Decentralization of token distributions

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Assessing the level of decentralization of a crypto project has long been a hotly debated topic. Recently, there has been a new surge of ideas and experimental implementations to '[move beyond coin voting]' in an attempt to better decentralize a project. Arguably, however, the most important step comes right at the very beginning: who gets what? This question is crucial for decentralization, as '[token distribution is a critical factor in the protocols' decentralization efforts]'.

In order to gain a better understanding of how tokens are typically allocated, this article looks at the token distribution of other projects. A project was included in the assessed sample, if it demonstrated a high level of rigour in deciding over how to allocate their token, had a clear community orientation, and/or had a large user-base. In summary, we find that projects typically allocate about 59% to the Community

and reserve the remaining 41%

to the Team and Investors

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This is by no means an exhaustive list or perfect methodology, but it aims to provide a better overview of typically chosen token distributions. Similarly, projects such as Sushiswap or yearn.finance are not included, since they distributed all of their tokens via liquidity mining.

A project typically breaks its token allocation down into the portion that goes to the community, to the team and advisors, and to investors.

Table 1: Token allocation grouped by Investors, Team & Advisors, and Community

This data can also be displayed visually, as done in the below box plot. The median values — which are typically also displayed — are available in the last row of Table 1.

Box plot 1: Token allocation grouped by Investors, Team & Advisors, and Community

This data can be simplified even further by aggregating the team, advisors, and investors as 'Core Development'. Doing so allows us to include UMA and Curve, since these two projects do not publicly state more granular information.

Table 2: Token allocation grouped by Core Development and Community

Taking the median values, 41% of tokens has been distributed to the Core Development group, while 59% has been distributed to the Community in the form of liquidity mining programs, project treasuries, grants programs and more. A visualization is found below.

Box plot 2: Token allocation grouped by Core Development and Community

Summarizing the findings it appears that projects typically allocate about 59% to the Community

and reserve the remaining 41%

of issued tokens to theCore Development

group.

Notably, this does not include inflation, which typically also benefits the community.