation into a space that can out-compete traditional structures.