

A detailed, high-contrast black and white illustration of a hand holding a globe. The hand is rendered with intricate, almost etched patterns, giving it a mechanical or organic appearance. The globe is a simple wireframe model. The background is a dark, textured surface with a grid of fine, curved lines that create a sense of depth and perspective.

Delegating Decentralization: The Evolution of DAO Governance

Teije Hidde Donker, August 2025

DAO*

Executive Summary

This report answers two related questions: *What are recent developments in on-chain governance* and *what makes on-chain governance unique?* It covers developments between May '24 and May '25 and identifies the following cross-cutting themes:

- A professionalisation of governance; delegating executive tasks to specialised governance bodies.
- Reforming stakeholder relations; implementing checks and balances or incentivising community alignment.
- Implementing frameworks for cross-chain governance.
- Addressing declining voter participation.

These cross-cutting themes highlight three unique properties of on-chain governance:

- The institutional legacy of decentralisation and autonomy as political ideal.
- Having stakeholders as the foundational unit of political communities, not citizens.
- Having blockchains as primary political actors, not states.

The report emphasizes that understanding power dynamics in on-chain organizations requires a broad perspective, going beyond the specific characteristics of community governance in a typical 'DAO'.

About the Author

Teije Hidde Donker (7Cedars) is currently developing a first of its kind, role based governance protocol that allows for the separation of powers between stakeholders within DAOs (powers-protocol.vercel.app). Previously, as a political sociologist, he researched Islamist governance initiatives during the Syrian civil war and Tunisian transition and was a lecturer in sociology at the University of Cambridge.

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Abbreviations

AAEs: Arbitrum Aligned Entities
AI: Artificial Intelligence
API: Application Programming Interface
ARFC: Aave Request for Comment
AUM: Assets Under Management
DAO: Decentralized Autonomous Organization
ENS: Ethereum Name Service
EVM: Ethereum Virtual Machine
GCP: Gaming Catalyst Program
LDO: Lido DAO Token
MIP: Moonwell Improvement Proposal
mETH: Mantle Staked ETH
MNT: Mantle Token
Multisig: Multi-signature
OBRA: Outcomes-Based Resource Allocation

OAT: Oversight and Transparency Committee
OpCo: Operational Coordination Body
OP: Optimism
RFC: Request for Comment
SEP: SafeDAO Enhancement Proposal
SOS: Strategic Objective Settings
stETH: Liquid Staking Token for ETH
TAB: Technical Advisory Board
UAC: Uniswap Accountability Committee
UGP: Uniswap Grants Program
UNI: Uniswap Token

1. Introduction

On-chain governance has been an important area of innovation in the blockchain space since Ethereum's inception as the first programmable distributed ledger about a decade ago.¹ As a programmable blockchain, Ethereum enables the creation of on-chain contracts which, in turn, led to the emergence of Decentralized Autonomous Organizations (DAOs), or on-chain entities governed by trustless smart contracts. DAOs operate independently of centralized state institutions, objectively representing the interests of their community members.²

Blockchains ushered in a new era of governance, with DAOs controlling substantial assets and demonstrating undeniable real-world impact. Thousands of DAOs currently collectively manage over sixteen billion dollars, with thousands of members participating in proposal voting.³

For the purposes of this report, I use a pre-existing definition of **DAO** and the broader term **on-chain organisation**.

Decentralised Autonomous Organisation: A DAO is a blockchain-based system that enables people to coordinate and govern themselves mediated by a set of self-executing rules deployed on a public blockchain, and whose governance is decentralised (i.e., independent from central control).⁴

On-chain organisation: An on-chain organisation is a blockchain-based system that enables people to coordinate and govern themselves mediated by a set of rules deployed on a public blockchain.

It is important to qualify the above description of DAOs. The degree to which these organizations are truly autonomous or decentralised is debatable. DAO autonomy relies on the assumption that their smart contracts can operate free from external interference. This assumption is difficult to maintain in practice: human developers write buggy code that

¹ Vitalik Buterin, "Ethereum Whitepaper," Ethereum.Org, 2014, <https://ethereum.org/en/whitepaper/>.

² Samer Hassan and Primavera De Filippi, "Decentralized Autonomous Organization," *Internet Policy Review* 10, no. 2 (2021), <https://doi.org/10.14763/2021.2.1556>; Buterin, "Ethereum Whitepaper."

³ DeepDAO, "Organizations," Deepdao.io, June 2025, <https://deepdao.io/organizations>.

⁴ As defined by Hassan and De Filippi, "Decentralized Autonomous Organization."

needs upgrades after being deployed,⁵ DAOs adjust to external regulatory pressures,⁶ and large token holders influence decision-making based on their personal interests.⁷ Autonomy is challenging to defend when it can only exist in a world without fallible developers, legacy systems, or human interaction.

Also the extent of decentralization in these systems is debatable. While smart contracts are intended to eliminate the need for centralized entities like banks or states, these institutions are merely one way through which communities centralise. Economic disparities, for instance, represent a centralization around capital accumulation. Social capital reflects one's centralized or peripheral standing within a network of social interactions. In addition, deep understanding of a community or organization often translates into disproportionate influence over decision-making.⁸

Contrary to their decentralized ideal, DAOs often exhibit a surprising degree of centralization in practice. The prevailing governance model, which links voting power to token holdings, directly translates economic inequality into political centralization. This system grants a small cadre of large token holders disproportionate influence over DAO decisions. For instance, the Gini coefficients for token distribution at Arbitrum and Uniswap both exceed 0.95, signaling extreme disparities in token ownership. In 1-token-1-vote governance systems, such economic inequality directly correlates to a centralization of decision-making power.⁹ In addition, those with intimate knowledge of a community tend to wield outsize influence in its governance processes, as do those with technical knowledge of core protocols.¹⁰ It appears that in their quest to escape the strictures of centralized institutions, many blockchain communities have inadvertently stumbled into a "tyranny of structurelessness."¹¹

⁵ Yue Liu et al., "A Systematic Literature Review on Blockchain Governance," *Journal of Systems and Software* 197 (March 2023): 111576, <https://doi.org/10.1016/j.jss.2022.111576>; David Siegel, "Understanding The DAO Attack," Coindesk.Com, January 13, 2023, <https://www.coindesk.com/learn/understanding-the-dao-attack>; Nathan Schneider, "Cryptoeconomics as a Limitation on Governance," 2022, <https://web3.lifeitself.us/notes/schneider-2022-cryptoeconomics-limitation-governance>.

⁶ DAOstar, *The State of DAOs in Singapore* (2024), <https://daostar.org/reports/singapore.pdf>; UK Law Commission, *Digital Assets: Final Report* (London, UK, 2023), https://webarchive.nationalarchives.gov.uk/ukgwa/20250109172211mp_/https://s3-eu-west-2.amazonaws.com/cloud-platform-e218f50a4812967ba1215eaecede923f/uploads/sites/30/2023/06/Final-digital-assets-report-FOR-WEBSITE-2.pdf; DAOstar, *The State of DAOs in Japan* (2024), <https://daostar.org/reports/japan.pdf>; DAOstar, *The State of DAOs in Korea* (2024), https://daostar.org/reports/korea_english.pdf.

⁷ DAOstar, *The State of DAO Security* (2024), <https://daostar.org/reports/security.pdf>.

⁸ Jo Freeman, "The Tyranny of Structurelessness," *Berkeley Journal of Sociology* 17 (73 1972): 151–64.

⁹ 7Cedars, "Why Talk about Decentralisation?," *Www.Mirror.Xyz/7cedars.Eth*, July 4, 2024, https://mirror.xyz/7cedars.eth/f2GQZRFhOL2u52zwJc-rBQKZ1dLYNGJGvS517g_JyfU.

¹⁰ Junjie Ma et al., "Demystifying the DAO Governance Process," accessed July 3, 2025, <https://arxiv.org/html/2403.11758v1>; Jun-Hao Chen et al., "Intelligent Decentralized Governance: A Case Study of KlimaDAO Decision-Making," *Electronics* 14, no. 12 (2025): 12, <https://doi.org/10.3390/electronics14122462>.

¹¹ Freeman, "The Tyranny of Structurelessness."

Taking these caveats into consideration, it is more apt to place the significance of DAOs not in their concrete implementations, but in their underlying ambition. They represent an attempt to forge novel political and governance structures, leveraging public distributed ledgers as the foundation on which they are created. As such, the key question is not if on-chain organisations are autonomous or decentralised, but if and how being on-chain fostered new forms of governance.

Politics and governance are highly contested terms, and their very definition can be considered a political act. This report adopts classic, distribution-focused definitions of both politics and governance, as these align closely with the discourse observed in on-chain communities.

Politics: Following Harold Lasswell, we can define politics as “who gets what, when, and how”. Following this definition, politics is rooted in the reality of scarcity and differing preferences. It is a struggle over the distribution of valued things in society, either resources, status, or rights.¹²

Governance: “The use of institutions, structures of authority and collaboration to allocate resources and coordinate or control activity in society or the economy”.¹³

At its most general, this report explores how being on-chain fostered new forms of governance among blockchain-based organisations. More specifically, it maps governance initiatives among the largest on-chain organisations, identifies cross-cutting themes among these initiatives and discusses what they indicate for the uniqueness of on-chain governance today.

2. Research Question and Relevance

The two questions that this report answers are *What are recent developments in on-chain governance* and *what makes on-chain governance unique?*

The report focuses on the period between May 2024 and May 2025 and on the largest twenty DAOs that are active on chains compatible with the Ethereum Virtual Machine (EVM). These include layer-2 solutions such as Arbitrum and Optimism, but exclude non-EVM compatible chains such as Solana. The size of DAOs is defined by how active their governance processes are and the amount of assets the DAO controls.

Answers to this question are relevant to debates about on-chain governance in two ways. First, they provide an update about current practices in on-chain governance. Public distributed ledgers have been around for about a decade, giving organisations enough time to mature and gain governance experience. Many self-proclaimed DAOs are finding

¹² Harold D. Lasswell, *Politics: Who Gets What, When, How* (Pickle Partners Publishing, 2018).

