So…You've Got a DAO

Handbook for Distributed and Connected Leadership

VERSION 2.0: THE BIG DAO FAIL EXPOSÉ

By Grace Rachmany
Including text from version 1.2 by Grace Rachmany and Marco Houwen

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We reject: kings, presidents and voting.

We believe in: rough consensus and running code.

David D. Clark
MIT Laboratory for Computer Science
IETF Proceedings 1992

That is, our credo is that we don't let a single individual dictate decisions (a king or president), nor should decisions be made by a vote, nor do we want decisions to be made in a vacuum without practical experience. Instead, we strive to make our decisions by the consent of all participants, though allowing for some dissent (rough consensus), and to have the actual products of engineering (running code) trump theoretical designs.

Pete Resnik, Internet Engineering Task Force (IETF), ISSN: 2070-1721, June 2014

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Context

Introduction to the 2024 edition of So You've Got a DAO

When we published this book in 2018, right after the fiasco with The DAO, we wondered if we should even use the word "DAO", but we simply couldn't think of a replacement word. Apparently, nobody else could either. Here we are five years later with hundreds of DAOs, millions of DAO members, and billions of dollars in DAO treasuries.

Although we believe in the idea of Decentralization conceptually, and the billions in treasuries are a sign of success, fundamentally this book argues that DAO technology, as of 2024, has been a failure.

Report after report shows that most of the power in DAOs is concentrated in the hands of a small oligarchy. Participation in DAOs remains out of reach to 99.9% of the population. Almost none of the tools seem to have relevance beyond budget sharing. The most visible impacts in the real world are projects like AssangeDAO and MangroveDAO, which have raised millions of dollars for public goods projects—but the projects themselves don't use the blockchain and the money gets spent outside of the Web3 industry.

The great successes include projects like NounsDAO which is making millions by promoting daily memes. The 2023 NounsDAO fork is an elegant and respectfully executed fork, representing a huge success in the world of DAO operation. Yet, it's still easier to argue that our society is wacky for valuing these ugly JPGs at thousands of dollars a piece rather than trying to argue that NounsDAO is creating huge value to society.

We won't mince words about the failures of DAOs as we see them, or as I see them, given that Marco has moved out of the Web3 space and into management and life coaching for organizations. Grace (myself) remains faithful to Web3 and the vision of Decentralization, and I'll also be adding some stories that have been gleaned together with the DAO leadership team members and affiliated awesome facilitators like Alex Dower and Daniel Weinzveg (who has written his own book, Generating Group Genius).

The material in the original draft is timeless, focused on human interactions, and this book includes all of the original text, which can help you develop yourself and your team to be great communicators and contributors. The new sections of the book cover why DAO technology is not yet fit to govern anything of importance, and what solutions have more promise in that regard.

Humanity faces multiple existential risks. The existing institutions are not only failing to address these risks, but often making the situation even worse. Better forms of inclusive governance are urgently needed. DAOs could be more relevant than ever--but we need to admit that the solutions to date are completely inadequate for the complexity of the problems we face. Myself and my colleague Daniel Ospina recently led an effort to create an outline on how to govern Artificial General Intelligence. The resulting blueprint is a testament to how far away we are from a functional decentralized governance structure, yet we need one. That's why this book exists.

This book isn't a "How to DAO" book in the sense that it doesn't give information on the DAO technologies you can implement, and it doesn't even go into how to build a community. There are plenty of books, videos, blogs, and courses that get into the nitty-gritty of the steps you can take. Unfortunately, very few of these resources have taken a step back to consider the tremendous disconnect between how decision-making is made in the real world and the tooling available today for DAO implementation.

So we'll dig deeper into that and offer some alternatives that are more natural for humans, as well as potential directions for development of useful tooling for DAOs. We are already seeing glimpses of technological developments that leverage Large Language Models (LLM)[1], community interaction mapping, and DAO health measurements (RnDAO). We're also seeing interesting developments in terms of reputation systems and identity systems that will allow meritocracies and representation of different types of community members while preserving people's data privacy.

The best way to read this book is with a particular group or community in mind. We all belong to groups that we wish had better and more inclusive decision-making. Whether or not the organization has dreams of becoming a DAO doesn't matter. What's important is that it's a group of several people who make decisions together. As you go through the concepts in this book, you can see their relevance (or lack of relevance) to that group so that the exercises and examples will be relevant and help you to make decisions on how to make decisions. (Ooooh, so meta.)

[1] https://unanimous.ai/swarm-for-daos/

Finally, if you want a practical outline of suggestions for decentralization, take a look at the Blueprint for Decentralization[2], the DAO Playbook[3], and the Blockchain Governance Design Toolkit[4]. These are great resources that saved me from having to write a How to DAO book, so I could write this one instead. Cheers.

What is distributed and connected leadership?

"I am the first and the last President of Liberland," says Vít Jedlička. In an unclaimed piece of land between Croatia and Serbia, Jedlička declared Liberland as an autonomous country with several thousand citizens and dozens of ambassadors. The country's government worked with a number of blockchain projects to implement a direct democracy which will no longer require a head of state to lead the country.

At the time of first writing, the country itself was distributed. Because they have received so many applications from refugees, Liberland is working with Somaliland to purchase a free zone in Africa where these refugees can live, and acquire their Liberland citizenship. The country was also in negotiations with Honduras for an island off the coast, which will also become part of Liberland ("It's shaped like the letter L," Jedlička notes showing a slide of the island.)

When asked if they will be applying for membership in the EU, he glibly says "We don't recognize the European Union." Everyone laughs, not because of the statement's absurdity, but because of its truth.

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[2] https://docs.google.com/document/d/1wcEf9qJHvGh3FdLxXFzN5l0NHuESFLQAgoIJW8zKfKU/

[3] https://daoplaybook.com/

[4] https://www.projectliberty.io/news/towards-a-responsible-decentralized-ecosystem-unveiling-project-liberty-institute-and-blockchaingov-s-blockchain-governance-toolkit

Liberland was set up to be the first modern distributed nation, long before Balaji's publication of The Network State. Liberland hasn't turned out as planned, and we don't know how Network States will turn out. What we do know is that the island off the coast of Honduras did get purchased by a group which established Prospera, a prototype for network states based on free trade zones. Multiple such trade zones have popped up worldwide.

None of this is risk-free, however. A newly elected government in Honduras declared the situation to be problematic because it does not benefit the local residents. (Who knew that pure capitalism would exploit the poor people?) Prospera countered by suing the government of Honduras through the International Centre for Settlement of Investment Disputes (ICSID), which, if you haven't heard of it, has a long history of enforcing corporate rights over the rights of sovereign nations and democratically-elected officials. If you have never heard of ICSD and were wondering how capitalism was able to get away with all this stuff, you can find excellent information about it online. ICSID is routinely used to force the extraction of minerals and other irreplaceable natural resources against the wishes of local people and national governments. Honduras countered by saying they are withdrawing from the ICSID (and it's about time more countries did the same).

It should be obvious that DAOs and Network States should not be designed to trample the democratic rights of other human beings on the planet? It's embarrassing for me (Grace) as an Israeli to admit that the moniker techno-Zionism fits the situation, but then again, a lot of things are embarrassing for me as an Israeli these days. And as a crypto-bro, I have even more to be embarrassed about. Celebrity coins, FTX, starvation of civilians, libertarianism, rugs, obsessions with the singularity, Bibi Netanyahu, Do Kwan, and bribing governments to sell out indigenous lands. Not the look I was hoping for. This book doesn't make up for it, but you can't say I didn't try.

Despite these wild tries and a multitude of failure modes, an increasing mass of people are increasingly disenchanted with what their governments can offer them. Citizenship is a relationship between a human and an institution that provides certain services, and today, many of those services can be provided digitally or remotely. With the social contract fundamentally broken between nation and citizen, more and more efforts will emerge as people look for ways to self-organize.

Bitcoin is the first modern digitized currency. We don't know how that's going to go, but we recognized that currency, too, is a relationship between humans, with an organization as the facilitator of that relationship. Monetary relationships, too, are remote and digital. Even local purchases are the result of many monetary transactions happening in a distributed manner. Grace has done a body of work on why monetary systems are, by definition, problematic ways of organizing society. That's mostly beyond the scope of this work, and you can find more information at www.DAOLeadership.com.

Distributed and Connected leadership recognizes the global nature of our relationships, the connectedness of all of us as humans, and the need for a new way of organizing ourselves. We have developed distributed technology and we are waiting for "regulation to catch up." Guess what? Regulation will not catch up.

It is our responsibility to take on the leadership of this new organization of human society, to create appropriate regulation for this new world, and to protect our citizens, the citizens of the world. To this purpose we dedicate this book and all of the work that we are doing to bring in this new generation of leadership.

Why this book

The promise of blockchain and distributed ledger technology is a world where people take back the control over their own money, identity and data

As an expression of this promise, organizations in the blockchain space are aiming to create Distributed Autonomous Organizations (DAO), foundations and even decentralized and distributed companies. We can already see the solutions are somewhat clunky. Hard forking of a crypocurrency protocol is hardly a replacement for democracy. Having everyone in an organization responsible for whatever they want isn't much of a solution either. The result is a high level of inefficiency, whether that expresses itself as multiple bitcoin currencies or companies that are unable to respond to customer emails efficiently. We're also seeing some telling signs of centralization, such as the concentration of cryptocurrency holdings, mining operations, or even the same (predominantly white/Asian male) speakers showing up at industry events.

This handbook provides the elements of leadership that are needed for a distributed form of governance for foundations, companies, and perhaps, one day, governments. It comes with two caveats:

- Firstly, it's broken up into short sections that stand more-or-less on their own. Each section gives you ways to think about the topics and basic exercises to apply, but the sections don't go into depth. If you are reading this, you probably raised money or are well on the way to raising money for your project and you need to implement it quickly. If you want more, or you are interested in being part of the thought process, contact us or take a look at some of the references in the back for more in-depth learning on the various topics we cover here.
- Secondly, it's a work in progress. You're looking at version 2.0 from 2024, which builds on the 2018 version 1.0. We are amongst the first writing a handbook for the needed mindset in DAOs. This is just the beginning. That said, we are a team with decades of management and peak performance expertise. Applying the tools and mindsets we have gleaned over our years in management of for-profit, nonprofit and governmental organizations, we are convinced that with the right set of tools, including decentralized ledger technology, we can fulfill the promise of the distributed and connected world. Please give us your feedback as you implement these exercises and let us know where we need to improve, what's missing, and what works.

Technology and people

Thousands of experiments are now being developed on the blockchain to create the right technology for decentralized human organization. We trust the developers of these technologies to come up with amazing solutions. But they aren't doing much about mindset.

Nobody came in at the beginning of the internet and said: soon you will all be able to talk to one another, so let's train you in a new way of communicating. A decade later, when we set loose a twitter chatbot to "learn human behavior" it rapidly became a nazi nymphomaniac. Nobody thought about the direction we wanted to go in, and we got some arbitrary results.

Unlike the internet community, the blockchain community has a clear vision of where it wants to go, and, generally speaking, we have some of the best technologists in the world working on this. It's time to bring in some of the world's best human training techniques as well. Grace and Marco both have extensive experience in training humans within organizations, and Grace has extensive training in decentralized organizational leadership.

Without this training, we leave to chance how humans will utilize this technology. If you are reading this book, you probably are already experiencing the gap between your vision of decentralized leadership and the reality of decentralized leadership.

Distributed and connected leadership holds the promise that we can work together in any organization, company, or community in a way that empowers each and every one of us to impact the matters we care about. It allows us to participate in group solutions without sacrificing our individuality.

To be able to deliver on this promise, we need to look at leadership and organizational structures in a completely new way. Of course, we have known this for a long time. Blockchain merely the facilitator in emphasizing humanity's true nature of harmony, growth and positive social interaction. Through the work in this book and in live seminars, interacting with other leaders, we will create the human mindset shifts and organizational practices appropriate for the implementation we design and the outcomes we desire.

THE MISSING TOOLS

Blockchain and distributed ledger technology have provided the technological basis for distributed and connected leadership, but having the technological tools does not mean we have the complete picture. The most common problem we hear from companies trying to implement decentralized leadership is that their staff lack the communications abilities to work together effectively when nobody is the boss.

By the way, distributed leadership doesn't mean nobody is the leader. It means people have leadership roles based on their capabilities, and that those roles are fluid. In some sense of the word, nobody has ever really been the boss. Telling people what to do based on a power relationship has limited potential, particularly in creative jobs.

