Governance

Main challenges and 3 possible models
Open projects with tokens are *not* startups

Capital raised in a #token sale is capital for the network, not capital to enrich an operating company.
Challenges

• Tokens are **transferrable** → Traditional 1 person/1 vote breaks

• Code is law → **No undo** for bad actions

• Transferring power from operating foundation/co to the network
Model #1: Liquid democracy

• Since not all hodlers can be experts, they can delegate their voting power

• Delegates can also delegate

• Low risk of centralization b/c anyone can become a delegate
Model #2: Expert networks

- $X$ asks a question $Q$
- $Y$ offers an answer $A$ to $Q$, and stakes $S$ tokens
- Other peers review $A$, and $Y$ is rewarded/punished depending on the correctness of $A$

- Some decisions for the network can be outsourced to expert networks, with a final veto of the token holders
Model #3: Futarchy

- Voting by betting
- “Put your money where your mouth is”
Step 0: choose a success metric and maturity duration

GDP in 10 years!

Step 1: create and publish proposal

Bail out the banks!

Step 2: set up prediction markets for "yes" and "no"

Note the average price of both over some period

Step 3: close both markets, implement the policy with the higher price

@####

Step 4: revert all trades on losing market

<table>
<thead>
<tr>
<th>Yes</th>
<th>e1a1</th>
<th>+10</th>
</tr>
</thead>
<tbody>
<tr>
<td>e1b1</td>
<td>+200</td>
<td></td>
</tr>
<tr>
<td>mA</td>
<td>-25</td>
<td></td>
</tr>
<tr>
<td>e2</td>
<td>-125</td>
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</tbody>
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Step 5: wait for maturity, and measure success metric

$28.9 T

Step 6: reward everyone on the winning market in proportion to how many tokens they have

| No | f1 | +50 |
| f2 | -100 |
| b3 | +200 |
| c4 | +250 |

+ $1450
- $1450
+ $5780
- $7250