¹³ Stephen Bell, *Economic Governance and Institutional Dynamics* (Oxford University Press, 2002), <https://espace.library.uq.edu.au/view/UQ:94197>.

themselves at a point of self-reflection, realising the limitations of their initial governance approaches, pushing them to try out new approaches. The result is a constant evolution that creates the need for observing changes in on-chain governance.

Existing literature highlights several challenges that on-chain organisations face.

- **Concentration of power.** Often referred to as plutocracy, where a small number of large token holders wield significant control over decision-making. This issue is frequently quantified by the Gini coefficient, which consistently reveals high levels of inequality in (delegated) governance token distributions across on-chain organizations.¹⁴
- **Security risks.** The frequent occurrence of code and governance exploits has led to a continuous focus on security in these discussions. This emphasis manifests in two ways: a focus on the necessity of code audits and bounty programs, and a focus on the need for security councils.¹⁵
- **Inefficiency and lack of strategy:** Community-wide voting on every proposal resulted in slow governance processes. It also makes it difficult to direct efforts toward a specific common strategy, as genuine signals are often lost amidst contentious debates.
- **Difficulties with External Interaction:** Communities without a central point of contact face difficulties when interacting with traditional companies and regulatory bodies.¹⁶
- **Declining participation rates.** This decline is often attributed to the complexity of decision-making and voter fatigue.¹⁷

In response to these challenges many, if not all, of the largest on-chain organisations established security councils, often composed of carefully selected community members, to prevent the unintentional execution of harmful proposals. Several DAOs formed executive arms to manage day-to-day duties, such as evaluating and funding grant proposals.¹⁸ Additionally, some created formally registered foundations to serve as legal representation

¹⁴ Colony, “DAO Governance Challenges: From Scalability to Security,” Colony Blog, May 10, 2024, <https://blog.colony.io/challenges-in-dao-governance>; Silvio Meneguzzo et al., “Evaluating DAO Sustainability and Longevity Through On-Chain Governance Metrics,” arXiv:2504.11341, preprint, arXiv, April 24, 2025, <https://doi.org/10.48550/arXiv.2504.11341>; Ginger Cheung, “Issues and Reflections on DAO: Governance Challenges and Solutions,” AIFT, November 14, 2024, <https://hkaift.com/issues-and-reflections-on-dao-governance-challenges-and-solutions/>; Junjie Ma et al., “Demystifying the DAO Governance Process.”

¹⁵ DAOstar, *The State of DAO Security*; Cristiano Bellavitis et al., “The Rise of Decentralized Autonomous Organizations (DAOs): A First Empirical Glimpse,” *Venture Capital* 25, no. 2 (2023): 187–203, <https://doi.org/10.1080/13691066.2022.2116797>.

¹⁶ Bellavitis et al., “The Rise of Decentralized Autonomous Organizations (DAOs)”; Michael Lustenberger et al., “DAO Research Trends: Reflections and Learnings from the First European DAO Workshop (DAWO),” *Applied Sciences* 15, no. 7 (2025): 7, <https://doi.org/10.3390/app15073491>; Jungsuk Han et al., “A Review of DAO Governance: Recent Literature and Emerging Trends,” *Journal of Corporate Finance* 91 (April 2025): 102734, <https://doi.org/10.1016/j.jcorpfin.2025.102734>; Joshua Z. Tan et al., “Open Problems in DAOs,” arXiv:2310.19201, preprint, arXiv, October 29, 2023, <https://doi.org/10.48550/arXiv.2310.19201>.

¹⁷ Tanusree Sharma et al., “Future of Algorithmic Organization: Large-Scale Analysis of Decentralized Autonomous Organizations (DAOs),” arXiv:2410.13095, preprint, arXiv, October 16, 2024, <https://doi.org/10.48550/arXiv.2410.13095>; Lukas Weidener et al., “Delegated Voting in Decentralized Autonomous Organizations: A Scoping Review,” *Frontiers in Blockchain* 8 (June 2025), <https://doi.org/10.3389/fbloc.2025.1598283>.

¹⁸ Three examples are the Ethereum Name Service’s executive working groups, Optimism’s grant council, and Safe DAO’s Safe Grants Program.

for their on-chain communities.¹⁹ Various DAOs also set up specialized committees and/or working groups. These committees comprised experts in specific areas (e.g., coding, finance) and offered community members specialized knowledge when required.²⁰ It meant a variety of governance bodies emerged around these organisations.

This report adds to publications that investigate this evolving landscape of DAOs governance. It identifies several cross-cutting themes among recent governance reforms and experiments within on-chain organizations between May 2024 and May 2025. In doing so, it provides an update about current prevailing practices in on-chain governance.

Second, the report adds to discussions about the unique properties public distributed ledgers provide to governance. It builds on the concrete insights from day-to-day challenges faced by on-chain organizations and the practical solutions they have implemented, to gain an understanding of how public distributed ledgers shape new types of governance. These insights extend beyond blockchains, and specific type of voting mechanisms,²¹ enriching broader governance discussions.

Numerous reports and books have explored the unique governance enabled by public distributed ledgers. Balaji Srinivasan's *The Network State*, a prominent example, posits that blockchains facilitate the emergence of geographically decentralized communities with strong shared values, collective action, group consciousness, and diplomatic recognition.²² Another is Audrey Tang and Glen Weyl's *Plurality*, which advocates for a future where technology and democracy are mutually reinforcing, underpinned by digital human rights such as secure identities, open payments, and peer-to-peer reputation systems—all implementable through public distributed ledger technology.²³

While these contributions offer valuable political visions, they are often rather light in the extent that they build on actual on-chain governance practices. Fortunately, after a decade of on-chain governance development, reports on these experiences are emerging. For instance, several reports by DAO* examine the concrete experiences of DAOs in Singapore, Taiwan, Japan, and Korea. These highlight the often ambiguous reality of decentralization in practice and the unique regional challenges of implementing new governance forms.²⁴ This report takes an empirically grounded approach to think about the concrete innovations public distributed ledgers bring to governance.

¹⁹ The Optimism and Arbitrum foundation are two prominent examples.

²⁰ Aave, for instance, has a specialised Finance Committee and depends on external service providers (such as Chaos Labs and LlamaRisk) for financial risk assessments; Mantle DAO has the Mantle Economics Committee.

²¹ Weidener et al., "Delegated Voting in Decentralized Autonomous Organizations."

²² Balaji Srinivasan, "The Network State: How to Start a New Country," <https://thenetworkstate.com>, 2025, <https://thenetworkstate.com>.

²³ E Glen Weyl and Audrey Tang, "Plurality: Technology for Collaborative Diversity and Democracy," RadicalxChange, September 15, 2022, <https://www.radicalxchange.org/media/blog/plurality-technology-for-collaborative-diversity-and-democracy/>.

²⁴ DAOstar, *The State of DAOs in Singapore*; DAOstar, *The State of DAOs in Korea*; DAOstar, *The State of DAOs in Taiwan* (2024), https://daostar.org/reports/taiwan_english.pdf; DAOstar, *The State of DAOs in Japan*.

In short, this report is relevant to anyone working on DAO governance, or on-chain governance more generally, and that is interested in the latest governance developments and what they imply for the ways in which public distributed ledgers foster new types of governance.

3. Methods

The report builds on a mapping of governance activity and asset size among on-chain organizations. It results in a ranking of organizations based on their number of voters and assets between May 2024 and May 2025. Data was fetched from Boardroom.io's APIs, a website that aggregates on-chain governance votes, covering all 386 DAOs in their database and, subsequently, 45,779 proposals from these DAOs.²⁵ These results were cross-referenced and assessed using APIs from tally.xyz and snapshot.box, both governance platforms providers.²⁶ Additionally, data from deepDAO was used to assess assets held by the top fifty organizations,²⁷ with CoinGecko and Etherscan APIs used for cross-checking deepDAO's data.²⁸ The ultimate outcome was a ranking of organizations by governance activity and asset size.

In addition, the project draws on an extensive analysis of publicly available sources, including blog and forum posts, on- and off-chain votes, and websites, to gather insights into governance developments among top on-chain organizations. Over a thousand sources were analyzed.²⁹ Due to the scope of the research, it was not feasible to personally assess all these sources. Therefore, AI was used extensively. It used research reports on governance developments for each of the top twenty DAOs from Google Gemini's deep research functionality. Google's NotebookLM then assisted in identifying cross-cutting themes and assessing the sources and analysis from each individual research report. During this process, organizational flowcharts of selected organizations were created to visualize changes in governance structures. One of these flow charts can be viewed in the section on Uniswap further below.

4. The State of DAOs

The DAO ranking findings, presented in Figure 4.1, illustrate the number of voters between May 2024 and May 2025, ordered from highest to lowest. From all the DAOs fetched from boardroom.io, ArbitrumDAO recorded the highest voter activity with 1,346,093 unique votes on its proposals during the year under consideration. The distribution of voter activity across

²⁵ See <https://docs.boardroom.io/docs/api/cd5e0c8aa2bc1-overview>

²⁶ See <https://apidocs.tally.xyz/> and <https://docs.snapshot.box/tools/api>. The data from these two APIs is dependent on the information that DAOs provide. As a result, data on DAOs was often incomplete and so was the cross-referencing.

²⁷ See <https://deepdao.io/>

²⁸ See <https://docs.coingecko.com/reference/introduction> and <https://docs.etherscan.io/>

²⁹ On average around 45 sources were used per organisation, coming in at more than 1,200 documents in total.

these organizations is highly unequal. Despite the use of a log-scale on the vertical axis, the disparity in activity among the top dozen organizations still shows as an almost vertical line.

Governance activity varies greatly among these organizations. Optimism led with 242,986 unique voters, followed by Magic Square (124,828), MetisDAO (92,441), ZKSync (71,059), and Aave (68,960). In contrast,

organizations at position fifty or lower had fewer than a thousand unique votes. From position 190 onwards, no governance voting activity was publicly registered. (It is important to note that this doesn't preclude the existence of governance actions; they might simply not have been recorded in a publicly accessible source.)