This handbook starts with the four elements that technology doesn't provide:

- Mindset: Our current paradigm (brainwashing) in society has two fundamental mindsets that need to shift. Firstly, the paradigm that we are independent, and that other people's opinions and actions are a threat to our freedom and independence. Secondly, the paradigm that some authority from above (earned, elected, or grabbed) should manage things if we want things to run smoothly.
- Management tools: Most people in the blockchain industry are starting out with minimal management training as is. Compound that with the fact that many of the classic management tools are irrelevant in decentralized organizations and you have a recipe for failure.
- Communications tools: Can someone explain to us why kids are never taught communications skills beyond "listen to the teacher?" We just throw them in a playground and hope they will figure it out. If you have ever had communications skills training,

you are in the minority. If you haven't, good thing you are reading this book.

- Consequences of technology: While we aren't necessarily explicit about ethics or morality, we do address the questions of whether the technology is good for people. In this edition, I make some bold statements about the failures and successes of Web3, which by definition requires subjective judgment about what is good. The chapters on what should and shouldn't be done are designed to make you think. We don't subscribe to techno-utopian ideology that tech will fix all the things it has broken. We see no evidence of technology that cleans up its mess. This book takes a hard look at what we've created in the DAO space and whether it is delivering on its promise.

You as a Leader

Section 1

You are the center of the universe

Centralized leadership was very effective for making the progress humanity has made so far, but it's showing itself to be increasingly bankrupt. The reason for this is quite simple: Humanity has to be seen as an ecosystem rather than a command chain. Centralized leadership was necessary for mass organization, as there was no way of communicating and executing in a direct interoperative manner, it was simply impossible for company owner 150 years ago to discuss issues or interact with all its employees instantly. The last 10 years saw a massive shift in how people are able to communicate. Today's communication is instant, global and free or low-cost. Furthermore Blockchain has created today a global, totally transparent and horizontal execution layer (Smart contracts). With the development of new communications tools, we now have new options. Unfortunately, we find ourselves in the situation where we are going to need to undo the damage caused by a centuries-old system where a small number of people benefited at the expense of others, and of our shared home, the planet earth. The delusion that one person can benefit at the expense of others has led to extreme poverty, massive destruction of our environment, extreme poverty, and, most horrifically, murder and warfare.

The truth is that every action we take affects all of us. We feel bad when we harm another person. We feel bad when we see a person in pain, even if we didn't cause it. We feel good when we see a baby laughing. That's just on the individual level. On a societal level, no matter how rich we might be, when we live in a society with a lot of suffering, we also experience stress: fear of crime, disease, and deterioration in the physical environment. Not one drop of water on earth is devoid of microplastics.

We can't buy our way out of the ecosystem, even with cryogenics, genetic engineering, and a rocket ship. We are part of this ecosystem called humanity, and a larger ecosystem called planet earth.

So when we say "You are the center of the universe," we mean that in several contexts. In later chapters, we'll talk about responsibility and leadership as contexts, but the first thing that we understand as leaders in a distributed world is that we are individuals in the way that our cells are individual cells. When the cells in our body act as individuals rather than part of the whole, we call that "autoimmune disease" or "cancer." In that context, we would say that humanity has an autoimmune disease. Some cells are misidentifying the other cells as enemy cells, and killing them.

While we are all individuals with individual needs and interests, it is delusional to think that we can serve our interests at the expense of others. The ecosystem doesn't work that way, and it never has. In that sense, you are the center of the universe. What you do, or if you do nothing, it touches the entire ecosystem.

Exercise: Visualization

If you have never meditated or done guided visualization before, this may seem a bit weird. Relax. Tim Ferriss says that meditation is the most common practice among high achievers. He has spent decades trying to figure out what the common denominators are for success, and that's all he's come up with: almost all highly successful people do some form of meditation or visualization, people like Ray Dalio (the most successful hedge fund manager of all time) to Oprah Winfrey. Welcome to the club of the most successful people. [5]

We created this specific meditation for a purpose. You don't have to do it every day, of course. We do suggest, however, that whenever you are

[5] https://siyli.org/

making a decision that will impact many people, you use some form of this visualization to get in touch with the magnitude of your own power and influence.

- Take 3 deep breaths. Breathe into your heart as you do this meditation. Any time the meditation seems difficult, place your hand on your heart, and breathe as if you are breathing into your heart. Imagine your breath is filling your heart. Keep your breathing focused on your heart throughout this meditation.
- Imagine yourself as responsible for your well-being in the world. Have compassion for yourself and your struggles, and wish good will upon yourself.
- Now, Imagine yourself as responsible for the well-being of your family members. Imagine all of their perspectives, and that you are responsible for their well-being, and also for their expression of their different opinions in this world.
- Now imagine the people in your company or organization. Imagine all of their different perspectives and that you are responsible for all of their interests, their well-being, and the expression of their different opinions and needs in this world.
- Now think of all the people in your city or region, and imagine taking on representing the interests of all of the people in the city or region, with all of their different needs, experiences and opinions.
- Now, think of the entire country or continent, and the people in it. Imagine you are responsible for their well-being. Imagine taking on a perspective that serves the interests of the humans in the country, with all of their perspectives and needs.
- Now, think of people in a different country, with a different skin color, with a different spiritual belief than you. Perhaps they work the land, or perhaps they work in a factory or in shops or a market. You will never meet these people, just as a bacterium in your stomach will never meet a cell in your brain, yet you are all part of an ecosystem, and if something goes wrong in their country, it will affect the whole world. Remember that you could take on the perspective of being one

of them, and imagine taking on being responsible for their well-being and expression in this world.

- Now, think of a group of people you vehemently disagree with. Think of people you think you could never represent. Look at their needs as human beings, and find compassion in your heart. Breathe into your heart and see these people who disagree with you, and the lives they lived that brought them to this way of thinking. Have compassion for their suffering. Have compassion for their need for security and safety, for a future for themselves and their children, their need for a decent living for themselves, and for self-expression. Imagine that you are responsible for their well-being, and for taking on a perspective that will serve them, their interests and their needs.
- Now think of all the people on the planet and their well-being. Imagine you are called to represent them in the United Nations, at the World Bank, or in some other type of large organization designed to serve all of humanity. Imagine you are responsible for taking the point of view of humanity. What would your views be? What would serve humanity right now? Put aside your personal views, and see yourself as if you are, in fact, humanity, just one cell in this global human body.
- Slowly bring yourself back to your body, to your place in the room. When you are ready, open your eyes.
- If you did this meditation with someone else, share with one another your experience. If not, you might want to write down some notes for yourself, particularly if it was a new experience.

Your personal leadership

Declaration of leadership

Our greatest superpower as a human being is to make a declaration about the future. “We will land a man on the moon.” “We will end Apartheid.” “I will make a million dollars.” “Yes, I will marry you.”[6]

All of these declarations shift our actions in the present moment and change not just the trajectory of our own lives, but the trajectory of the entire ecosystem of people who touch you. This could be your project, decentralized organizations, humanity and of earth. You don’t have to declare anything huge to become a leader, just something that wasn’t inevitable. At the moment you declare this as your leadership, you’ll find a gap.

As the authors of this book, we are consciously stepping into this gap. We did not even know one another until September of 2017. Marco wanted to create a new generation of leaders, and Grace wanted to create a replicable blueprint for DAOs, but those goals seemed so far away. We knew what we wanted, and the gap opened up widely before us. We created a step-by-step plan, supported one another’s talents, and stepped into the challenge. Now, at the end of 2017, we have a draft of a book. In the next few months, we are starting a series of in-person training courses for leaders of DAOs. This is uncharted territory, and together with the community of DAO leaders, we are stepping into the gap. We know we will deal with personal as well as professional challenges. This is how we grow a business, how we grow a community, and how we grow as individuals.

6 http://www.thoughtleadersllc.com/2012/01/the-power-of-declarations-winston-churchill-and-leaders-today/

The path of your personal growth is the gap between your declaration and your ability as a person to cause that outcome to happen. If you have declared you are going to raise $30 million dollars to create an ecosystem that will provide sustainable agriculture for the world, you now have a gap which requires you to acquire the skills to raise that money. If you raise the money and have never managed $30 million before, you have a new gap. At each stage of the path to accomplishment, you have a gap in your personal growth.

In this gap is the juice of being alive.

The catch is that in order to get this feeling of being alive, in order to grow as a leader, you always have to step out of your comfort zone. Just as becoming a great technologist took training and learning, so does great leadership. The exercises in this book will take you out of your comfort zone, but if you play along, you'll get the rewards.[7]

[7] http://www.academyleadership.com/news/201403-2.asp

SHORT PREVIEW: RESPONSIBILITY

Later in this book we go in depth about responsibility, so this is just going to be a short preview of responsibility as it relates to leadership.

- As we mentioned above, your leadership is a declaration of responsibility, or perhaps more accurately, your declaration of commitment or accountability. You don't have to commit to those things in the future, but you choose to. In any area of your life or the globe, you could choose not to declare responsibility. Is it your responsibility that the rivers are polluted? You get to choose. There is no right or wrong here, there is just you and your declaration.

What you don't get to choose is consequences. The rivers are polluted. That has consequences for you, in one way or another. To emphasize this, let's think of health. We all know people who don't take responsibility for their health. The circumstances of their environment make it difficult to exercise or eat healthy. They say things like "I'm too busy with my work and the kids to get to the gym." Regardless, they are the ones who suffer the consequences on their health.

MARCO: I was one of those people. I was so busy being a startup entrepreneur that I was convinced it was impossible to be successful in business and also vibrant and healthy. I was overworked and stressed, and of course I had tons of excuses about how I could not refuse food at the events I was invited to, or fast food because I was working late, or… well, you name i t. Eventually, I became so overweight I couldn't walk for more than 10 minutes without being exhausted. So I didn't take responsibility, but I had to live with the consequences.

It does not matter that life is hard or that healthy food is expensive and hard to prepare. The consequences aren't listening to your excuses. So it is with every area of life. You don't have to take responsibility for the

kinds of food your grocery store carries, the beggars on the street, the pollution in the ocean, or the government's fiscal policy, but you will always have the consequences to deal with.

We aren't saying this to make it into a guilt trip. It's a big world and many people declare responsibilities in the areas that inspire or enrage them. Responsibility, ultimately, is a privilege and an opportunity, not an obligation or a burden.

Marco: By the way, the way I turned my health around is a useful exercise when you are stuck with lack of motivation to make a change. At the time, I was under 40 and I thought to myself: "I am gaining weight at about a kilo per year. That is not bad." But then I started to do the math. I realized if I live another 30 years, that's 30 kilos. 40 years. 40 kilos. Then I thought, well, right now I am gaining one kilo per year, but that will probably accelerate, not slow down. Maybe in 20 years I will already have another 30 kilos! This exercise is useful for any area where you are telling yourself it is "not so bad". Take a look 5, 10, 20 years out, and ask yourself what the long-term consequences will be.

Exercise: declaring leadership

As we mentioned above, you don't have to declare anything grandiose. You can declare leadership in choosing organic produce, to reach company income of $500,000 per year, or in adopting a cat. You can declare leadership in fighting the chemical industry, making $500,000,000 per year, or in making sure all cats in your community are spayed. Choose something that feels right for you.

Step 1: Check out this list of some of the key areas in life that are common for most people:

- Career or job (that's what this book is about)
- Finances

- Family
- Friends
- Living conditions
- Health
- Romantic relationship
- Sex
- Spirituality or religion
- Leisure, recreation or celebration
- Emotional well-being
- Time
- Community or contribution
- Education

Step 2: Looking back at the list above, choose 3 of the areas, and in each area write 2-3 negative consequences you are experiencing in your life.

Step 3: Choose 3 of the worst consequences that you no longer want to tolerate, and write down the names of at least 3 other people who you know are also affected in that negative way.

Step 4: We aren't going to tell you what to do next. You aren't that dense. This is a book about distributed and connected leadership.

Note: A word on guilt

It is rare that you will hear us saying a particular emotion is bad, but we will say that about guilt. Guilt and responsibility sometimes get collapsed. Here is the difference: Guilt is about the past, and responsibility is about the future. Given that you can't change the past, guilt is quite useless.

Another word about guilt is that, generally speaking, it comes from projecting other people's values on yourself. When you feel guilt, ask yourself whose values you violated. Usually it isn't your own values, but societal values or something someone else wanted you to do. This is why we do not advocate guilt. We are responsibility fanatics, guilt-free.

