

The Meta-DAO

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1 What is it?

The Meta-DAO is a DAO that uses a mechanism called a “futarchy” to make decisions. A futarchy is a form of governance where prediction markets are used as the basis for decision making.

2 How does it work?

Simply put:

1. Someone makes a proposal and this creates two marketplaces - a “PASS” and “FAIL” marketplace. Each of these operates like an orderbook, and you can trade with either the native token (META) or quote asset (USDC) in them.
2. If you wish to affect the final outcome (i.e. participate in trading), you can convert your USDC or META into conditional tokens - essentially two versions of the same token, one for trading in the “PASS” marketplace and another for the “FAIL”.
3. You can then try to swing the vote a particular way by trading at a higher price in one of the markets, or you could just sit by and let the fun unfold.
4. At the expiry of the proposal, the program assesses the time weighted average price (TWAP) of both markets. The proposal only passes if the TWAP of the “PASS” market is at least 5% higher than the “FAIL” market.
5. After the outcome is finalized, only the trades in the winning market are converted into real assets.

3 Why use a futarchy?

The economist Robin Hanson initially proposed the idea in 2000, working off the belief that democracies “often fail to aggregate information, while speculative markets excel at this task”.

In particular, democracy tends to suffer when there’s an imbalance of information and voter fatigue/apathy. It also tends to weigh ignorant voters similarly to well-informed ones.

Markets however are harder to manipulate and participants are incentivized to price an asset what it’s intrinsically worth. Rich people are usually rich for a reason - they’re better at making predictions, and high returns both directly increase a trader’s capital and improve their ability to raise capital from investors.

4 How to participate?

As of now, the Discord channel serves as a central hub for communication, coordination, and community engagement within the Meta-DAO ecosystem. Participants utilize these channels to discuss project developments, share insights, and co-ordinate activities. By actively participating in Discord conversations, individuals contribute to the collective intelligence of the DAO and foster community cohesion. Moreover,

Discord channels facilitate knowledge sharing and learning, enabling members to stay informed about project updates and developments.

One significant avenue for participation in DAOs is through proposal submissions. Participants can propose initiatives, allocate resources, or suggest changes to the DAO's governance structure. Typically, proposal submissions involve transferring instructions on DAO resources to a multisig committee, accompanied by a written description of the proposed course of action. This mode of participation empowers individuals to shape the direction and trajectory of the DAO, fostering a sense of ownership and agency among members.

Another mode of participation in the Meta-DAO is through market activities such as market making and arbitrage in conditional markets. Participants engage in these activities by leveraging the DAO's native token META or its quote asset USDC. Market participants contribute liquidity to conditional markets, facilitating price discovery and market efficiency. Additionally, market activities enable individuals to capitalize on price discrepancies and profit from market inefficiencies. While market participation does not necessarily involve direct governance decisions, it plays a crucial role in ensuring market liquidity and stability within the DAO ecosystem.

4.1 Resources

Reading is fun! Here are some great resources:

1. <https://docs.themetadao.org/>
2. <https://mason.gmu.edu/~rhanson/futarchy2007.pdf>
3. <https://medium.com/the-meta-dao/a-futards-guide-to-the-meta-dao-7a6b8d66443a>
4. <https://dune.com/metadaohogs/themetadao>