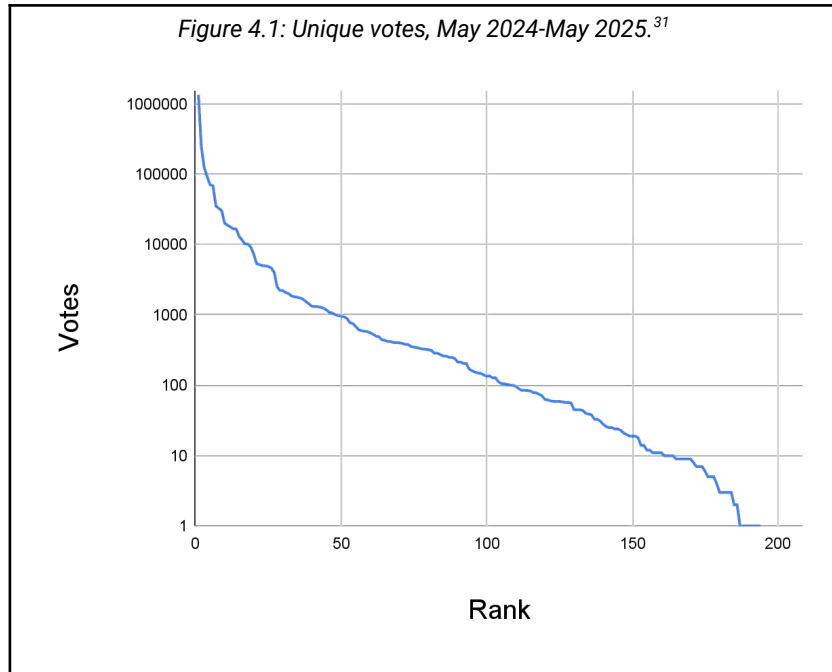
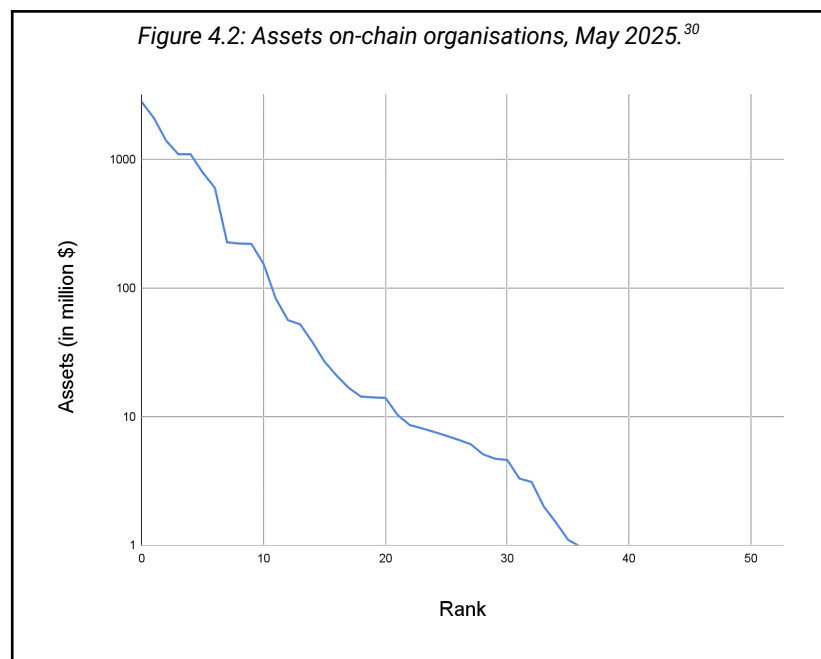


Figure 4.2 illustrates the asset distribution among the fifty most active on-chain organizations, ranked by asset size. Similar to previous observations, this graph highlights a significant disparity between organizations. A dozen organizations at the lower end report no publicly listed assets at all. Conversely, Uniswap leads with \$2.8 billion in assets, followed by Mantle at \$2.1 billion. The Ethereum Name Service holds \$1.4 billion, while Arbitrum and Optimism each possess \$1.1 billion. Gnosis rounds out the top tier with \$793 million. Collectively, these fifty organizations account for approximately \$11 billion of the \$16 billion in total assets listed on DeepDAO,



³⁰ As per data from boardroom.io. Please note, that these are the sum of unique voters *per proposals*. Voters that voted on multiple proposals are counted for each proposal they voted on.

³¹ Data from <https://deepdao.io/>, accessed 24 June 2025.

representing about seventy percent of the total assets held by DAOs on-chain.³²

Using this data, the project identified the top fifty organizations based on their governance activity. These organizations were then ranked by the volume of their assets. The top twenty organizations are presented in Table 4.1, with the complete list available in Appendix A.

Table 4.1: Top 20 DAOs by last year's governance activity and May 2025 assets.

Organisation	Categories	Proposals	Voters	Assets (in million \$)
Uniswap	Defi	67	18892	2800
Mantle	Investment; Protocol	3	4673	2100
ENS	Social	42	5020	1400
Arbitrum	Layer-2	175	1346093	1100
Optimism	Layer-2	68	242986	1100
Gnosis	Social	22	2234	793
Maker DAO	Defi; Protocol	160	1784	602
Aave	Investment	438	68960	227.3
Lido DAO	Investment	67	7309	222
SafeDAO	Protocol	29	4889	221
CoW Swap	Defi; Protocol	25	2531	154
Decentraland	Gaming	249	10192	82.8
Compound	Protocol	156	4062	56.3
Morpho	Defi; Protocol	53	1538	52.3
Synthetix	Protocol	186	1251	38.1
Convex Finance	Defi	553	13073	26.8
Galxe	Gaming	7	16648	20.8
Sperax DAO	Protocol	9	1085	16.7
Frax Finance	Defi	79	1178	14.3
Gearbox DAO	Defi; Protocol	106	2233	14.1

5. Themes in On-chain Governance

Several cross cutting themes emerge among governance changes in these organisations. These changes can be categorised along four broader themes: professionalisation and specialisation of governance, managing stakeholder relations, creating multi-chain governance and various initiatives to address voter apathy.

Professionalising and Specialising governance

During the period under consideration, several organisations further delegated tasks to specialised executive governance bodies. One way through which this happened was **the creation of new dedicated operational arms and foundations**. The following are some examples:

- In late 2024, discussions began within the Decentraland DAO regarding the necessity of restructuring its operational framework. This was driven by concerns over inefficiency,

³² See <https://deepdao.io/>, accessed 24 June 2025.

slow decision-making, security vulnerabilities, and a lack of cohesive long-term vision.³³ As a result, early 2025 saw the establishment of a new executive arm. Its responsibilities include developing and executing long-term strategies and annual budgets, overseeing community grants, and managing key strategic initiatives.³⁴ Concurrently, a DAO Council was created to oversee this new executive arm, approve annual strategies and budgets, and ensure alignment with the DAO's mission. Token holders retain indirect accountability over the executive arm through their power to elect council members.³⁵

- In March 2025, CoW DAO established a four-entity legal framework consisting of a Cayman Islands Foundation and three British Virgin Islands companies. Incorporating CoW DAO as a formal legal structure provided a legal wrapper for the DAO. CoW DAO retained power to make strategic decisions and the appointment of new directors for these new entities. It does mean that executive actions shift to the foundation and companies. The change also introduced several new (legal) service providers to the organisations that are necessary to manage these new legal entities.³⁶
- In April 2025, the Arbitrum Foundation released *A Vision for the Future of Arbitrum*, identifying several challenges stemming from the March 2023 transfer of executive authority to ArbitrumDAO. These issues included operational inefficiencies, unclear stakeholder responsibilities, fragmented initiatives, and accountability gaps.³⁷ To address these challenges it proposes to select a group of so-called Arbitrum Aligned Entities (AAEs) that will make all strategic, discretionary, and operational decisions. The Arbitrum DAO will retain the power to approve or deny AAEs, granting them the authority, funds, and mandate for specific initiatives. Initially, five AAEs have been selected: the Arbitrum Foundation, Offchain Labs, the Gaming Catalyst Program (GCP), Entropy Advisors, and the Operational Coordination Body (OpCo). Additionally, the initiative proposes the establishment of OpCo and an Oversight and Transparency Committee (OAT). The OpCo will serve as the DAO's central operational hub, responsible for project management, protocol negotiations, and the onboarding and oversight of new AAEs. The OAT will

³³ Decentraland DAO, "Should we restructure the way our DAO operates?," Decentraland, September 17, 2024,

<https://decentraland.org/governance/proposal/?id=1aee1cf5-52b6-4008-a729-15466c693e65>.

³⁴ Decentraland DAO, "Establishing an Executive Arm to improve DAO Operations," Decentraland, October 7, 2024,

<https://decentraland.org/governance/proposal/?id=f3e13a1f-9585-4e81-a197-d4581c3b7424>.

³⁵ Decentraland DAO, "Proposal for Establishing a Council for Decentraland DAO," Decentraland, October 31, 2024,

<https://decentraland.org/governance/proposal/?id=3a499895-35c7-45fe-ac9e-918e3248fc7b>.

³⁶ CoW DAO, "CIP-64: Incorporation of a legal structure for CoW DAO," Snapshot.Box/#/s:Cow.Eth, March 7, 2025,

<https://snapshot.box/#/s:cow.eth/proposal/0x7bdf94cd8688a9baed7df2599ede5aaca6d931353d2765bb71519d97e478db80>; Cow DAO, "CIP-64: Incorporation of a legal structure for CoW DAO - Governance," CoW DAO, February 27, 2025,

<https://forum.cow.fi/t/cip-64-incorporation-of-a-legal-structure-for-cow-dao/2861>.

³⁷ Arbitrum, "A Vision for the Future of Arbitrum - Announcements," April 9, 2025,

<https://forum.arbitrum.foundation/t/a-vision-for-the-future-of-arbitrum/28962>. This followed a discussions around Strategic Objective Settings started by Entropy Advisors, a large delegate, in February 2025. See Entropy Advisors, "Strategic Objective Settings (SOS) - Initiation Announcement," Arbitrum, February 10, 2025,

<https://forum.arbitrum.foundation/t/sos-initiation-announcement-feb-25/28400>.

ensure OpCo's accountability, with its members directly elected by the DAO.³⁸ In essence, executive power is being transferred from DAO delegates to a limited number of preselected Arbitrum Aligned Entities, with OpCo as additional governance layer between the DAO and these new executive bodies.