Being Authentic

Your humanity

In this section, we talk about authenticity. Everybody talks about being authentic, but very few places will offer you a simple format for being authentic. (The closest we've seen is found in the Landmark Forum[8], which we have found is effective. If you're more of a reader, you'll want to take a look at *The Gifts of Imperfection* by Brene Brown.)

Authentic leadership comes through acceptance of your own imperfection.[9]

If you are a human, we can tell you some important facts about you:

- You lie.
- You try to force or coerce people to do things your way.
- You don't listen.
- Even if you are a good person, you are good according to your definition of good, and you judge your actions by your own judgment. Nobody else can tell you what's good or bad to do.
- You are selfish.
- You get upset when you don't get your way.

Said in another way, you are a jerk.

You aren't a jerk because you are subjectively more of a jerk than other people. You are a jerk because this is how human beings are structured.

[8] http://www.landmarkworldwide.com/the-landmark-forum

[9] https://www.google.com/url?q=https://www.insights.com/media/1107/authentic-leadership.pdf&sa=D&ust=1519824134221000&usg=AFQjCNE7jYaFrXVuuU9Nmuugn7nAC7_Sjw

Now, if you don't believe us, think of someone you deeply love or admire and who you know well. Go through the list above and see if that person doesn't occasionally lapse into all of the above jerk qualities.

(**Grace:** If you think someone is not a jerk, you probably don't know them that well. Even a Buddhist monk has some of the qualities above. Once I was on a Buddhist monastery, and when I was making the salad, they told me not to put fruit in the salad or they would hear about it from the head monk. I thought, wow, I didn't know that even a Buddhist monk gets upset when things don't go his way. And isn't that selfish? The salad is for all the monks to share. There must be at least one monk in the group who wants fruit in the salad sometimes. He could have some days with and some days without… so there you go. Even a Buddhist monk, when you get to know him well enough, is imperfect.)

We aren't going to go deeply into this topic, because it's covered by many books and practices. We mentioned the Landmark Forum above. The Oneness Academy also covers this topic in their seminar "The Gift".

Marco: The acceptance that I am a "jerk" is among the most powerful and enlightening teachings I have realized. Until the moment I could see this, I had to hide my flaws and pretend to myself, and to others, that I am a good person all the time. How exhausting that was! The moment I could see clearly that I am truly a jerk, I stopped having to hide and make excuses for every imperfection. Instead, I could be authentic. I could say, "Yeah, that was really selfish of me." That's not to say that I wouldn't stop the selfish behavior or make up for it, but I could be authentic. I could just say it like it is. If we bring this down to distributed and connected leadership and the interaction in a DAO, it's about accepting your own flaws. If you're not perfect, you admit when you screwed up the code, or you can admit that you are just being egotistical in defending your architectural design over someone else's.

For reference, we recommend Brene Brown's work. You can find her excellent TED talk on the Power of Vulnerability online, and go from there.

> *"Authenticity is the daily practice of letting go of who we think we're supposed to be and embracing who we are.*
>
> *Brene Brown*

Your strengths

Have you ever done one of those self-assessments where you figure out your strengths and weaknesses? What's the point? If we know that we lie and judge ourselves according to our own standards, what good is self-assessment? We don't need an assessment of how we think we are. We already know that. We need an assessment by others.

As a leader your ability to have impact on others is a function of two things:

- Your declaration of leadership
- The degree to which others align with your leadership.

In other words, if someone declares they should be President in a country with national elections, their capacity to actually be the President is dependent on the degree to which others say that's true. Others must perceive them in a certain way, or the declaration of leadership is empty.

On a smaller scale, we all know that person who when they say "let's have a party next month", it really happens. We also know the person, who when they say "let's have a party", it doesn't happen. In the first case, as soon as the person says it, you put it in your calendar. In the second case you say "send me the details" (and they don't). So it's not enough to declare you are a great party organizer. People have to come to the party.

We will call that “other people’s listening of you”, which is a distinction coined, as far as we know, by Landmark Worldwide.

In a distributed organization, the power of other people’s listening of you is even more crucial than in a traditional hierarchical organization. In hierarchy, people have to listen to the boss, because he has power. In a distributed organization, power is all designated through listening. If people don’t respect you or you don’t deliver what you promise, nobody will follow your leadership.

So, your strengths are not just what YOU think they are, but how OTHERS perceive you. If people think you’re incompetent, they won’t assign a task to you, and if they think you tell bad jokes, they won’t give you a chance on stage.

For the sake of this chapter, we aren’t talking about the realm of knowing, but the realm of doing. You can know a tremendous amount about art history but not be able to draw. You can know a tremendous amount about project management but not be able to keep track of the tasks yourself. Knowing about something isn’t competence. For the purposes of knowing your strengths, what we mean is: what people can count on you for in the area of performance.

Competency

Have you ever seen someone who did not know they were incompetent at something? It’s painful, right?

Grace: I was once watching (with my daughter, please forgive me) one of those talent shows where people audition to get on a TV sing-off. This one guy got up and could not sing. At all. Of course, he didn’t know he was incompetent, because he was tone deaf. That’s how incompetence looks. You don’t know you’re incompetent at something, because you lack sensitivity in that specific area.

The judges asked him if he had gotten feedback from his friends, and he said, yes, of course, they love his singing. The judges paused for a moment, and then said, in the most sympathetic way they could, that he needed to get new friends. In the end you saw him walking away with his homies, who were all patting him on the back, telling him the judge was a jerk and that one day he'll be famous and show that stupid judge.

It's bad enough to have incompetence, but if you have friends and colleagues who BS you, you could waste your entire life trying to accomplish something that you're unfit to do and missing out on your real talents and mission in life. Or, if it is truly your mission, missing out on the training that would get you there.

It is absolutely essential to weed out your own incompetence, and you can't do it on your own, because you are blind in that area. That's why you must ask others.

By the way, these are not fixed. You can do work to improve in any area. Even things that we think of as fixed personality traits are not fixed. If you are determined to be more or less assertive, you can get training in that. If you are determined to be funnier, you can get training in that (We all know that guy who thinks he is funny. Groan.). It's possible to change any trait, but first you need to know your competencies or lack thereof.

Authenticity Exercise: Your strengths

Chose something you know is one of your greatest strengths, something others have praised you for and you know to be a strength. Now, think of a situation in which you leaned on this strength when it was suboptimal. For example, if you are decisive and just go for it, at work you may accomplish a lot, but when you plan your family vacation with the same decisive energy, it may upset your partner. On the opposite scale, if you are too nice, nobody knows what your preferences are and you may end up eating at a lot of restaurants you don't really like

Think about that situation in which you used this strength of yours and the negative consequences on you, others, and the community as a whole.

Take the time to apologize to one or more of the people on whom this had negative consequences, and ask them if there is something you can do either now or in the future that would repair the damage. Ask them for their support in the future if they see you using this strength in an inappropriate situation. One way to do that is choose a "trigger" phrase. For example: If you see me being polite when I should be asserting myself, please say "did you forget to take out the trash?" This allows the person permission to confront you in a playful way.

Grace: In our family, the word was "donut". You know how sometimes children say "no" just because they are contentious? Whenever one of them would do that, another one of us would say "yes" and the third person would say "donut". It didn't mean anything, but it would just break the pattern of saying "no" for no reason.

Leadership Exercise: What are the strengths others count on me for?

Ask your team some or all of the following questions. You can do this in person if you create a safe environment for it, or you can do it by an anonymous online survey:

- What are my strengths?
- What are my weaknesses?
- What are areas where my weaknesses are affecting my job performance?
- What can you count on me for?
- What can't you count on me for?
- Where are my blind spots?
- What should I be spending more time on?

- What should I be spending less time on?

DELUSION

Another element of your humanity is that you are deluded. You live in your own interpretation and delusion of the world. Once, a group I was advising had to close the company. The money had run out from the VCs, and for months, the company had been telling the investors they were out of money, and the founders were funding the company out of their own pockets. The VCs kept demanding that the founders change the entire company direction in return for a small loan on unfavorable returns. So instead of taking the loan, the founders announced the company would be closing. One of the investors started freaking out, hinting at legal action, and just generally behaving unprofessionally. At that moment, we realized that she had never considered that the company would fold. She had been telling her superiors that there was a plan, that we had a plan or she had a plan, or something. Now, the news was going to come as a total surprise to her boss and she was going to be in deep doo-doo. We've all done that at least once: deluded ourselves that everything is going to be alright, when all the signs were to the contrary. Unfortunately, this person seemed to have convinced someone important that her delusion was true, and now she is paying a higher price than if she had read the signs earlier.

The good news about delusion is that it can be used to enjoy life immensely. Have you noticed that there is only random correlation between who you are in love with and who is in love with you? However, you still get to enjoy the feeling of being in love. You can go around feeling joy and love for everyone, no matter what they feel. Eventually, they might come around to loving you too, but even if they don't, at the moment you think of someone you love, you feel love. They might not feel anything. They might not even remember your name. But *you have the*

experience of love at that moment. That's why you never bother to ask them out. But I digress.

Our delusions can affect us in all kinds of ways, and the only way out of them is careful observation. Sometimes, it is healthy to choose a delusion because it makes you feel good. Just make sure you know you are doing it.

Mini-Exercise. Delusion

Consider one of your favorite fantasies. Maybe it's about someone hot. Maybe it's about the money you are going to earn. Consider if any of your actions today are based on that favorite delusion. For example, are you spending money you don't have? Avoiding confronting someone about something because they will someday "see the light" or because you are deluding yourself about how bad the situation is?

Please, do continue to enjoy your fantasy. We enjoy ours. Just be on the lookout if they are influencing your decisions in a way that doesn't really make sense.

The Organization and Leadership

Section 2

Pillars of alignment

Without alignment, your organization cannot function. Too often, people get only the big-vision alignment. For example, in the blockchain community, we generally believe that privacy is extremely important. In the blockchain community, we generally think that humans should have some form of self-sovereign identity. (If you don't, that's fine, but it's a good example for this case.) If your organization is creating an identity solution, you definitely need to hire only people who align with this outcome.[10]

Unfortunately, that's where too many organizations stop talking about alignment. We all have this grand goal to create self-sovereign identity. Everybody has a job or job description, and off we go. If you've ever worked in one of these organizations with a general agreed-upon goal, but none of the alignments we discuss below, you find it's chaotic. There's someone tweeting whatever they feel like just to get attention and calling it "marketing". There are several people writing code for the same module in different ways. The R&D team managers don't agree on what features are part of the release, or even how the product should function, so there are two or three different products being created, none of which gets finished or has a clear target market. Many of the programmers are working on various open-source projects in the blockchain which seem to have alignment with the company goals, but don't profit the company in any way. And so on. If you've seen this, you have been in a distributed organization where people appear to be aligned on the final goal, but no measures or mechanics are in place although the technology to support this kind of organization is at least partially in place.

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https://www.google.com/url?q=http://triplecrownleadership.com/assets/Alignment.A-Tranformational-Leadership-Process1.pdf&sa=D&ust=1519824134214000&usg=AFQjCNHCITyl69dLimY0-Hv72A7FaVnjUg

Alignment on vision, or maybe not

When discussing this book, we started nitpicking about what we mean by "aligning on purpose" and "aligning on vision". That's not ironic at all. ;-) Whether you call it vision, outcome, or impact isn't important. But you have to agree on the basics, like: the vision is to create a functional DAO on the technical and on operational level.

We noticed something fascinating, though, which is you don't have to align on why. The authors of this book have a vision that this book will help managers of distributed and decentralized organizations, and we believe these types of organizations are essential to our future as humans, at least in some areas of human operation. But if you ask us why we are writing this book, you will get different answers for each of us.

Grace will tell you she is writing this book as a means to an end, and that end is to create a system of distributed leadership so powerful that it will end warfare on the planet. She will say it is essential right now to prevent the inevitable chaos that will occur when cryptocurrency replaces fiat currency and self-sovereign identity replaces government-owned identity. We can all agree that Grace has been drinking a lot of kool-aid. But who cares? She's a good co-author.

Marco will say he is writing this book as a starting point of an ever evolving new way of how organizations and communities can adopt a mindset allowing to fully leverage the technologies emerging and to use them for the positive evolution of humanity. He is completely fascinated by the technology and what it allows people, businesses and communities to do. He, too, has been drinking a lot of kool-aid.