- In May 2025, at Compound, the creation of a Foundation was proposed. The primary responsibilities of this Compound Foundation will include providing operational oversight, defining and leading product strategy, coordinating ecosystem participants, and representing the protocol externally. Essentially, it will handle most executive functions within the organization, while the Compound DAO will retain authority over significant protocol upgrades and grants. Crucially, the foundation will operate as an independent entity, with the DAO exercising minimal to no control over its executive decisions.³⁹

Across on-chain organizations, executive power is increasingly shifting away from token-holding communities as tasks are delegated to newly established executive entities. It is not an isolated trend; similar changes have been implemented in other DAOs over recent years, demonstrating the growing entrenchment of delegating tasks to specialized executive governance bodies.

Another way through which organisations delegate tasks to specialised executive governance bodies was to **create specialised working groups and committees**. There are many examples of such changes during the period under consideration here, below are several examples.

- In May 2025, the SafeDAO community decisively approved a new committee and council structure to manage Safe's Outcomes-Based Resource Allocation (OBRA) grants framework.⁴⁰ This initial setup will feature a Steering Committee and a Grants Council. The Grants Council will primarily be responsible for evaluating grant applications. The Steering Committee's duties will include establishing and overseeing the Grants Council, proposing and modifying governance strategies, and resolving conflicts. This restructuring aims to enhance the efficiency and expertise in the allocation of grants.⁴¹
- In March 2025, Aave established the Aave Finance Committee as part of the broader AAVEnomics upgrades. Its purpose is to manage the Aave DAO's treasury and financial operations, which includes setting liquidity targets for the Umbrella Safety Module, overseeing budgets for safety and growth initiatives, and managing the AAVE token

³⁸ Arbitrum, "A Vision for the Future of Arbitrum - Announcements." See also Arbitrum, "A Vision for the Future of Arbitrum #35," April 29, 2025, <https://forum.arbitrum.foundation/t/a-vision-for-the-future-of-arbitrum/28962/35>.

³⁹ Compound Foundation, "Proposal to Create the Compound Foundation - Protocol Development," Compound Community Forum, May 16, 2025, <https://www.comp.xyz/t/proposal-to-create-the-compound-foundation/6777>.

⁴⁰ DAOplomats, "SEP 49: Introduction of Committee and Council structure within Outcomes-based resource allocation framework (OBRA)," Snapshot.Box/#/s:Safe.Eth, December 12, 2024, <https://snapshot.box/#/s:safe.eth/proposal/0x9119f440e4131e620ea389ef25098be6fd204264b407f2fb5bcb52bc92f1b8fc>.

⁴¹ amanwithwings, "SEP 49: Introduction of Committee and Council structure within Outcomes-based resource allocation framework (OBRA) - Proposals / Phase 2: Voting," Safe Community Forum, December 2, 2024, <https://forum.safe.global/t/sep-49-introduction-of-committee-and-council-structure-within-outcomes-based-resource-allocation-framework-obra/6026>.

buyback program. The committee comprises key Aave DAO service providers—Chaos Labs, Tokenlogic, Llamark, and the Aave Chan Initiative—contributing expertise in management, growth strategy, or treasury operations.⁴²

- In early 2025, Thomas Clowes, a delegate at the ENS DAO, proposed the formation of a Technical Review Committee. This committee would be responsible for evaluating proposals and determining which service providers should receive funding, with DAO delegates retaining veto power over committee decisions. This proposal ignited a lively discussion within various DAOs concerning several key issues: the insufficient time and expertise among delegates to thoroughly assess all proposals, potential conflicts of interest between applicants and assessors, and the perceived necessity of delegating assessment to a specialized committee. While the concerns resonated widely among delegates, the proposal ultimately failed to pass. The primary reasons for its rejection stemmed from anticipated problems with the proposed solution, including a potential decrease in accountability and a concentration of power within the committee members.⁴³
- In November 2024, CoW DAO implemented an innovative Delegate Council program, introducing the 'Recognized Delegate' concept.⁴⁴ This initiative aims to bolster the classic delegate voting system by integrating an institutional perspective into what was previously a purely token-based mechanism. The existing GrantsDAO committee is responsible for vetting delegates, evaluating their expertise, contributions, and alignment with the community's objectives. Successful candidates receive the Recognized Delegate designation, which is publicly displayed on CoW DAO's forum,⁴⁵ thereby supporting professional and aligned delegates.
- Optimism, an Ethereum layer-2 chain, has established a new Budget Board. This board, operational from May 2025 to May 2026, will provide budgeting advice and create treasury management tools.⁴⁶ Concurrently, the Developer Advisory Board's responsibilities are expanding. Initially reviewing and advising on technical proposals in September 2023, it took on explaining protocol upgrades in May 2024. From August 2025, it will become the primary board responsible for approving Protocol upgrades for the Optimism Collective, representing both the Citizens House and Token House.⁴⁷

⁴² Marc Zeller, "ARFC: Aavenomics implementation: Part one - Governance," Aave, March 4, 2025, <https://governance.aave.com/t/arfc-aavenomics-implementation-part-one/21248>.

⁴³ Thomas Clowes, "Toward Accountable and Strategic Funding in ENS - Service Provider Program / Program Discussion and Admin," ENS DAO Governance Forum, May 6, 2025, <https://discuss.ens.domains/t/toward-accountable-and-strategic-funding-in-ens/20732>.

⁴⁴ CoW DAO, "CIP-53: Delegation Program Initiation," Snapshot.Box/#/s:Cow.Eth, November 28, 2024, <https://snapshot.box/#/s:cow.eth/proposal/0x207acb03e0190577aed225c8055ac4cca36d272067b228f8efe2d9acb8f4f709;c3rntst>, "CIP-53: Delegation Program Initiation - Governance / Closed Proposals," CoW DAO, June 24, 2024, <https://forum.cow.fi/t/cip-draft-delegation-program-initiation-snapshot-settings-update/2622>.

⁴⁵ mfw78, "Recognised Delegates Scheme," CoW DAO, December 12, 2024, <https://forum.cow.fi/t/recognised-delegates-scheme/2688>.

⁴⁶ The Optimism Collective, "Optimism Gov Summary - Updates and Announcements 🗨️ / Governance Updates," Optimism Collective, April 14, 2025, <https://gov.optimism.io/t/optimism-gov-summary/9837/2>.

⁴⁷ The Optimism Collective, "Season 6: Guide to Season 6 - Governance Design 🏗️ / Metagovernance," Optimism Collective, May 10, 2024, <https://gov.optimism.io/t/season-6-guide-to-season-6/8113>; The Optimism Collective, "Governance in Season 8: The Next Phase," <https://optimism.mirror.xyz/>, June 12, 2025, <https://optimism.mirror.xyz/JR5YEsK9-bM6At6c6iC5RiNNE4XXi0sMp3ytINq0wXw>.

Finally, **organisations delegate tasks to external service providers**. This process is not new, but continued apace in the period under investigation.

- In March 2024, Karpatkey, a professional treasury management firm, proposed and was subsequently assigned to manage a joint SafeDAO-Gnosis treasury.⁴⁸ This initiative was voted through the following month.⁴⁹
- Karpatkey's involvement extends beyond SafeDAO-Gnosis; it also manages assets for Aave DAO, CoW Swap, and Balancer DAO.⁵⁰ In April 2025, ENS expanded the investment strategy of its Karpatkey-managed endowment, granting Karpatkey significant new permissions to deploy capital into various new assets and strategies.⁵¹
- Following Compound Labs' withdrawal from day-to-day protocol development, external service providers have stepped in to fill the void at Compound DAO. For instance, Gauntlet manages Morpho wallets on the Polygon chain, and WOOF! was appointed in May 2025 to handle core protocol development.⁵²

These proposed changes stem from a variety of factors, many of which are long-standing. Key drivers include the need for more efficient decision-making, enhanced operational security, specialized knowledge, and the pressure of financial constraints. Additionally, navigating complex and evolving regulatory frameworks further underscored the necessity for specialization and professionalization within governance.

Managing Stakeholder Relations

As the number of entities and external service providers multiplied, DAOs implemented several reforms to **manage the powers of governance bodies to make decisions or execute actions**.

- In early 2025, Decentraland DAO established the DAO Council as a governance body elected by token holders, in addition to creating its executive arm. This new council was created to ensure accountability of the executive arm.⁵³ In essence, the formation of an executive arm required a formalization of the power dynamics between its authority and

⁴⁸ See their website at <https://kpk.io/>.

⁴⁹ Karpatkey, "SEP 24: karpatkey - SAFE DAO Treasury Management Core Unit - Proposals / Phase 2: Voting," Safe Community Forum, March 25, 2024, <https://forum.safe.global/t/sep-24-karpatkey-safe-dao-treasury-management-core-unit/4893>; Aury Macmillan, "SEP 24: karpatkey - SAFE DAO Treasury Management Core Unit," Snapshot.Box, April 2024, <https://snapshot.box/#/s:safe.eth/proposal/0x3cb8547ecf90ad7b6315f4ec9ace55460a6ae5d5f035d04b1f2366a90221d154>.

⁵⁰ See <https://kpk.io/>.

⁵¹ Karpatkey, "EP 6.8:Endowment permissions to karpatkey - Update #5 - Meta-Governance / Treasury Management," ENS DAO Governance Forum, February 6, 2025, <https://discuss.ens.domains/t/ep-6-8-executable-endowment-permissions-to-karpatkey-update-5/20204>.

⁵² WOOF!, "🐶 WOOF! <> Compound 2025 - Proposals," Compound Community Forum, May 2, 2025, <https://www.comp.xyz/t/woof-compound-2025/6724>; Gauntlet, "Compound <> Morpho <> Polygon Collaboration - Proposals," Compound Community Forum, January 31, 2025, <https://www.comp.xyz/t/compound-morpho-polygon-collaboration/6306>.

⁵³ Decentraland DAO, "Proposal for Establishing a Council for Decentraland DAO."

the Decentraland DAO's oversight and decision-making capabilities. It resulted in the creation of the DAO Council.

- Arbitrum's *A Vision for the Future of Arbitrum* is as much about changing relations between stakeholders - the Foundation, Offchain Labs, Entropy Advisors, GCP, OpCo and delegates - as it is about creating new governance bodies. It creates the OpCo, for instance, as an "operational mesh layer" between Arbitrum DAO and Arbitrum Aligned Entities. Additionally, the Oversight and Transparency Committee, holds the OpCo to account and is elected by Arbitrum DAO.⁵⁴
- Lido's Dual Governance upgrade, implemented in June 2025, introduces an additional governance mechanism that empowers ETH stakers by allowing them to 'rage quit'. This upgrade enables stETH holders to deposit withdrawal NFTs into a new escrow contract. Once an initial deposit threshold is met, the Lido DAO is prohibited from passing new proposals. Furthermore, a dynamic timelock within the escrow contract is activated. As more staked ETH holders deposit withdrawal NFTs, this timelock extends (up to a maximum of 45 days). If a second threshold is reached, all staked ETH within the escrow contract is released. Essentially, this mechanism allows individuals who hold staked ETH but lack governance tokens to withdraw their assets if they believe a proposal acts against their interests.⁵⁵
- Optimism established its Chain Delegation Program in May 2024. This initiative grants OP stack-based chains the opportunity to be selected for OP token allocation, thereby providing them with voting power within Optimism's Token House.⁵⁶ Essentially, the program provides political representation for chains integrated into Optimism's superchain ecosystem.
- Optimism is set to significantly alter its bicameral governance system for its eighth governance season, commencing August 2025. These revisions aim to fundamentally reconfigure the relationships among stakeholders within the Optimism collective. Key changes include, first, that membership to the Citizens House will now be determined by four distinct stakeholder groups: token holders, end-users, applications, and chains. Second, two categories of proposals—Resource Allocation Modules and Protocol Upgrade Modules—will be put forth by their specialized bodies (the Budget Board and Core Devs, respectively) and will be optimistically approved. This means they will bypass the traditional voting process and will be enacted unless a veto is cast. Third, each of the earlier mentioned stakeholder groups will possess the authority to veto these optimistically approved proposals, thereby halting their execution. While other proposal

⁵⁴ Arbitrum, "A Vision for the Future of Arbitrum - Announcements."

⁵⁵ zuzu_eeka, "LIP-28: Dual Governance — Implementation, Parameters, Committees," Snapshot.Box/#/s:Lido-Snapshot.Eth, May 21, 2025, <https://snapshot.box/#/s:lido-snapshot.eth/proposal/0x26a66c9b91ff46aeac74b6f714467993edc6840a8f292fb5c1366fc44dec2a6>; Sam Kozin et al., "lido-improvement-proposals/LIPS/lip-28.md at develop · lidofinance/lido-improvement-proposals," GitHub, May 22, 2025, <https://github.com/lidofinance/lido-improvement-proposals/blob/develop/LIPS/lip-28.md>; skozin, "LDO+stETH dual governance (continuation) - Proposals," Lido Governance, October 23, 2023, <https://research.lido.fi/t/lido-steth-dual-governance-continuation/5727>. See the website at <https://dq.lido.fi/>

⁵⁶ The Optimism Collective, "Season 6," May 10, 2024.

types will continue to follow a more conventional governance path, these modifications represent a substantial redistribution of power within the Optimism collective.⁵⁷

- Although narrowly missing the top twenty at position 22, zkSync's three-body governance model should be discussed. Launched officially in September 2024, it is made up of three governance bodies: the Token Assembly, Security Council, and Guardians.⁵⁸ These bodies are designed to balance and check each other's authority. The Token Assembly is responsible for initiating and voting on proposals. Guardians possess veto power over proposals, while the Security Council must approve any ZKsync Improvement Proposals that affect the ZKsync protocol.⁵⁹

In the above examples, on-chain organisations redistributed power by reforming relationships between (often newly established) governance bodies. In addition, and sometimes in unison, several organisations implemented changes that aimed to **safeguard community alignment**. While both aim to safeguard organisational cohesion in the face of professional specialisation, the first tries to achieve cohesion through formal governance processes, while the second tries to do so based on stakeholder incentives.

- A key selection criterion for Arbitrum Aligned Entities is, as the name suggests, a primary focus on Arbitrum and "mission-critical alignment" with it.⁶⁰ It remains unclear how Arbitrum will measure, or who will assess, if an entity has a "primary" focus on or "mission-critical alignment" with Arbitrum, and which precise indicators will be used for this assessment. But it seems to indicate that individual interest of the entity need to somehow align with that of Arbitrum.
- The ENS DAO initiated a governance distribution pilot program in October 2024. This program aimed to decentralize governance power by distributing ENS governance tokens to accounts that had previously received grants, bounties, or other service payments. The distribution was executed through vesting contracts, explicitly designed to foster long-term alignment with the organization by placing more tokens in the hands of active contributors.⁶¹
- CoW DAO's Recognized Delegates program, discussed above, identifies delegates based on their expertise, knowledge, and contributions. Additionally, it requires these delegates to allocate 10,000 COW tokens (approximately three thousand US dollars at the time of writing) to their delegate address. This action serves to "signal alignment with the community's goals".⁶²
- In November 2024, Mantle DAO started to allow \$MNT tokens locked in the Mantle Reward Station to be used for voting. This update resolves a core conflict for token

⁵⁷ The Optimism Collective, "Governance in Season 8."

⁵⁸ ZKsync, "ZKsync Roadmap 2025: Web3 Without Compromise," December 12, 2024, <https://zksync.mirror.xyz/QG2Xr4lQdJTbyjeKftPVc6-pj2t9-H9WEGnvCcnusck>.

⁵⁹ ZKsync, "ZKsync Governance Procedures: Overview | ZK Nation," September 12, 2024, <https://docs.zknation.io/zksync-governance-procedures/zksync-governance-procedures-overview>.

⁶⁰ Arbitrum, "A Vision for the Future of Arbitrum - Announcements."

⁶¹ 5pence.eth, "EP 5.26: Implementation of EP 5.19's ENS Governance Distribution Pilot Program," <https://agora.ensdao.org>, November 30, 2024, <https://agora.ensdao.org/proposals/50152158826647742094695349340830523178083147237337111134725087674188893435887>; avsa.eth, "EP 5.19: Governance Distribution Pilot Program - Meta-Governance," ENS DAO Governance Forum, October 23, 2024, <https://discuss.ens.domains/t/ep-5-19-social-governance-distribution-pilot-program/19759>.

⁶² CoW DAO, "CIP-53: Delegation Program Initiation."

holders who previously had to choose between earning interest from locked tokens and exercising governance rights with unlocked tokens. By directly connecting long-term staking with governance, Mantle DAO hoped to better align the DAO with the interests of staked token holders, by empowering them to participate in decision-making.⁶³

Discussions regarding institutional or member alignment were prevalent in almost every DAO examined, even if they didn't always lead to concrete reforms.

Building Effective Multi-chain Governance

Over the past few years, the EVM-compatible chain ecosystem has experienced significant fragmentation. While new Layer 2 solutions have vastly increased block space and reduced transaction costs, this has led to a trade-off in the form of fragmented block space and liquidity. This fragmentation has also impacted the evolution of on-chain governance, necessitating that **governance frameworks adapt to the complexities of managing operations across multiple blockchain networks** and Layer 2 solutions as protocols expand their reach.

- Optimism continued developing its Superchain infrastructure by expanding its OP Chains. As more chains were deployed using the OP stack, fragmentation became an issue. To address this, Optimism adopted the 'Law of Chains' in mid-2023. This set of guiding principles aimed to ensure a shared commitment to open, decentralized blockspace, guiding stakeholders in decision-making and chain security.⁶⁴ A year later, in May 2024, Optimism introduced the Blockspace Charters. These charters served as a concrete implementation of the Law of Chains, outlining the technical configurations, governance procedures, and future expectations that chains must adhere to in order to be recognized as standardized within the Superchain ecosystem.⁶⁵
- In April 2024, just before the period under consideration, Mantle enhanced its mETH staking protocol by introducing a new Liquid Restaking Protocol. This update included a new \$cETH liquid staking token and, significantly, a new \$COOK governance token. The \$COOK token was specifically designed to grant mETH protocol users voting power over this particular protocol, effectively creating a nested sub-DAO structure that mirrored its underlying blockchain and token infrastructure.⁶⁶

⁶³ Mantle, "Mantle Network | Building the Liquidity Chain of the Future," November 11, 2024, <https://www.mantle.xyz>, <https://www.mantle.xyz/ja>, <https://www.mantle.xyz/ru>, <https://www.mantle.xyz/zh>, <https://www.mantle.xyz/ko>.

⁶⁴ The Optimism Collective, "OPERating-Manual/Law of Chains.Md at Main · Ethereum-Optimism/OPERating-Manual," GitHub, accessed July 10, 2025, <https://github.com/ethereum-optimism/OPERating-manual/blob/main/Law%20of%20Chains.md>; The Optimism Collective, *Introducing the Law of Chains*, optimism.mirror.xyz, July 25, 2023, <https://optimism.mirror.xyz/JfVOJ1Ng2l5H6JbIAtfOcYBKa4i9DyRTUJUuOqDpjls>.

⁶⁵ The Optimism Collective, "Season 6: Introducing Blockspace Charters: Superchain-first Governance - Technical Proposals 📄," Optimism Collective, May 13, 2024, <https://gov.optimism.io/t/season-6-introducing-blockspace-charters-superchain-first-governance/8133>; The Optimism Collective, "Season 6," May 13, 2024; The Optimism Collective, "The Blockspace and Standard Rollup Charters | Optimism Docs," June 30, 2025, <https://docs.optimism.io/superchain/blockspace-charter>.

⁶⁶ cateatpeanut, "MIP-30: Exploring the next Phase of mETH," Mantle Forum, April 29, 2024, <https://forum.mantle.xyz/t/passed-mip-30-exploring-the-next-phase-of-meth/8728>.