Because our basic vision is the same, but our motivations are slightly different, you can see that we might work on different areas of the solution.

It's not essential to align on why you are doing something, as long as the vision, outcome, and values are aligned. But it is important to know why each one of the people on your team is doing what they are doing, so you can make sure their work is satisfying to them and that you are communicating with them on their level.

Alignment on outcomes

Alignment on outcomes is essential on each relevant level. At the organizational level, the main goal has to be clear. Let's say that you have a distributed organization that is decentralizing the electrical grid. Your company alignment might be about bringing power to the hands of humans, decreasing the power of the electrical monopolies, or creating clean energy, or all of those. The choice of values is yours, and everyone needs to be aligned.

On a more granular level, the R&D department, for example, has a specific outcome. Their outcome, in general, is to create the technology that will allow for people to share electricity in the grid. Again, at the level of alignment on outcomes, you might not have to agree on the way that will be done. It could be through software, hardware, whatever. But you need to at least agree that the purpose is to create a system that is scalable to a certain size for a specific purpose. In each team within the department, the outcome is broken down even further, to a granular level. Ultimately, you might say that each person has a specific outcome they are expected to accomplish.

In this discussion, we are talking about outcomes and impact. Your organization's purpose has to do with the impact you want to make on the world. Each outcome should be an expression of that impact. An outcome is specific and measurable. Success, for the sake of this discussion, means accomplishing this outcome. We know that accomplishing lots of outcomes doesn't really mean you are a success or

that you are fulfilled, but we are just using the simple meaning in this chapter.

Alignment on values

Watch out! You are about to get cynical.

We have all read those idealistic lists of company values and snorted at how much BS they are and how those corporations don't hold those values. Like "Don't be evil." I don't think the company that has that motto is necessarily "evil," but I think most of us agree that some of the practices are at least "shady" in their results, if not always the intent.

I'm not talking about values you wish you had. I'm talking about real values. When we discussed this book, we recognized that there are some values which are like gravity. Whether or not you believe in gravity, you have to obey its laws or pay the price. Other values are your personal values. You may believe that courage and innovation are important, or that careful consideration and personal care are important. You'll have a different company depending on those values, but rapid progress isn't intrinsically better than careful consideration. Here we will talk about both kinds of values, and measures, which is the next section.

Universal values (laws of nature)

Large portions of this book cover the universal values for a distributed organization.

- Being of service (creating value): When you talk to people about why they're in business, they'll often tell you "to make money." That's like saying the purpose of your life is to breathe. Of course you have to breathe to survive, and a company needs to make profit to survive. But the real purpose of any organization is to create value in the world. People pay for value.

- Honesty: When people do not openly share information, decisions are made based on incorrect assumptions. Decisions made based on wrong information are prone to be wrong decisions. [11]
- Responsibility: The success or failure of the organization is the responsibility of everyone in the organization.
- Individual equality: Every individual is of equal value, and their ideas are of equal value, and their potential for leadership and expertise is equal.
- Merit-based inequality: As people prove their merit in measurable ways, they are qualified to have a larger influence on decisions in their area of expertise. Someone who has reliably predicted market trends is a better strategy advisor than someone who has consistently been wrong about market trends.
- Impact-based inequality: Someone who will be impacted by a decision should have more influence than someone who is not directly impacted. For example, if you live on the banks of a river, you should have more influence on whether to build a dam than someone living 500 kilometers away who will only benefit from the electricity but won't have to live with the consequences on their livelihood fishing.

All of the values are covered in length in this chapter.

Personalized company values

Sometimes you read a company mission statement, and it sounds great, but you have to wonder how they are going to give customers individualized care and also be low-cost and efficient. You get to choose the company values. Do you value hustle and hard work, or do you value life-work balance? Do you value efficiency, or do you value warmth and a personal touch? Do you value individuality or team collaboration?

[11] http://www.changefactory.com.au/our-thinking/articles/leadership-does-honesty-matter/

Every company needs to choose their values, and hire according to those values. If someone doesn't align, the decisions made and the means taken to reach the goal may not align with your company.

To give an example, at one point we were partnering with another company which was taking several companies on a round of pre-ICO investor meetings. One or two of those companies did not have a good justification for a token economy, but they wanted to raise the money without the accountability of equity. We spoke honestly to the founders about the fact that they didn't need a token, but it was useful as a fundraising tool. Our partners was furious. She said "I've been convincing so-and-so to do an ICO for 3 weeks now. Now they are getting cold feet." She absolutely knew that they were doing the ICO for the money and the publicity, but she hadn't been honest with her clients about it. We both shared the belief "It is a good idea to do an ICO during the money grab." and "It's good to help startup founders do that." However, we didn't share values about how to talk to clients about it.

Alignment on measures

Any decision on an outcome needs to include alignment on measures. You don't go from zero to success without measuring something. For example, we have a colleague with a veterinary clinic, and he wants it to be "the best quality" in town. He was measuring that by referrals and customer loyalty. That's not a bad measure, but it is a measure of growth, not a measure of quality. After discussion, he realized that "quality" for him means customer service. He decided to measure the amount of time people wait in the waiting room (among other things). Less waiting is actually better service, not an abstraction of better service.

If you are aligning on measures, and you are aligned on values, you don't have to care about how people accomplish the measure. For example, you could have people wait less time in the waiting room by scheduling more

time between clients, by texting people if there is going to be a long delay, or by having more doctors available at peak times. You can just tell your staff the goal, and let them come up with ideas of how to accomplish it. You can stop worrying about how things are getting done or what your team is doing all day long. All you need to measure is the outcomes which are agreed-upon up front.

By the way, measures aren't just relevant to outcomes for the organization, but also for the behaviors and values. If one of the company values is, for example, transparency (as we discuss below), there should be measures of transparency, for example, how often you post to the public discussion on a project, or how often a coworker complains that you did not inform them of a critical change. Everything can be measured, and everything that you want to accomplish needs to have a measure attached. In real life, we have people who don't align with the company values, and everyone knows it. But we also have situations where people "feel" someone doesn't align with company values, but they are just a little weird, and if you measured their honesty and commitment in terms of their behaviors, you'd see they do align. Having measures of company culture is a step in the right direction, though we don't think it will resolve all personality issues (thus, the rest of the book).

Alignment on alignment mechanisms

Having measures is great, but people are imperfect. What happens if someone constantly misses their measures? What happens when we have some objective judgment to make? Alignment mechanics are how we reach consensus or make a decision when we can't reach consensus. In other words, if you don't make your measures for quality, productivity or honesty, it should be clear at what point you are asked to leave. Or sent for training, whatever the case may be. We can't take all the agony out of firing people, but we can create a system where it is easy for both the team member and the decision-maker (or decision-making team) to

know what the problem is as it's developing, and not feel they had to make a gut or arbitrary decision.

Honesty

Listening to Esther Perel on honesty in marriage was enlightening on cultural differences in regards to honesty. In marriage, she says, the Europeans and Americans have a different definition of honesty. Commonly, Europeans have a don't-ask-don't-tell policy, and for them, that's honesty. Americans, on the other hand, feel that honesty means telling everything, even if it would upset your partner and would not change anything. Another concept of honesty is the Buddhist precept, that is, to say something only if it's helpful.

You'd think that as humans we could at least agree on a definition of honesty, but it turns out we don't, thus there is an entire chapter on honesty here. Honesty is important everywhere, but in a DAO, it's even more critical. A DAO is a learning and growing organism. Every person in the entity is making independent decisions, and working independently to some degree. When we are missing information about what other people are doing in the organization, we are unable to perform optimally. Therefore, we adopt what we could call the "American" tell-all definition of honesty.

In a DAO radical truthfulness is key to success. Because the organization functions as an ecosystem, each part of the ecosystem depends on correct and timely information. Imagine if your foot wasn't able to communicate with your brain about feeling squished in those shoes. Unfortunately, you don't have to imagine, because you can see pictures online. That's what happens to diabetics, and the results are somewhat gruesome. If you don't want fungus and gangrene, make sure all of your communication channels are open.

Radical Honesty

The term Radical Honesty was coined by, obviously, an American, Dr. Brad Blanton, in his book of that name. We aren't sure we aspire to everything he says about radical honesty, but we do know that hiding information is not radical honesty. Ignoring a question or failing to answer an uncomfortable email is not radical honesty. In a DAO, the honesty required for function means everyone needs access to all the relevant information at all times.

This is a huge challenge, and it requires IT structures to support it. Just as an example, the authors had interactions with one of the DAOs in the industry involving getting a meeting set up. Although several parties at the organization wanted to meet with us, we had to send multiple mails to get the meeting. After the meeting was set, we had to send multiple mails around the follow-up, and it turned out one of the key players had no idea that there even was follow-up required. Everything was managed by email and although it was obvious that nobody was trying to hide anything from anybody, the flow of information was so informal that nothing moved forward without an outside push. There was no central repository for the information, and no formal process to manage the interaction.

The project, needless to say, was abandoned, but not intentionally. The ball simply dropped somewhere and nobody will ever be able to find all the records of the transaction buried in multiple emails across the organization. Any day now, we are expecting someone somewhere else in the organization to reach out to us, having no access to the past interactions. There is no information repository. Also, there was no personal responsibility by any one person. Any one of the dozen people along the way could have decided to move it forward, but not one did.

Discomfort of honesty

Honesty is uncomfortable. As a leader, it's your job to provide the landing pad for honesty. What do we mean by a landing pad? Have you noticed that some people don't want to hear the truth? Have you noticed that, sometimes, telling the truth results in offending someone. There's a fantastic Steve Hughes skit about being offended[12], in case you haven't seen it. The bottom line is that people get offended sometimes. People get insulted sometimes. As adults, we can deal with it when someone offends or insults us. On a personal level, it is the job of each and every person in the DAO to make it easy to tell them the truth. In simple terms, that means not making a drama when you hear something you didn't like. (Also see my recent blog on why I dislike Non-Violent Communication.[13])

Sometimes that means staying calm when someone admits to a mistake. Sometimes it means recognizing you made an enormous mistake that is going to be expensive to fix. Sometimes it means taking someone seriously instead of ignoring them. Sometimes it involves emotions. And sometimes, it involves admitting that you don't understand something. The following parable is about a whole bunch of people who don't want to admit the truth.

[12] https://youtu.be/ceS_jkKjIgo
[13] https://www.daoleadership.com/blog/how-can-there-be-nvc-if-there-isnt-vc-2/

A Blockchain Parable: Each blockchain has behind it a one or two brilliant engineers and a bunch of very smart engineers. In this particular DAO, the brilliant architect is a person of extraordinary intelligence, of course. For the sake of this story, we're going to call him X. Meh. That's overused. Let's use the previous letter, W. Oh, wait. That's the abbreviation for a former President. Fine. Let's just say V. V is an absolute genius, and has created a blockchain that is generally respected and revered, and he has a charming personality to boot. The only problem with V is that, because he's an absolute genius, when he speaks, nobody understands WTF he is saying. Maybe someone does, but we highly doubt it's the majority of listeners. When a decision has to be made regarding the blockchain code, there's a big meeting. V says something that nobody understands, and then everyone agrees. Nobody says "I have no idea what you just said, V. Can someone less genius please explain that?" While it is possible that some people understood him, most people don't. Yet, nobody says "I don't understand."

When you don't understand something that you are called to make a decision on, and you make a decision anyway, you are lying. You are lying to represent yourself as being qualified to make a decision. But people are uncomfortable. They don't want to say "I don't understand," and they think that as long as they keep their mouths shut, that is honesty. Then they take a vote, but the vote is a lie. They represent themselves as having an opinion, when they actually have no opinion because they don't know what they are voting on. As a result, in this particular blockchain, one person, V, decides whether to fork, what direction the code will go, etc. This is not happening because this person is power-hungry or controlling. He is neither of those things. It is happening because the community is not being honest and saying "we are stupider than V." Out loud, I mean. Everyone knows they are stupider than V. Why won't people say it? It's uncomfortable.

By the way, if you are V, this is about being a good landing pad for honesty, and recognizing your weakness (authenticity). When a human is authentic, they realize their greatest strength is their greatest weakness.

If you are brilliant, and a fair and good leader (or a leader who can fire other people), nobody will tell you when you are wrong. You are in grave danger of never knowing what other people think. It's V's job to do two things. Firstly, whenever he explains something to a group of people who need to actually understand it or take a decision on it, he needs to stop and say "Who understood that? Good. You, get up here and explain it to the rest of the people who didn't." Then the second-most-brilliant person will get up and explain it, and either get it right or V will correct them until someone else in the room understands it. Then V asks again "Who understood that? Good. Get up here and explain it."