- At Moonwell, as a final example, they executed a Multichain Governor Migration in June 2024. It aimed to streamline cross-chain governance, with its legacy GovernorAlpha contract optimised for single chain use only.⁶⁷

These new implementations complemented existing multi-chain solutions at other organizations. Examples include Aave's Delivery Infrastructure components, such as Bridge Executors,⁶⁸ and ZkSync's elastic network, with ZK Era as the focal point for multi-chain governance decisions.⁶⁹

Addressing voter apathy

Many DAOs face a **decline in voter participation**. To combat this decline, DAOs propose a **wide range of solutions**. Moonwell and Compound, for instance, investigated or implemented delegate compensation programs, which reward delegates for their engagement in governance votes.⁷⁰

Additionally, organisations either introduced new, or adapted existing, delegation mechanisms. For instance, Arbitrum discussed lowering the voter threshold from 5 percent to 4.5 percent, which prompted a debate on the security implications of such a change.⁷¹ ENS implemented the Governance Distribution initiative, distributing governance tokens to builders and service providers.⁷² A ProposalBond mechanism was also explored, where proposers would submit a bond that would be forfeited if their proposal was rejected, particularly if a large segment of the community voted "against with penalty". This aimed to enable a reduction of the token threshold for executable proposals, while maintaining proposal quality, though the proposal was not implemented.⁷³

Organizations, like ENS and Uniswap, also explored innovative voting and governance mechanisms. ENS experimented with Complex Ranked-Choice Voting (Copeland method)

⁶⁷ Elliot, "MIP-M23 and MIP-M24: Multichain Governor and WELL Migration - Proposals," Moonwell Governance Forum, March 23, 2024, <https://forum.moonwell.fi/t/mip-m23-and-mip-m24-multichain-governor-and-well-migration/820>; Moonwell.fi, *MultichainGovernor.Sol*, released July 2024, <https://github.com/moonwell-fi/moonwell-contracts-v2/blob/main/src/governance/multichain/MultichainGovernor.sol>.

⁶⁸ bgdlabs, "BGD. a.DI - Aave Delivery Infrastructure - Development," Aave, July 10, 2023, <https://governance.aave.com/t/bgd-a-di-aave-delivery-infrastructure/13951>.

⁶⁹ ZKsync, "ZKsync Roadmap 2025."

⁷⁰ Doo_StableLab, "RFC: Delegate Compensation Program for Compound - Proposals," Compound Community Forum, January 13, 2025, <https://www.comp.xyz/t/rfc-delegate-compensation-program-for-compound/6198>.

⁷¹ Arbitrum, "AIP: Constitutional Quorum Threshold Reduction - Proposals," Arbitrum, May 2, 2025, <https://forum.arbitrum.foundation/t/constitutional-aip-constitutional-quorum-threshold-reduction/29145>.

⁷² 5pence.eth, "EP 5.26: Implementation of EP 5.19's ENS Governance Distribution Pilot Program."

⁷³ kent_agora, "[Temp Check][Social] Adding ProposalBond to ENS Governor to make proposing more accessible - DAO-Wide / Temp Check," ENS DAO Governance Forum, September 1, 2024, <https://discuss.ens.domains/t/temp-check-social-adding-proposalbond-to-ens-governor-to-make-proposing-more-accessible/19539?u=estmcmxci>.

for selecting Service Provider Program Season 2 providers.⁷⁴ Meanwhile, the Uniswap foundation is investigating futarchy, a conditional funding market implementation, to enhance future governance processes. This mechanisms had not been implemented at the time of writing.⁷⁵

Finally, Optimism recently introduced a proposal to develop AI delegates. This initiative would involve funding teams to create AI agents capable of comprehending governance proposals and exercising voting rights.⁷⁶ It would be an additional stopgap for the implications of declining voter participation. Optimism's initiative likely signals a growing trend toward integrating AI into governance processes in the coming months and years.

6. Case study: Uniswap

Underlying these interconnected themes is the progressive disempowerment of traditional DAO governance in decision-making. This trend manifests practically in the delegation of executive tasks to specialized governance bodies, which in turn necessitates effective stakeholder management. The emergence of cross-chain governance further contributes to DAO disempowerment and falling voter participation is, arguably, its direct consequence.

As a result, the distribution of decision-making power in on-chain organizations is undergoing a significant shift. Historically, this power resided with token holders, proportional to their token holdings. However, power is now dispersed among numerous governance bodies, among which the DAO is just one such entity.

To illustrate how governance bodies' institutional relationships influence decision-making in an on-chain organization, consider Uniswap, the largest organization under review. Uniswap and its community are deeply committed to decentralization and on-chain governance, even voting in January 2025 to formally record these values on-chain.⁷⁷ Their community employs a standard 1-token-1-vote system for on-chain governance, with decisions determined by votes from delegated \$UNI governance tokens.

Figure 6.1 offers a simplified visual representation of Uniswap's governance structure. It omits details of its internal DAO voting procedures and the full scope of decision types. At its core, the Uniswap DAO possesses broad decision-making authority, encompassing protocol upgrades, token minting and transfers, and on-chain statement recording for

⁷⁴ 5pence.eth, "EP 6.10 Select providers for Service Provider Program Season II," <https://Snapshot.Box/#/s:Ens.Eth>, n.d., accessed July 10, 2025, <https://snapshot.box/#/s:ens.eth/proposal/0x98c65ac02f738ddb430fcd723ea5852a45168550b3daf20f75d5d508ecf28aa1>.

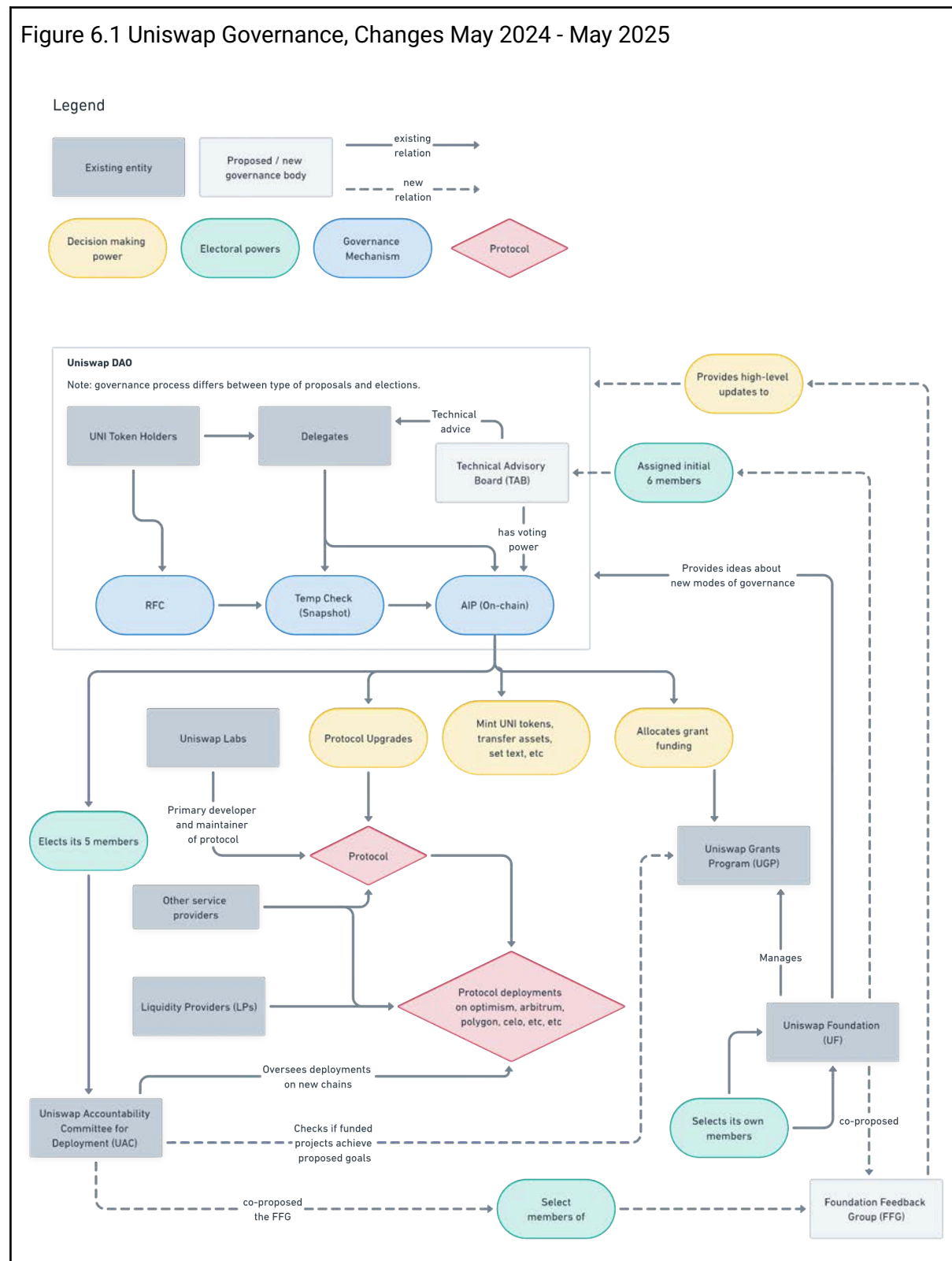
⁷⁵ Erin Koen, *Futarchy Meets Governance: Optimism and Uniswap Foundation*, uniswapfoundation.mirror.xyz, January 24, 2025, <https://uniswapfoundation.mirror.xyz/iUps06RQxXqFZ5xVeta1Zd-TL0mtlw3od2uHUh4T8qA>.

⁷⁶ The Optimism Collective, "Optimism Gov Summary - Updates and Announcements 🗣️ / Governance Updates."

⁷⁷ Atis and Erik, "Tally | Uniswap | Uniswap DAO Principles," Tally, January 8, 2025, <https://www.tally.xyz/gov/uniswap/proposal/78>.

Uniswap.⁷⁸ Meanwhile, it is also clear that other essential entities exist, including Uniswap Labs, the Uniswap Foundation, the Accountability Committee, and various service providers, that are crucial to Uniswap's operation.

Figure 6.1 Uniswap Governance, Changes May 2024 - May 2025



⁷⁸ For an overview of proposals made and passed, see <https://www.tally.xyz/gov/uniswap/proposals>

These entities each influence decision-making processes. The situation in May 2024, before changes considered in this report, was as follows.