When it's absolutely clear that everyone understood it, the second thing V needs to do is ask "Who has an alternative option, even a stupid one?" Sometimes simple and stupid solutions are perfectly fine, by the way. Requiring people to say "I don't understand" when they don't understand is a good example of a simple solution. It doesn't work in all cases, but it's good. When it comes to writing code, there is always more than one way to solve a problem. No decisions should be made until at least 3 viable options are on the table. By the way, this is true in all DAOs and in all decisions in your personal life, too. In the words of Anthony Robbins "One option is no option. Two options is a dilemma. You need at least three options to make a decision."

Even though we all know what community we're referring to here, we know there are many communities operating similarly. If you are in one of those communities, it's time to have a talk about honesty. It's also time to talk about decision-making, which we do later in this book.

Barriers to honesty

Probably the biggest barrier to honesty, for everyone, is being honest with ourselves. The biggest lie we tell ourselves is that we don't lie. We lie all the time. Let's try it. Think of the thing you like the least about yourself.

Maybe it's your toe hair or your belly fat. Maybe it's your short temper or your tendency to apologize too often. Now, think about how many times a day you lie to yourself that it's really OK to be that way, that that pimple doesn't bother you at all, or that it will go away next month when you start to eat better. Or how many times a week you tell yourself it's not your short temper, just that guy had it coming to him. I know. Me too.

Now think about other people. How many times have you told someone it was an interesting idea or even a good idea when you know they are a fool? I know. Me too. How many times have you said something doesn't bother you when it does? That too.

Exercise: Honest honesty

- You know that thing you just thought about that you hate about yourself? Stop lying to yourself about it. Take some time to journal about that thing. Either make a plan to fix it, or talk to someone who can help you fix it, or start a process of acceptance (Louise Hay has great tools for self-acceptance.[14])
- At least one time this week, catch yourself lying to someone (or to yourself) and say, out loud "That was a lie." Then, tell the truth. Usually, this is pretty easy, because people know you are lying.
- Think about a time when you reacted in a sub-optimal way when someone told you the truth. Did it change that person's behavior? Who in your DAO might be reluctant to tell you the truth if you were to behave that way with them? See if there is someone in your organization you'd want to elicit an opinion from rather than wait for them to come to you.

Habits of dishonesty

[14] https://www.louisehay.com

If you are honest with yourself (the hardest part), you know you lie. That's a good start. You can start to identify patterns of dishonesty. Some of the common patterns are:

- Avoiding speaking up when you feel someone is wrong.
- Telling white lies that you think won't harm anything.
- Omitting details that are unflattering.
- Omitting details that conflict with your opinion or omitting evidence that conflicts with the conclusion.
- Ignoring a bad feeling in the pit of your stomach or chest.
- Not expressing emotion. For example, saying you aren't angry, or you don't care when you do.
- Avoiding confrontation.
- Saying you are sorry when you aren't.
- Casual norms: "I'll call you later." "I'm working on it." "I'll take a look at that." These are cultural norms that are often meaningless, and when you use them, they cheapen your speech.
- Committing to a deadline you know you won't make.
- Saying yes before consulting your calendar.
- Saying something neutral or noncommittal rather than stating an opinion.
- Other casual norms. "That's interesting." "If it works for you." "I'm fine, thank you." "Have a good day." "Would you be happy if…"

Exercise: Brutal Honesty

Think about a big lie you told once. Where did you feel it in your body? Start to pay attention to that part of your body. Think of small lies you've told and where they affect your body. On a day-to-day basis, start to pay attention to those small physical symptoms that tell you something is

wrong. When you feel them, make an effort to behave differently: speak your opinion or correct yourself.

People lying is your own dishonesty

In a communications course, the leader once said "if people are lying to you, you are allowing it." I paused, because I didn't want to believe that it's my fault that someone else is lying. I mean, how am I the bad guy if he's lying? But I realized it's true. If someone is lying to you, you are allowing it.

A friend told a story: *My son lies to me all the time. Here's an example. I just went downstairs and opened the box of cookies I'd bought yesterday and I saw half of them were gone and then I asked him if he'd eaten them and he said no.* Dude, I said. Why did you ask him if he'd eaten the cookies? He had two choices. Choice one, you would get angry he ate the cookies. Choice two, you would get angry he lied. At least with choice two there is a chance you will either believe him or pretend you believe him so that you don't have to get in an argument. It's a setup. You set the child up to lie.

Second story. We had a client who didn't pay us. I would tell you the whole story, but you had that same damn client, didn't you? They said they'd pay the downpayment but it was a bank holiday and it's urgent, could you just do the work and I'll get to it Monday, and then… you know the rest of the story. It happened exactly that way to you. Right? There were at least 5 times when you thought to yourself "I should tell them I won't do any more work until I see the money in the bank." But you didn't tell them and you did the work and now you are angry they didn't pay. You had that gut feeling they were lying to you, but you ignored your gut feeling and were polite. But how could you tell the difference between them and that client that really did have a problem with the bank? We can't explain that to you, but you just knew. With the dude who was

honest but had trouble with the bank transfer, you didn't even once think "I should hold up this project until he pays." You can't explain it, but that's just how your brain worked. Even if it is someone you have never met before. Even if they are from another culture and have a weird accent. If you are being honest with yourself (yeah, we already said that's the hard part), you know there is some kind of physical sensation or instinct you dismissed when that liar lied.

Caveat: There are few people who cannot identify a lie in this way. If you have Asperger's or Autism, you may not have this aptitude. The other people who do not have this aptitude had an upbringing where extreme forms of lying were normalized. There was some big secret, abuse, or constant type of lying going that is connected with deep emotional scars in their childhood. If you find people lie to you all the time, and you don't see it coming, you have adapted to a behavior that is not normative. In other words, you think people are acting normal when they are not, because that behavior was considered normal in your family. We are not saying YOU are not normal (or that you are *normal). We are saying that you weren't taught what normal human honesty and normal human lying look like. Fortunately, you can learn to identify this now as an adult. We suggest the Landmark Worldwide programs, traditional Buddhist breath meditation, or some form of long-term therapy or coaching so that you can learn healthy boundaries.*

For everyone who can generally identify a lie when they see it, we have an exercise.

Exercise: Calling out the fishy

This week, be on the lookout for lies. Little lies, big lies, things that feel fishy to you. When you feel someone isn't being totally honest, call them out. ***OK, wait.*** Before you call them out, prepare yourself for the truth. Be someone they can tell the truth to. Don't be like my friend and the cookies, ready to accuse them of a crime. Don't be fragile if they are about to criticize your idea or forceful if they want to go to a different movie than you do.

First, be someone who values the truth above niceties or getting your way. Then tell them they are lying***. In a nice way.*** Say something like "When you said that, I didn't feel your heart was in it." Or, "Are you sure? That doesn't sound quite right." You'll both find out the truth isn't so scary.

INTEGRITY (BOUNDARIES)

Like honesty, integrity follows universal laws. When you think about human integrity, there are many ways to look at it. It is said that Werner Erhart, the founder of EST and the Landmark Forum, has an internal document for staff only about integrity that is 30 pages long. In human terms, though, the easiest explanation is that integrity is when **your thoughts, your words, and your actions align**. In non-human terms, the easiest explanation is **a state in which something has the structure to work**.

It's simple to understand the definition of integrity that emphasizes alignment of mind—words—actions (or heart—words—actions). We all know people who say one thing and do another. For those people, the outcome they say they want is not the outcome they achieve. We also can detect integrity in people's words immediately. You know when someone is speaking with conviction and when they don't, you say it's "half-hearted". The definition of half-hearted is malalignment of spirit and action.

Integrity doesn't guarantee results, but lack of integrity guarantees lack of results. You can believe something, say it and take actions and still fail to get your results. If you have integrity, you either try again or you declare that you give up. Declaring you give up can have total integrity. Like any other declaration of leadership, declaration of failure to get a result and of your intention to stop trying gives power to those around

you. Lying about it and pretending you are still going for that goal disempowers the leaders around you.

Some things you'll notice you can't give up on and still have integrity. For example, if you have a child, you can't give up on raising that child because it is too hard. That has no integrity, regardless of what you say. Other things you cannot give up on because it would be out of alignment with your values system or with your mission in life. Nobody can tell you what that is, and nobody can change your value system for you. (Though we do know of methodologies for changing your values system, and if you are up for that, the fastest methodology we know is Tony Robbins' Date with Destiny.[15])

Grace: For a long time, I have wanted to work in this area, the area of human governance. But I had a lot of excuses and other things to do first. First, I thought, I will make a lot of money so I can do this as a non-profit. First, I thought, I will get a team and then we will all elect a leader together. First, I will work on peace in my home country. First, I will find a supportive partner. On and on. Ultimately, I knew I was not interested in making a lot of money. I was not interested in an amazing romantic life. I found a team but they kept putting me in as the leader. When Marco said we should write a book, I told him the last thing on earth I wanted to do was write a book, but somehow… here's the book. This project has been truly in my heart for at least 5 years, and nothing I could declare would make it have integrity for me to do something else. Nothing I could declare would make someone else the leader of the project.

We wish we could say that integrity is absolute, or that there is some shared set of values for integrity, but there is not. You can feel whether someone is aligned, but their values and your values might not align. During the week when we wrote this chapter, Grace had 2 clients debating with themselves whether to do a utility or an equity token. Both

[15] https://www.tonyrobbins.com/events/date-with-destiny/

of them were doing ICOs for centralized companies, so in order to have a utility token they would have to float the economy when the dip in the token value comes. Both agreed that there will be a "market adjustment" and both understood the financial commitment and the likelihood that their token value will tank. One of the clients decided he was not OK with that, and he would rather just call the token a security from the start and go through all the regulatory requirements to have a security token. The other founder said, basically, people know the risk they are taking and they can see the market as clearly as I can see it. When the dip comes, we will do whatever we can to maintain token value, and if we can't, we will sit down with each of the major investors individually and come to an agreement about what kind of equity we can offer them. He said, we really believe in our utility token and think we will be able to maintain it, and we are also comfortable with our plan B in case we get our timing wrong or anything else goes wrong. Each founder felt comfortable about the integrity of his decision. We've seen founders who don't have a plan B, either. If the token tanks, they say, that's life. We know that 90% of businesses fail, and so do our investors. We plan to succeed, and it's a tough world out there when you're an investor.

It's important to understand that integrity is personal to a large degree. You don't have to agree with other people's integrity and you don't have to associate with people who don't align with your values. What you do have to do is understand that you aren't the authority on anyone's integrity other than your own. When you see someone doing something questionable, get curious and question them, but don't be quick to judge. The blockchain community is one of the most multicultural communities on earth. We are all pulling in the same general direction, but we don't come from the same backgrounds or values systems. It's important to bring in other perspectives, get curious about them, and be willing to question your own values and your own integrity as well as that of others. Don't stray from what feels right to you, but at the same time recognize that other people's integrity is their business to uphold, not yours.

Exercise: Integrity

Look at a situation in your organization where you are not getting the result that you say you are committed to, either personally, or as an organization. This could be a tangible result, like making a software release date, or a company culture result, like having multiple options before making a decision, or like having a diverse employee population.

Take a deep dive and write down:

- Personally: where do you see that you have given "lip service" to that result but not taken action or thought in your head that was not possible (or not desirable)?
- Structurally: what structures are contributing to the outcome you have today. For example, if you want a diverse employee population, and the most common hiring method is employee referrals, that's a structural source of non-diversity.
- What are some structures you could put in place that would almost guarantee the outcome you want? For example, creating a competition between two teams to complete a specific piece of software functionality, without letting them communicate with one another. This would almost guarantee two different solutions to the same problem. Obviously, it has some downsides too, but it's an option you can start to play with.

Integrity of objects and organizations

When it comes to structures, integrity often has similar consequences. For example, if nobody writes a meeting summary, the outcomes of the meeting are haphazard. Maybe people carry through with the decisions. Maybe they remember the deadlines. Maybe they don't. In that sense, integrity is a rule of nature.

Objects also have integrity. A jar can hold water if it has no crack in it. If it has a crack in it, it still might be good enough to use for jellybeans. The lack of integrity represented by the crack is not a bad thing, it just means you can use the jar for jellybeans, not for water. Similarly, the level of integrity you have as a person or your company has in its practices and structures will determine what you can accomplish.