- **Uniswap Labs** has been the primary developer of the Uniswap protocol since its inception. While the DAO votes on protocol upgrades, Uniswap Labs develops most, if not all, of the protocols upgrades. This gives Uniswap Labs significant influence over the protocol's development direction. To a more limited extent, this also applies to service providers like GFX Labs (UI and dashboards), Gauntlet (risk assessments), and Immunefi (security).⁷⁹
- The **Uniswap Foundation** has executive power over the Uniswap Grants Program (UGP), a body of significant importance within Uniswap, with a budget approaching fifty million per year for 2025 and 2026.⁸⁰ Furthermore, the Foundation is responsible for proposing highly influential changes to Uniswap, exemplified by initiatives like Uniswap Unleashed, which passed DAO votes with substantial majorities.⁸¹
- Established in May 2023, the **Uniswap Accountability Committee** (UAC) played a pivotal role in the expansion of the Uniswap protocol. Its responsibilities included evaluating proposals for new Uniswap deployments on layer-2 chains, ensuring accountability for promised financial incentives, and conducting quality assessments of these new deployments.⁸² Essentially, the UAC held the power to approve or reject Uniswap's deployment to new chains.

While DAO delegates theoretically wielded all power at Uniswap, it is evident that Uniswap Labs, the Foundation, and the UAC also had influence over decision-making processes and outcomes.

Between May 2024 and May 2025, the **UAC's role expanded significantly beyond its initial scope**. By August 2024, its new duties included payroll administration, fund deployment for various initiatives (including most of Uniswap's executive tasks), and overseeing Uniswap's grants program, shifting from its original focus on accountability for Uniswap deployments to specific layer-2 chains.⁸³ Later in the year, its remit broadened further to include ENS record management, compensation disbursement and accounting, custody of DAO-approved funds on the Ethereum mainnet, incentive distribution across multiple EVM-compatible chains, governance community calls, and assistance with miscellaneous DAO operations.⁸⁴ Essentially, most executive tasks were delegated to the UAC.

⁷⁹ GFX Labs, "Scaling V4 and Supporting Unichain - Requests for Comment," Uniswap Governance, April 29, 2025, <https://gov.uniswap.org/t/scaling-v4-and-supporting-unichain/25484?page=2>.

⁸⁰ Uniswap Foundation, "Uniswap Unleashed - Requests for Comment," Uniswap Governance, February 14, 2025, <https://gov.uniswap.org/t/governance-proposal-uniswap-unleashed/25251>.

⁸¹ Uniswap Foundation, "Tally | Uniswap | Uniswap Unleashed," [www.Tally.Xyz/Gov/Uniswap](https://www.tally.xyz/gov/uniswap/proposal/83), March 11, 2025, <https://www.tally.xyz/gov/uniswap/proposal/83>.

⁸² tobyshorin, "Governance Proposal: Create the Uniswap Accountability Committee," Uniswap Governance, April 2023, <https://gov.uniswap.org/t/governance-proposal-create-the-uniswap-accountability-committee/21043>.

⁸³ AbdullahUmar, "Uniswap Accountability Committee (UAC): Season 2 Report - Requests for Comment," Uniswap Governance, August 29, 2024, <https://gov.uniswap.org/t/uniswap-accountability-committee-uac-season-2-report/24492>.

⁸⁴ AbdullahUmar, "Uniswap Accountability Committee (UAC): Season 3 Report - Requests for Comment," Uniswap Governance, April 16, 2025, <https://gov.uniswap.org/t/uniswap-accountability-committee-uac-season-3-report/25467>.

Given the transfer of executive responsibilities to the UAC and the influence of the Uniswap Foundation on the community via its Uniswap Unleashed program, a demand emerged for better communication channels between executive governance bodies and the DAO. In response, the Uniswap Accountability Committee (UAC) and Foundation jointly proposed the establishment of the **Foundation Feedback Group** (FFG). This new governance body aims to enhance transparency and facilitate feedback between the Foundation and the DAO. Notably, the FFG comprises pre-selected stakeholders rather than delegates, and its discussions are kept private.⁸⁵

A proposal for a **Technical Advisory Board** was made to address delegates' perceived lack of expertise and heavy workload. This initiative would also create an avenue for the Foundation's to directly influence the DAO's internal decision-making. However, the proposal was rejected during its temp-check phase, primarily due to concerns that it would increase rather than decrease complexity.⁸⁶

Uniswap's governance structure, like that of most active on-chain organizations, is in a constant state of flux. This ongoing evolution also reconfigures the dynamics of proposal submission, adaptation, and acceptance. Currently, Uniswap is actively exploring the adoption of the Decentralized Unincorporated Nonprofit Association (DUNA) legal framework. This pioneering legislation, enacted in Wyoming, offers a unique legal structure specifically for non-profit DAOs. Its potential adoption is highly likely to influence Uniswap's governance processes in the future.

This case study highlights the critical role of institutional relationships in shaping governance within on-chain organizations. Understanding these dynamic relationships is essential for identifying who holds the power to influence, approve, or reject proposals.

7. The Uniqueness of On-chain Governance

What insights can be gained about the distinctiveness of on-chain governance? The developments described above are distinct to on-chain governance. This section highlights three unique properties of on-chain governance that shaped these developments: the institutional legacy of decentralisation and autonomy as political ideal; having stakeholders, instead of citizens, as the foundational unit of political communities; and having blockchains, not states, as primary political actors. To understand why these themes are prevalent in on-chain governance, and anticipate future developments, it is crucial to gain an understanding of each of them.

⁸⁵ AbdullahUmar, "Foundation Feedback Group (FFG) Thread - Governance-Meta," Uniswap Governance, May 1, 2025, <https://gov.uniswap.org/t/foundation-feedback-group-ffg-thread/25549>.

⁸⁶ DAOplomats, "Trial run a Technical Advisory Board (TAB)," Snapshot.Box/#/s:Uniswapgovernance.Eth, June 11, 2025, <https://snapshot.box/#/s:uniswapgovernance.eth/proposal/0x5915e661808f896203ff5759e737e04861bf8fa09525972d481cbccf7776f485>.

‘DAO’ and its Institutional Legacy

The concept of a **Decentralised Autonomous Organisation (DAO)** has a lasting institutional impact on on-chain governance. DAOs represent an effort to empower stakeholders in shaping the code that governs them, essentially embodying democracy in a code-structured world. Political membership in DAOs is defined by on-chain assets, decision-making occurs via token voting, and rules and bylaws are encoded in smart contracts. DAOs are a form of political organization that is deterritorialized, detached from traditional nation-states and their bureaucracies. Their trustless decision-making processes are secured by the decentralized nature of their stakeholder community.⁸⁷

This report began and ended by highlighting the difficulties associated with the practical implementation of DAOs. The tangible challenges faced with on-chain governance—such as inefficient and slow decision-making, a lack of strategic direction, and delegate burnout—can all be directly attributed to the ideal of a DAO and its concrete implementation through token voting. Many of the observed developments, specifically the delegation of executive tasks to specialized governance bodies, are direct responses to these difficulties. It should also be noted that many on-chain organisations still retain some form of token-based voting as a core component of their governance systems.

Notwithstanding the various changes discussed in this report, the notions of DAOs, decentralization, and autonomy exert a lasting and uniquely impactful institutional influence on on-chain governance.

The Foundational Units of On-chain Politics

Secondly, **the foundational unit** of on-chain governance diverges from that of traditional democratic governance. Since the enlightenment, the individual has been recognized as the cornerstone of political communities. Enlightenment philosophers such Hobbes, Locke and Rousseau, all in their own ways, articulated governance as a social contract between a polity and individual citizens.⁸⁸

In practice, the creation of political communities is structured by the hegemony of modern nation-states: Communities built on an (imagined) shared history, coinciding with a territory

⁸⁷ Han et al., “A Review of DAO Governance.”

⁸⁸ In the briefest of summaries, Thomas Hobbes, in his *Leviathan*, proposed that self-interested individuals cede their natural rights to an absolute sovereign in exchange for security. John Locke advocated for an impartial government to safeguard inherent, inalienable rights to life, liberty, and property. Rousseau argued that a community should be governed by laws representing the general will, or the collective good. See Thomas Hobbes, *Hobbes’s Leviathan* (Franklin Classics, 2018); John Locke, *Locke: Two Treatises of Government* (Cambridge University Press, 1967); Jean Jacques Rousseau, *The Social Contract. Transl Maurice Cranston*. (London: Penguin, 2004). A good book with excerpts from these and other scholars is Ricardo Blaug, *Democracy: A Reader* (Columbia University Press, 2016), <https://doi.org/10.7312/blau17412>.

where the state holds a monopoly on the legitimate use of force.⁸⁹ It profoundly shapes how individuals are turned into citizens of a political community: you either become citizens of a nation-state by being born within its territory (e.g., through *jus soli* or right of soil) or by being born as a child of one of its members (*jus sanguinis* or right of blood).⁹⁰ Nation and state, however, rarely perfectly align. Often ethnic, religious, and social divisions intersect with a national identity and geographic reach of a state. Political communities, and their citizens, are never uniform. This imperfect fit between nation and state is a primary cause of most political conflicts today.

All this is different for on-chain communities. The non-territorial nature of the ledger, and lack of kinship records, makes traditional definitions of political units like *jus soli* and *jus sanguinis* unusable. There are no nations or states, yet politics abound. As illustrated in this report, membership in an on-chain political community is determined by an individual's stake in a protocol. For instance, both Uniswap and Arbitrum, along with many on-chain organizations, define political membership based on token ownership.⁹¹

Instead of citizens of a place, the foundational units of on-chain political communities are stakeholders in a protocol.

Many issues and developments observed in this report arise from the unspoken assumption that a political community based on stakeholderhood is uniform. Traditional token-based voting, particularly 1-token-1-vote mechanisms, assumes that token holdings uniformly reflect individual interests and directly translate to political voice across a protocol. This assumption does not hold in reality. Protocol stakeholders, just as citizens of a nation-state, are never a homogenous group; instead, they comprise subgroups defined by their specific type of interaction, and thus their stake, in the protocol: original founders' inner circle, app developers, investors, and representatives from foundations or corporations to name a few examples. Each of these groups possesses its own distinct interactions, languages, and group culture.

On-chain organisations increasingly recognize the existence of diverse sub-groups within their communities. Consequently, traditional token-based voting methods are being re-evaluated, and managing stakeholder relations is gaining paramount importance.