We've all been in situations where structural integrity has caused sub-optimal results, even though we acted with integrity. Because this is a blockchain group, we'll use money and education as an example. In the United States, there is a system of higher education which guarantees financial distress for most of its population. College graduates end up with $100,000-200,000 in college loans. If you have an advanced degree, double that. At least. You have a category of people who have done the right thing: they have gotten an education for themselves. This is good for them and good for society. And yet, they are in a society which burdens them for the next 30 years, preventing them from buying a home or saving for their children's education. Imagine being in a situation where you are sending your children to college when you haven't yet paid off your own college loans yet. In a system with no integrity, even if you do act with integrity, your results are an outcome of the system more than of your own actions.

Mini-exercise

Where in your life are you failing because the structures don't support your outcomes? What can you do to get out of those structures? What would have integrity for you, given that you may not be in a position to change those structures?

Infrastructure for sharing of information

While we've talked above mostly about personal interactions, in a DAO, it's important to deploy the right infrastructure for sharing of information. We want to thank guest writer David Egyes for Appendix C "Sharing Knowledge for Productivity and Connectedness".

Radical Transparency

Implementing radical honesty also requires radical transparency, and both are easier said than done. Transparency means that everyone has access to how all decisions are made at all times, and everyone has access to all data at any time. [16]

As we mention below, in the decision taken for the Segwit 2x Bitcoin fork, nobody really knows how that decision was made. We don't have the recording or the minutes of the meeting. We were (or weren't) relieved about the decision, but there is no public record of how that decision was made. Even worse, there is no public record of what the team thought the implications might be down the road, when or how to better discuss a fork in the future, and how to make changes to the code without a fork. It just happened and now it's history. No transparency, no learning, no understanding of our history.

But when we talk about transparency as a law of nature, the consequence of no transparency is singular: people feel a sense of injustice and a sense of being ignored or left out. Even when a decision is just and considered everyone's perspective, when there's no transparency, some people feel it was unfair. (OK, some people always feel it is unfair, but when nobody knows how it was made, a lot more people are left in the dark.)

In a traditional organization, hiding decisions makes sense. The hierarchical paradigm says that if you are inferior, it's none of your business how we made decisions. We are "higher up" and therefore more qualified to make these decisions.

That won't fly in a distributed organization. The philosophy of the distributed organization is that we are all qualified, we are all participants, we all have the right to contribute equally and to know what

[16] For a great reference on radical transparency as well as weighted voting systems, see Ray Dalio's TED talk or book, Principles.

is going on. There will always be differences of opinion, but transparency of information and transparency of the decision-making process gives people a feeling they can at least trust the process. If transparency doesn't exist, the system is, by definition, not truly decentralized. Some people are privy and some people are not. Again, this doesn't mean that everyone gets a vote in every decision (as we discuss later), and it doesn't mean that everyone gets an equal say. But it does mean that everyone understands how the process is done, and if something is unfair about the process, it can be mended.

Transparency of knowledge

We're already overwhelmed by the amount of knowledge that there is out there. If you have a DAO, that means knowledge management becomes even more essential. Not only do you need to have all of the data available to everyone, you need to have some kind of intelligent system that knows how to give people useful news feeds, relevant for their project and job description. While they can search for any information, the system needs to learn what the relevant information is for them, so they don't miss anything essential.

Security and transparency

What we do want to say is that when it comes to people's security, as well as some areas of data security, physical grounds security, etc., there are areas where you can't be transparent. Some information needs to be secret. Even in a distributed organization, there is some information that needs to stay with a very limited number of people for the safety and security of the organization, and, depending on what you are doing, for the safety of certain individuals.

Amazingly, in the blockchain and open source communities, quite a lot of the security knowledge is shared. Code is shared and yet, somehow it is secure. We aren't coders so don't exactly understand how that works, but

if it is relevant and works for your DAO, use it. Otherwise, keep secure protocols, procedures and keys secure.

Money and transparency

Money is one of the greatest forms of inequality in our current world. The first thing that comes to mind when thinking about transparency in money is "what happens if everyone knows what salary everyone else makes?" What, indeed?

Radical transparency means that salaries are, indeed, public. If you are earning a number you're ashamed to tell your employees, stop it. Don't make a base salary that makes you feel ashamed. Have it tied to profits or something. If you are truly worth it, the organization will bear it. Plus, numerous studies show that beyond the first half million or so annually, performance doesn't rise with salary. Simply put: it's not good for your DAO for the top paid people to be making more than 10X the lowest paid people as an automatic payment. If salaries are linked to some specific measure, like salespeople who get a commission, then the limit may not be relevant.

Caveat: Money transparency sounds straightforward, but psychologically it is hard. When we wrote this book, we were naive about the level at which most people are able to manage in a transparent environment. The best way to implement transparency is along with facilitated dialogue with professional facilitators. The Coordinape team really got this right. Employees at Coordinape have talked about how it was difficult at first to have your monthly bonus decided by the group, but it became easier over time. If you are implementing transparent forms of compensation, make sure the humans involved have the proper support structures.

In most cases, in a DAO, numbers should be transparent. Within the organization, everyone should be able to see how much is being earned, where, and how much is being spent. There are a number of reasons why

this is good, but the main reason is because it's a decentralized organization. It's not your money and your decision. It's the organization's money and the organization's decision. Everyone is impacted if the catering service is overcharging and underdelivering. Anyone might have a solution to printing a specific part for a lower prices or shipping things a shorter distance to get the work done. More transparency means the stakeholders know what is going on and can have a say in it. It keeps everyone honest. It eliminates corruption. It provides information that can be addressed by anyone in the organization.

Publishing this information outside the organization is a completely different issue. In a DAO, it's not easy to know what "inside" and "outside" mean, and financial transactions are transparent. This causes problems of security. Displaying your Bored Apes and Nouns is a bit of an invitation to thieves. People are entitled to their privacy, particularly when safety threats could be involved.

Pillars of responsibility

Tasks vs. outcomes

We spoke a bit about responsibility earlier, but it bears repeating.

You can choose to be responsible for anything. Your health, your children's education, your government. You can choose not to take responsibility for anything, too. What you don't get to choose is consequences.

If the educational system in your region is bad, and you don't take responsibility for your children's education, because the government is "supposed to", you still get the consequence of poorly educated children, and not just your own children, either. Other people's children also lack education, and as adults they may be unemployed or turn to crime, and you'll be stuck with those consequences as well. We aren't being harsh or preachy or trying to tell you to do something about the problem. We are simply pointing out that you will always get consequences aligned with your scope of responsibility and circle of influence.

With any company where you work, you can take responsibility for doing a great job at your job. You could also take responsibility for the success or survival of the company. If you know that your CEO is making a bad decision that will cause the company to lose money, you can either stay silent or speak to her, no matter what position you hold. It's not your job, but if you don't do it, the consequence might be that you would lose your job, because the company will fail.

In a DAO, this is even more important. In decentralized organizations, generally speaking, you are not given a task to do. Tasks are meaningless (and always have been). Outcomes are meaningful. We had an

outsourced marketing person who, for 2 weeks, was working on a list of industry experts and journalists. In 2 weeks, she hadn't posted one blog, one tweet, or even followed any of those experts' feeds. She said: "I was going through the task list in order." The result was no outcome for the company. Another result was now we had to go through the list again to follow their feeds, because she hadn't done so as she did the list. Although I had told her the specific outcome she would be responsible for in 1 month, she proceeded with the tasks on the list. She was not with the company for long, because she was devoted to following instructions, not to getting outcomes.

RADICAL RESPONSIBILITY

It's very easy to tell someone who has radical responsibility.[17] We have someone on our team who, whenever something goes wrong says "I must have understood you incorrectly." We've never once heard her say "You didn't tell me that," or "You didn't explain correctly." It's always she who didn't understand correctly. That's radical responsibility. What are the chances that at least one of those thousand times, someone told her the wrong thing? 100%, right? But she never says that. That's not her perspective. Her perspective is that she is responsible. This is not a senior person, by the way. She's a VA making less per week than some people make per hour. But it's always her responsibility.

In *Conversations with God*, Neale Donald Walsh[18] (or God) talks about how humans are causing everything around them. That's a kind of radical responsibility. He says, we have made our choices of the circumstances we are in. We're not sure that's true. (OK, one of us is sure that is true and the other one of us isn't so sure). But both of us are sure that one thing is true: Choosing responsibility is an empowering thing to do.

[17] http://onewithnow.com/radical-responsibility/

[18] https://www.penguinrandomhouse.com/books/297543/the-complete-conversations-with-god-by-neale-donald-walsch/9780399153297/

Think about it: if things are happening to you, there's not much hope for you. You didn't make them happen, so you can't make them stop happening. The circumstances are just coming at you. Think about someone you know who things are always happening to. How fun is it to be around that person? They are always complaining, and about half the things they complain about would just go away if they ignored them or made different choices.

What if nothing is happening **to** you, but everything is a result of your action, inaction, thoughts or words? What if you really are responsible for everything? Everything? Just before I was writing this section, I (Grace) was standing in line at an airport. Actually, it wasn't a line. It was a queue, because it was London. On the flight I had read the abovementioned passage in *Conversations with God* and I was looking at that damn queue and I was not only irritated at the queue, but I was doubly irritated that I had "caused" the queue. I had caused it by my fear and resistance that it would happen. I had caused it by choosing Heathrow instead of Luton. I had caused it by my stupid idea in my head that by 3 pm I'd be in London and it was already 2:40. As I got more and more irritated I got to the front of the queue, and the attendant was waving me and another fourscore or so people to another queue. People behind us rapidly stepped to the counter as we waited in a different section for another queue. I was on queue for 80 minutes. That's right. An hour and 20 minutes on a queue, obsessing about the queue, resisting the queue, and blaming myself for the queue.

Now, that's kind of a ridiculous case. We can't just make people disappear with our thoughts. But looking at it as something to be responsible for can be useful. If this is a big enough problem for enough people, and we all complain about it to the management, maybe it will change. Again, it's a trivial example. But if you care about breathing, you might want to consider doing something about pollution. If you care about having a good relationship with that person you've been griping about, you need to take that into your hands. Note that we didn't say you need to admit to "your part". No. "Your part" is 100%. Consider that

outcome to be 100% yours. “I treated him this way which caused him to treat me that way.” “I didn’t set the boundaries to our relationship.” Whatever it is. Whether it is true or not, taking the perspective that you are 100% responsible for whatever happens always gives you the potential to solve the problem. That’s radical responsibility.

By the way, you don’t have to take responsibility for everything. You can. It’s a privilege. It’s also a choice. You can say: that thing is irritating, but I am choosing not to take responsibility for it. I am choosing to spend my time on this other thing. I am taking responsibility that this is my choice right now, and that area will suffer because I’m focusing on this area.

Conditions of responsibility

In some very fundamental way, responsibility can solve every problem in your DAO and in your life. From the perspective of radical responsibility, you can always say "If so-and-so had taken responsibility at moment such-and-such, this would (or would not) have happened." If anyone, ANYONE, in the chain of events had stepped up and said: hey, we aren't getting the outcome here… things would be different.

For most DAOs today, responsibility is the largest gap. People are doing things, often the right things. Good people are doing good things they are good at, but they are letting things go when those things seem out of scope, uncomfortable, or less fun. In the story under Radical Honesty, we told a story about how a DAO unintentionally dropped a project. There were a dozen people who could have easily made it move forward, but none did.

Fortunately, you now know that, as a leader, it's your responsibility to make sure that people in your organization take responsibility. Or unfortunately. Sorry about that. Responsibility doesn't always land as good news.

What causes people to take responsibility? Following are some of the major requirements for people to take responsibility.

- People need to feel something of value is at stake.
- People need to believe it's possible. (Make it tangible.)
- People need to care about it in some way. Sometimes they don't even care about the outcome, but they really love their leader. Or hate the enemy. They care enough to move themselves or speak out when something is uncomfortable.
- People need to feel that it's really their mission.
- People need to feel they won't get in trouble if they speak up, point out flaws, or come up with radical (or stupid) ideas. Very few ideas will happen if dumb ideas don't happen, so you need to

allow for people to come up with any idea before choosing the good ones.

- People understand that responsibility is not blame. If they say "I take responsibility for fixing the problem," they aren't going to be shamed or punished or faulted that the problem happened. This includes not blaming themselves.

EXERCISE: RESPONSIBILITY

- Choose a problem or mistake that, in retrospect, was completely avoidable in your organization, and look at the checklist above. What was missing for each of the people who could have prevented it?
- Choose an area or problem in your organization that seems to recur, and look at the checklist above. What is missing for the people involved? What can you put in place now to add a new level of responsibility for those people?
- Choose an area or challenge that one of your teams is facing now, and look at the checklist above. What would make everyone on that team have all of those conditions met? What steps do you or the team leaders need to take in order that every single member of that team will feel responsible for the outcome?

Not following orders

It is not your responsibility to just follow orders. It is almost never your responsibility to just follow orders. Even in cases where it is best to just follow orders, you follow those orders after you have assessed the consequences of the situation, and what is best for accomplishing an outcome. If following orders violates your values or doesn't get you anywhere closer to the goal, it is your responsibility to question the orders. Generally, it is your responsibility to let the person giving the orders know you won't be following those orders, of course. (We say generally, because if you are a whistleblower, obviously, don't get yourself in deep doo-doo. Just go to straight to the authorities if that's the appropriate thing to do.)

Addition to the 2024 version. We didn't realize how relevant this section would be. The global response to the COVID-19 virus included draconian measures with dubious effects. The rollout of the vaccination campaign arguably violated at least 9 out of 10 of the principles of the Nuremberg code. If you disagree with this assessment, it is probably because you are unaware that the vaccinations were actually experimental at the time, and that the pharmaceutical companies continue to release new versions without additional trials for the new formulations. Lockdowns caused tremendous harm to children. And yet, governments have never been held accountable.

All of us lived through that period, and most of us followed most of the orders most of the time. Hopefully that was a lesson to all of us, because Central Bank Digital Currency and mandatory global digital identities are coming soon to a nation near you if you aren't in India or China, where they already exist.

Legislation limiting freedom of speech and freedom of assembly is in effect everywhere in the "democratic" countries, or it is being implemented in underhanded ways through non-elected organizations

such as Meta, Google, the European Commission, the World Economic Forum, and the World Health Organization.

Following orders has been deadly for many over the last few years. Authoritarian regulation and enforcement is gaining momentum. The Web3 community has the potential to offer alternatives. Standing up for our rights can be costly on an individual level, but on a societal level, it is the only way to ensure our freedom.

The final draft of version 2.0 is being edited on the day of the release of Julian Assange from prison. Freedom isn't free. United we stand.

A GAP

Let me tell you about a gap.

As we mentioned in the chapter on leadership, when you make a declaration, you create a gap between where you are and where you want to go, and your personal development is the bridge you build across the gap.

As a community, we have declared a future of distributed money, distributed identity, and distributed leadership. At the time of the first edition of this book, we noted that as an industry, we kept saying "it will be regulated soon". Instead of stepping into the gap and creating self-regulation that would have stopped irresponsible or exploitative behavior in Web3, we waited around or lobbied. What happened since is that the crypto industry has predictably been persecuted by governments worldwide. That's our own doing. Waiting around for an arbitrary government to regulate us in their own interest is shirking of our leadership and our responsibility as a community.

Just as the internet has DNS, SSL, domain registries, and other types of protocols and bodies that take care of itself, we as a community need to

create our own regulatory standards. Yes, there will always be a darkweb and there will always be crime. Right now, in 2017, it is ours as a community to prove that we can be responsible and create the governing bodies that will keep users of cryptocurrency safe. It is our responsibility to create the regulatory bodies that will protect investors in token.

As a community, we have been too busy thinking of how to raise money to think of what is going to happen next and our own personal susceptibility to government, when (not if) government steps in. We have not created protections for the members of our community who are out there doing great work. We have not created support for the members of our community who want to do great work but frankly have no business running a multi-million-dollar company. We've just let it happen and we will pay the price. The purpose of this book is to start a movement where we acquire the skills to pre-empt that moment. The purpose of this book, and the accompanying workshops and education is to make sure that we do have the leaders and leadership we need to regulate and govern ourselves, both so governments won't have to step in, or so that when they step in, we can collaborate constructively.

Six years since the first release of this book, and we are paying the price for our lack of responsibility. Yet, we are still lobbying the government instead of collaborating internally to create standards for ourselves.

EXERCISE: RESPONSIBILITY

- Where did you declare responsibility or leadership but let it slip? Choose something that isn't within your job description, but you said to others or yourself that you were going to take leadership in that area. What is the impact? Notice if you feel like something is incomplete with you and feel where that shows as stress in the body.

- Take some time to clean up the impact with the people who were impacted. This doesn't mean you have to repair the problem or reclaim responsibility. Just acknowledge to those people that you had declared leadership but given up on them/it, and apologize. This might look something like "I said I was going to take on finding a better catering service for company lunches. I didn't do that and now we are still eating that crappy food. I apologize. I see that's not really something I can take on at this time. If you're still concerned about it, I could point you in the right direction, but I can't take on the responsibility right now." Notice, you didn't make a new promise. You just made it clear you aren't doing it.
- Once you feel that is clean, again notice the feeling in the body. Has the stress gone away? If not, forgive yourself, too.
- When the stress is gone, then you will have a clean slate to decide if you want to declare responsibility in that area again, either immediately or later. Make sure not to do that until it feels clean. Notice that when you try to "make up for past sins", it feels stressful, but when you just start from zero, you have more room to be creative.

Communications

Section 3

YOU AND THEM

No matter what structures you have in place, interpersonal communication is the foundation that makes everything work. You can have collaborative models in place, radical honesty and responsibility, and still have deep malfunction when people fail to communicate effectively.

Very few people have any formal training in communication skills, which is odd given its importance. We teach people presentation skills, but not listening skills. Imagine a world where lots of people have presentation skills but nobody has listening skills. Oh, wait. You don't have to imagine. You live in that world.

We tend to think of our communication as what comes out of our mouth. We rarely think of our communication as what other people say to us. We almost certainly don't think that other people's communications to one another is actually a function of our own communications skills. And yet, as a leader, you set the tone for a lot more than you think. In these chapters you'll learn not just how to communicate and listen better, but also how to set standards and influence what happens throughout the organization, even when you aren't in the room.

EXERCISES: LISTENING

- Whenever someone is talking, remind yourself that the words they say are a part of their identity for them.
- If (when) you zone out and miss what someone is saying, stop them and say "Sorry. I zoned out for a minute there. Can you repeat that?" Don't try to play it off, just say the truth.
- When someone has a difference of opinion from you, ask yourself: What is the commitment behind their words?

- If someone is upset, don't tell them to calm down. Say something like "I can see you're upset/angry." Notice that works faster than telling them to calm down.
- Get a partner for conversation. You'll talk about what you learned in this book and they can talk about something they learned recently. Have a conversation about the things you learned. Try each of these, and take turns being listener and speaker.
    - One person be distracted or pretending to listen and the other one talks about what they learned in a normal way.
    - Now the listener still is distracted, but the talker is really committed to getting the message across.
    - Next, have the speaker speak as if what they are saying is boring, and the listener listens to this boring person as they would usually listen to a boring person.
    - Next, the speaker continues as if they are boring, but the listener listens as if it is super interesting.
    - Share what you learned from the exercise.

Why didn't they tell me?

If you're a leader, you've gained some level of control of what comes out of your mouth, but if you're human, you do occasionally say what you're thinking rather than the right thing. Hopefully, you've developed some aptitude in repairing damage when you do say the wrong thing. So you know pretty well how to say the right thing at the right time. Let's just skip to the part where we teach you how to influence what people say to you.

How can I be responsible for what people say to me? Good question. Ask yourself it. Whenever someone says something you don't like, ask yourself that question. I (Grace) was with a friend near Grand Central Station, and someone smiled at me and gave me right of way. My friend, who lives in Manhattan, commented on how unusual that is, because

New Yorkers never do that. But that wasn't my experience. My experience was that people were like that with me everywhere. His experience was that people were cold everywhere.

If you want to influence things people say to you, just pretend you can. Pretend that whatever they said, pleasing or non-pleasing, was an outcome you caused. If they lie to you, ask yourself what caused them to do that. If they tell you an uncomfortable truth that is helpful, asked how you caused them to be so courageous with you. Whatever it is, keep asking yourself "what was I responsible for that caused them to say that?"

At the same time, you don't have any control of people's history or associations. Some people might get triggered by green shirts because their father always wore green shirts. You can't control that, but you can observe behaviors and even ask them, "Why do you say that?" or "Can you tell me more about what causes you to feel that way."

You can think of everyone in the world as having special triggers. If you say a particular thing, you flip a particular trigger. If you say "How are you?" you might get a different response as if you ask "What's up?" We've all had the experience of asking people how their day was and hearing "fine." That's not an answer. It's an automatic protocol.

We complain our family members don't tell us anything. Usually, we didn't ask anything. *How was the party?* Fine. *Didn't anything interesting happen?* No. We didn't even bother to ask what we actually wanted to know. For example, "Were the kids at the party taking drugs?" We truly don't care how the party was, we just want to know how drunk the kid got. But we don't ask that and then we wonder why the kid never tells us anything. *We. Didn't. Ask.*

Mini-exercise: Predict the answers to these questions.

- How's the project going?
- How's the new guy?
- Did you get my report?
- Why didn't you do that on time?
- Did you eat the entire bag of cookies?

Actual exercise: Under-communication

1. Choose an area in your organization where there's chronic under-communication. It might be about a specific project, or a recurring issue, like people never say when a project is running over budget.
2. Pretend, just for this exercise, that the reason they aren't telling you this thing is because you are taking actions to **make sure** they don't tell you. Perhaps you are super busy. Perhaps if they tell you bad news, you get angry. Perhaps you drive them down on the budget at the start of a project, and won't accept a higher price no matter what they say. Just pretend you really, really want them to avoid telling you. Say to yourself "I am causing those people not to give me the information."
3. Identify the practices that you have in place that cause the under-communication. If you can't identify them yourself, get the group together, explain the under-communication problem, and do the exercise together.
4. Create new practices that will facilitate adequate communication in this area.

Text is not a conversation

This section doesn't belong in this book, but we felt it was important, given how often text creates a mess. Don't let people in your company use text as a substitute for communication. Text is not communication. Text is a wonderful way to create a mess when nothing is actually wrong.

Don't use text to manage emotional or divisive issues. Don't use email to manage emotional or divisive issues. If you are texting or emailing back and forth more than once to resolve something, stop it. Pick up the voice-connectivity app of your choice and speak to the person.

Text fails when it comes to the nuances of human communication. You can't hear someone's tone of voice if they're upset. Or joking. You can't hear someone pause. If you say something, and the other side pauses, that means something in human communication. In text, it doesn't even exist. If you want to complicate (or end) any relationship, try using text to communicate about delicate issues. If you want to get through complicated issues effectively, speak by voice.

Some people like text because they feel they have more control of their words, and there's something to be said for that. You have more control of your words, but less control (and no indication) of how those words landed with the other person. If you can't tell how they landed, you haven't communicated. Text is good for informative communication, like "Meet me at 5."

Exercise: Prove to yourself that text is not a conversation

A recent meme showed the following sentence with different emphasis to illustrate why text simply fails to convey even basic messages. Read each one out loud and reflect on the different meanings depending on the emphasis.

- ***I*** never said she stole from me.
- I ***never*** said she stole from me.
- I never ***said*** she stole from me.

- I never said ***she*** stole from me.
- I never said she ***stole*** from me.
- I never said she stole from ***me***.

Their words

As humans, we have a funny attribute. We identify ourselves through our words. We know intellectually that we aren't our words, but, generally speaking, we identify ourselves as our words. I'm cold. I'm Juan. I'm an expert. I'm wealthy. Those are simple declarations, but even when we don't make declarations, we consider our words as a kind of part of us. When we speak our opinion, someone's conflicting opinion occurs as a threat. We then call that an argument. These arguments prevent collaboration.

In our governments, worldwide, we have elected officials who are elected because they talked about the 20% of things on which we disagree. Everyone in the country agrees that we should reduce unemployment, have better education, care for the underprivileged and elderly, and reduce violence. But that's not going to get anyone elected because then politicians would all look the same. They absolutely must identify themselves based on disagreement.

On a smaller scale, all of us humans are the same. We hang on to some form of identity that sets us aside from others. In interpersonal communication and decision-making, this is the source of inertia and bad blood.