⁸⁹ For nationalism as an imagined community, see Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (Verso, 2006). For the monopoly of the legitimate use of force in a given territory as fundamental characteristic of a state, see Weber's Politics as a Vocation: Max Weber, *From Max Weber: Essays in Sociology* (Psychology Press, 1991), 77–129.

⁹⁰ Nathan Perl-Rosenthal and Sam Erman, "Inventing Birthright: The Nineteenth-Century Fabrication of Jus Soli and Jus Sanguinis," *Law and History Review* 42, no. 3 (2024): 421–48, <https://doi.org/10.1017/S0738248024000221>.

⁹¹ Devin Walsh, "Community Governance Process Update [Jan 2023] - Governance-Meta," Uniswap Governance, January 9, 2023, <https://gov.uniswap.org/t/community-governance-process-update-jan-2023/19976>; Arbitrum DAO, "The Amended Constitution of the Arbitrum DAO | Arbitrum DAO - Governance docs," March 2023, <https://docs.arbitrum.foundation/dao-constitution>.

This shift is evident in initiatives like ENS, which expanded political membership by distributing tokens to builders, grant recipients, and active community members.⁹² Similarly, Optimism intends to select members for its Citizens House from four distinct stakeholder groups: token holders, end-users, applications, and chains. In both cases, political sub-groups are defined by their specific stake in a protocol, with the aim of better protecting their interests within their respective on-chain communities.⁹³

The need to redefine the foundational unit of a political community, from citizen to stakeholder, drives experimentation in stakeholder management in on-chain communities. In doing so, on-chain communities inadvertently re-examine debates about the position of the individual in political communities.

The Primary Actors of On-chain Politics

Another significant implication, tied to the multi-chain governance challenges previously discussed, lies in defining **the primary political actor** within blockchain governance. In conventional governance structures, sovereign states are the primary actors, operating within an anarchic international relations system. Even with multilateral and bilateral agreements, transnational governance bodies like the United Nations and global normative regimes, the state's position as the principal sovereign political actor remains unchallenged.⁹⁴ Likewise, state borders dictate where individuals can reside, work, and thrive, imposing tangible costs such as visas, waiting periods, bureaucracy, and levies when crossed for commerce or travel.

In the realm of crypto-politics, however, blockchains are the central players, not states. The concept of state sovereignty is transferred to that of a blockchain. A blockchain serves as the ultimate source of authority and security for all interactions occurring on its chain, much like a sovereign state is the ultimate source of law and authority. It is at the chain level that the rules for ledger interactions are established, including the sequencing of interactions and gas cost settings.

Many challenges inherent in cross-state interactions are also present in on-chain governance, though rooted in interactions rather than physical location. Cross-chain interactions incur costs such as bridging fees, bureaucratic hurdles (standardization), and waiting times. For organizations operating across multiple chains, this necessitates methods to ensure accountability of other chains and the establishment of cross-chain governance systems that address these obstacles. Numerous such issues were identified in

⁹² avsa.eth, "EP 5.19: Governance Distribution Pilot Program - Meta-Governance"; 5pence.eth, "EP 5.26: Implementation of EP 5.19's ENS Governance Distribution Pilot Program."

⁹³ The Optimism Collective, "Governance in Season 8."

⁹⁴ This is necessarily a rather simplified depiction of the immensely varied debates around International Relations. For a far more nuanced, and extensive, introduction see Georg Sørensen et al., *Introduction to International Relations: Theories and Approaches* (Oxford University Press, 2022).

the aforementioned report: governance fragmentation, enforcing standardisation and accountability are a few examples.⁹⁵

On-chain politics, at its core, mirrors international politics. Both are influenced by power dynamics and ease of interaction. In the international sphere, this translates to the economic strength of states and the treaties fostering cooperation. Similarly, on-chain politics is defined by the chain with the most engagement and locked value, and by those offering minimal interoperability costs. The key distinction lies, again, in their foundational structures: international politics is geographically determined, whereas on-chain politics is based on protocol interactions.

The **emergence of on-chain and off-chain interactions** is a related development. The above does not imply that geography or nation-states have no influence on on-chain communities; they do. Factors like internet access, knowledge, and education are shaped by an individual's off-chain location and are crucial in on-chain community interactions. Similarly, interactions with states and regulatory frameworks are significant. In the last year, CoW DAO incorporated as a Cayman Foundation and Uniswap is considering the DUNA framework to avoid regulatory issues.⁹⁶ This also extends to local taxation laws that members of on-chain communities face regarding their on-chain holdings. DAO* published several reports on the local developments of DAO communities in Japan, Korea, Singapore and Taiwan.⁹⁷ Blockchains do not exist in a social, cultural, technological, or political vacuum, but rather a wide array of interactions has emerged between off-chain and on-chain governance.

Discussion

The developments discussed in this report are all connected to the unique characteristics detailed in this section. The professionalization of governance and voter apathy are directly linked to the institutional origins of the DAO concept. The efforts to manage stakeholder relations stem from the fact that stakeholders, not citizens, are the foundational unit of on-chain governance. Finally, the rise of multi-chain governance frameworks is a direct consequence of chains acting as primary political entities, leading to an inter-chain rather than inter-national political landscape.

It is reasonable to anticipate that these unique properties will continue to shape future developments in on-chain governance. Consequently, as blockchains gain value and political relevance, issues concerning stakeholder, multi-chain, and off-chain governance are likely to become increasingly prominent.

⁹⁵ The Optimism Collective, "OPerating-Manual/Law of Chains.Md at Main · Ethereum-Optimism/OPerating-Manual"; tobyshorin, "Governance Proposal."

⁹⁶ CoW DAO, "CIP-64: Incorporation of a legal structure for CoW DAO."

⁹⁷ DAOstar, *The State of DAOs in Japan*; DAOstar, *The State of DAOs in Korea*; DAOstar, *The State of DAOs in Singapore*; DAOstar, *The State of DAOs in Taiwan*.

8. Conclusion

This report detailed the latest developments in on-chain governance among some of the largest self-proclaimed decentralised autonomous organisations in existence today. It posed two questions: What are recent developments in on-chain governance; and what makes on-chain governance unique?

The report identified four cross-cutting themes in recent governance developments in on-chain communities.

- A professionalisation and specialisation of governance by delegating executive tasks to foundations, working groups, committees and external service providers.
- Reforming relations between stakeholder, by developing checks and balances and safeguarding community alignment.
- Developing governance frameworks to manage the complexities of operating across multiple blockchain networks.
- Addressing continued declines in voter participation, for example through delegate compensation programs, innovative voting mechanisms and, potentially, the use of AI agents in governance.

As answer to the second question, it argued that there are several properties that render governance of on-chain communities unique.

- The institutional legacy of decentralisation and autonomy as political ideal.
- Having stakeholders as the foundational unit of political communities, not citizens.
- Having blockchains as primary political actors, not states.

DAOs emerged as a new type of governance, intrinsically linked to being deployed on blockchain, with the revolutionary potential to reshape the world. The reality, this report argues, has been both underwhelming and overwhelming. The political mechanisms initially deployed in so-called DAOs, token based voting, resulted in slow, inefficient, insecure and centralised governance. The revolutionary potential seems to have disappeared. Many in the space voice misgiving about DAO governance, with communities increasingly delegating governance to specialised professional governance bodies.

Nevertheless, the actual practice of DAO governance is, in a way, far more revolutionary than often acknowledged. The enduring institutional legacy of decentralization as an ideology, its definition of political membership, the units of its 'global' politics, and the necessity to navigate a novel type of political relationship—between on-chain and off-chain entities—all underscore the unique form of governance that is being built, on-chain, right now.

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Appendix: DAO Ranking, June 2024

Organisation	Categories	Proposals	Voters	Assets (in million \$)
Uniswap	Defi	67	18892	2800
Mantle (fka. BitDAO)	Investment; Protocol	3	4673	2100
ENS	Social	42	5020	1400
Arbitrum	Layer-2	175	1346093	1100
Optimism	Layer-2	68	242986	1100
Gnosis	Social	22	2234	793
Sky (fka. Maker DAO)	Defi; Protocol	160	1784	602
Aave	Investment	438	68960	227.3
Lido DAO	Investment	67	7309	222
SafeDAO	Protocol	29	4889	221
CoW Swap	Defi; Protocol	25	2531	154
Decentraland	Gaming	249	10192	82.8
Compound	Protocol	156	4062	56.3
Morpho	Defi; Protocol	53	1538	52.3
Synthetix	Protocol	186	1251	38.1
Convex Finance	Defi	553	13073	26.8
Galxe	Gaming	7	16648	20.8
Sperax DAO	Protocol	9	1085	16.7
Frax Finance	Defi	79	1178	14.3
Gearbox DAO	Defi; Protocol	106	2233	14.1
1inch	Defi	21	1439	14
Nouns DAO	Social	271	10236	10.3
ParaSwap DAO	Protocol	22	1329	8.6
Gitcoin	Grant; Protocol	30	35156	8.1
Radiant Capital	Investment; Protocol	19	11624	7.6
GMX	Defi	30	20129	7.1
ApeCoin	Social	87	30264	6.6
Treasure	Protocol	14	1673	6.1
Aura Finance	Defi; Protocol	245	1318	5.1
ZKSync	Protocol	16	71059	4.7
Balancer	Defi	240	1744	4.6
Crypto Unicorns	Defi; Social	21	1312	3.3
Magic Square	Service; Gaming; Apps	8	124828	3.1
Moca DAO	Social	82	9224	2
Aavegotchi	Protocol; Social	79	32940	1.5
GuruDAO Bootstrap Phase	Protocol	4	1010	1.1
Lil Nouns DAO	Social	115	2081	0.974
Rocket Pool	Protocol	15	1813	0.434
PancakeSwap	Defi	43	16783	0.134

Bulls on the Block	Social	92	2016	0.0028
BeethovenX	Defi	48	5355	0.0006
AirSwap	Protocol; Defi	19	1862	0.000319
MetisDAO	Layer-2; Protocol	131	92441	0
Moonwell	Protocol; Defi	135	17849	0
MetFi DAO	Investment; Social	12	5199	0
M^0	Protocol	100	5001	0
Baby Doge Army	Social; Gaming	7	1286	0
Beanstalk DAO	Protocol	8	1065	0
Founders DAO	Social	19	980	0
Shell Protocol	Protocol	25	965	0