Exercise: Conflict

Take an area of conflict in your organization. Look at the people who are embroiled in this conflict, and see what beliefs these people are associating as part of their "principles" or "value system". In other words,

what part of the argument do they consider a part of themselves or their identity? It will look something like: *I'm the genius on DLT, and if we set up the blocks the way Otherdude says, it contradicts my identity as "genius on DLT".*

Explain this distinction to the people involved. Have them explore what part of their identity feels "threatened" by the dissenting opinion. If you find there is a power struggle, take a look at what power is in your distributed organization. Status and power can look different in different organizations. One of us spent a good part of a year being resentful because the company gave her a crappier mobile device than all the other managers.

What you say?

Have you ever said "But I already told you…"? Yeah. Me too. Guess what? It doesn't matter. It doesn't matter what you said. It only matters what they heard, and how they interpreted it. Guess what else?

As a leader, you are responsible for what they heard, not just what you said. You are also responsible for how it landed, that is, the emotional state you leave people with.

Grace: Once I had a boss who tended to raise his voice in management meetings. He'd pick out someone at each meeting and dig into them. When I'd been at the company long enough, maybe 4 months or so, it got to be my turn to be the person the boss picked on at the management meeting. Because of something from my childhood, when someone yells at me, I tune them out. I don't get offended or upset, I just turn off my ears. Now, I knew this was just a habit of his, but I considered it my responsibility to get whatever communication he told me. After the meeting, I went into his office and told him that I had switched off my ears when he raised his voice and asked him to repeat the problem so I could make sure to handle it. Not only did he apologize, but he also

stopped that behavior completely. (The rest of the company was amazed that the behavior disappeared just from one conversation, but, without being accusatory, I made it clear how inappropriate and ineffective the behavior was.)

We're telling this story because if you have ever gotten mad at someone and spoken to them harshly, you can be fairly certain they missed some of the communication. In some cases, if you speak harshly to them, they are about to do exactly the opposite of what you want because they are angry at you for raising your voice. Or, they are going to be overly cautious the next time. It's your responsibility that they get it, and that they get it in a way that makes the difference you want to make.

We're also telling the story because it relates to the next section, where we talk about how you can influence people's behavior by setting standards. Even though he was the boss, I set a standard of how people behave in my presence. Later on, the CEO reported that his relationship with his board members had also improved. I wasn't in the board meetings, but by setting a clear standard, I was able to influence the entire organization.

Exercise: The 24-hour rule

- If you get a communication from someone that triggers strong negative emotions, wait 24 hours before answering. If you need to vent, write what you want to say, but don't send it. Write it and destroy it. Wait 24 hours. Then answer them. (If it's urgent, vent with someone trusted before you answer.)

Barriers to collaboration

Humans have built-in safety mechanisms that prevent them from being in total harmony with other human beings. Fish don't have those

mechanisms. You don't see a fish going off on its own for a while before joining the school again. They don't complain that the other fish is a bit of an idiot. They don't hold a grudge if another fish gets more food. They don't compete to see who can swim the fastest and then brag about it. They swim in a big school that seems to function as one body when you see it move about.

Humans have multiple barriers to acting as part of a group. In organizations, these behaviors are destructive. In a Distributed Organization, there is room for individual and team expression, but ultimately for the DAO to work, the entire organization has to function in harmony, as an organism like a flock of birds or school of fish. [19][20]

Most of us are unaware of the barriers we place between ourselves and others. Quite a few of them are covered in the chapter on radical honesty. Anything other than honesty is a wedge between who we really are and how others see us.

Again, we'll ask you to take a bit of an imaginative leap into the world of barriers between you and others (and between others and others). Think of the moments in your life when you've felt lonely or alone. Think of moments when you were with others but felt alone as well as those moments when you were actually alone and felt lonely. Following are some of the thoughts and emotions that can be associated with those moments:

- Judgments of others (They are boring, ignorant, etc.)
- Victim feelings or helplessness (This happened to me. / They did this to me.)
- Righteousness (I'm the only one who…)
- Trapped feelings (I can't say /do what I need.)
- Anger or self-pity (I deserve better.)

[19] Matan Field, Blockchain and a new paradigm of collectivity, https://youtu.be/KqbRh4NIE54
[20] https://facilitatoru.com/meetings/recognizing-barriers-to-collaboration/

- Depression or anger (Nobody cares.)
- Heroism or superiority (I can survive this!)
- Guilt, self-punishment or shame (I deserve this.)
- Selfishness (another kind of I deserve this.)
- Stubbornness (If they won't do it my way…)
- Fear (If they find out…)

None of these are good or bad in and of themselves, but they are all expressions of our fundamental feeling as individuals that there is some world out there that is separate from ourselves. Tony Robbins calls this the need for Significance. It is fundamental for humans to differentiate us from others. It's also fundamental for us to feel connected to others, and we all have ways to do that, too. But our continued insistence that we are somehow different and alone is part of our culture and upbringing at this point in history.

The degree to which you have a sense of being alone versus connected has a lot to do with your upbringing, as does the level of your need for this level of significance. But you are reading this book. If you are reading this book, and you've gotten this far, you are a pretty strong individualist. You have become a leader. You care about leading. You are in the blockchain community, so at some point you veered sharply from what the rest of society was saying and bought into this utopian self-sovereign cryptocurrency vision. At some point you either launched an ICO or joined one. If you don't mind our saying so, you're a bit cray-cray. You have a stronger need to express your individuality than to fit in.

Great. Now we have a bunch of strong individualists running around preaching about how we are going to all function as one big harmonious DAO ecosystem. And if you don't like our DAO ecosystem, by the way, Fork Off.

Can we tell you how many conversations we've had where we asked a founder "why are you doing your own ICO? If this is your mission, why don't you just join one of the 3 DAOs who already raised funds?" No. No,

we cannot tell you how many conversations like that we have had. We cannot count that high. We can, however, tell you how many people, as a result of that conversation, decided to join someone else's DAO. We don't need to tell you, though, because you know the answer. The answer is zero.

So. If you did not realize before that you have spent a good part of your life preventing people from working together with you, now you realize it. Our culture teaches us to avoid collaboration

Cultural norms

If you ask a fish about the water it swims in, it won't know what you are talking about. What water? That's all there is. We live in a society with certain truths that surround us. Often, we don't even notice them.

Our society places a tremendous emphasis on personal achievement and celebrity. Our reputation, however sovereign it may or may not be, is our personal reputation. We don't even record "group reputations." From a young age, we see that certain groups work together better, and our teachers are careful about who we sit next to in class. Yet, that universal truth is rarely acknowledged in real life. Even worse, society tends to have a winner-take-all attitude towards personal achievement. If you are number two in an organization, you may get little or no credit for a company's success. People won't ask you to speak at conferences or write newspaper articles about you. You are either the number one person or you don't exist. This is why, when we tell smart people to join other smart people doing something similar, they don't even hear the suggestion. The idea that they might have the number 10 position or even lower is just so horrifying to them, they can't fathom it.

Individuality is also of tremendous importance in today's society. Yuval Noah Harari may think we have entered an era where we trust the data more than we trust ourselves, but in most case that's simply not the case. We value our own opinions quite highly, thank you very much. We do our

own thing, go by our gut feeling, our mind's vision, and our heart's calling. Nobody can tell you the answers, we say to one another, you just have to feel for yourself. Compromise sounds like something you do when you can't get your way, rather than the best of both worlds.

Finally, as we've pointed out more than once, our society encourages us to see division among ourselves. The media bombards us with story after story with good guys and bad guys, winners and losers, black and white, right and wrong. That's not the world we live in, but the bias sinks in to a point where we, as individuals and as groups, tend to fight one another for power rather than to look at the potential, not just for compromise, but for collaboration. If life has winners and losers, we had better be on the winning side.

Even if you see and question these social norms, you can't escape their influence on your subconscious. When you are having trouble seeing someone else's perspective or when groups in your organization experience conflicts, take a look at how these paradigms are feeding into the problem.

A better solution

Don't you just love situations where "it's a matter of principle?" Within your DAO, the organization's values are the principles. Nothing else is a matter of principle. Stepping out of principles is extremely important for compromise. Have you ever had one of those discussions where you are splitting the costs of something and you're talking in percentages and it seems you totally disagree, but if you put the value (not the percentage) on a piece of paper, the real gap is $50?

So many of the world's problems could be solved if we stopped talking about principles and just did something practical that was good enough for both sides. In some parts of the United States, people are arguing about the principle of who can use what public bathrooms. I'll tell you what public bathroom people can use: whichever one they walk into.

There isn't a guard at the door checking people's anatomy or DNA. No matter what your principles are, you aren't going to mandate a pecker-checker at every bathroom door. It's not an argument worth having.

We strongly encourage you, as quickly as possible, to look at the practical aspects of proposals, rather than principles. We also strongly encourage you to look at multiple alternatives, combinations, and crazy ideas. We encourage you to ask: how can we have the best of both worlds?

Framework for collaborative solutions

In one of the DAO frameworks we read, there's an assumption that there will always be tons of proposals on the table, and that voting on proposals will be impossible unless we weed out lots of them. We think it is essential to create an environment that favors collaborative proposals over individual proposals.

Let's take a familiar example: ICOs. Anybody can launch a token these days, and frequently anybody does. In addition to the thousand or so out there, you've probably heard several dozen that never got beyond the idea stage. How many of them are copycats? It's sad to even think about. At the ICO whitepaper headquarters, we've noticed that the market has simultaneous "ideas." One week, 4 people called in with the idea of launching an educational platform for people who want to learn about crypto-investing from real investors with proven algorithms. The next week it was 5 people with Uber-on-blockchain. The record so far is for freelancer platforms. We're up to close to 20 founders thinking in that realm—and those are just the ones who have personally spoken to us. There must be at least 5 times that number altogether. Honestly. There should be a rule that says you can't say 'I have an idea' unless you actually have one.

When you look at the world of ideas and proposals, most of them are different angles on the same basic concept. Or they aren't different angles, they are just identical. Within your DAO, there should be two distinct processes to reduce the number of proposals:

- Identification of extremely similar proposals. Teams should work together to create one proposal from multiple proposals. Whether you use an algorithm to find keywords or have humans read the proposals is up to you. Participants should be rewarded for finding common-denominator solutions that incorporate the best of the similar solutions on the table. Participants should be de-incentivized for forwarding individual proposals that could have easily been handled within the collaborative solution.
- Greater collaborative solutions. DAO members should be encouraged to sit down with groups who have totally different proposals and see if they can take the best of various proposals to get an even better solution. Start with the assumption that there's always a better way to satisfy more participants, and see what can be created. Creation of solutions that satisfy even more conditions or are super effective results of collaboration should be encouraged. Participants should also be rewarded for recognizing a solution is better than theirs and abandoning their opinion in favor of a better solution.

In short, collaborative organizations should always be striving for collaboration. It doesn't make sense to run a DAO as if it is a conglomerate of different interests. A DAO is an ecosystem with a shared vision. When the vision is shared, innovative solutions that benefit the whole ecosystem should be rewarded. Individualism and divisive behaviors should not be encouraged. This is not the same as encouraging groupthink. Quite the opposite. Individual ideas are valued, and encouraged, in particular when they bring the group towards an even better solution.

It's a fine line between consensus and encouraging of new ideas. We think that for any given problem, there should be a predetermined minimum and maximum number of solutions (probably 3-10). The minimum number means people must be innovative. The maximum means people need to be creative in finding ways to collaborate despite their different viewpoints.

YOU AND THE COMMUNITY

We've all been part of organizations that are just poisonous. Generally, in hierarchical organizations, the culture starts at the top. The CEO's personality seeps through the entire company. If they're a finger-pointer, everyone is trying to escape responsibility. If they work incredibly hard and measure productivity by how long you're at work, everyone is working hard or pretending to work hard. Leadership doesn't go away in distributed companies, and in many ways you can have influence beyond your authority or team, if you are willing to take on your own influence in the community.

Each of us has a sphere of influence. You develop a sphere of influence over time, and you can expand or contract it. When you declare responsibility, you expand your sphere of influence. When you set up a meeting with someone you've never met, you increase your sphere of influence. When you get drunk at the company party, you reduce your sphere of influence. Your sphere of influences includes yourself, obviously, but it mostly includes others.

You can influence people in multiple ways:

- Explicitly telling people what behavior is acceptable.
- Creating an environment where certain norms are followed.
- Exemplifying the behavior you expect.

Mini exercise: direct and indirect influence

Think of examples in your life of the following:

- Have you ever been in a situation where you absolutely put your foot down? Where you said to someone: "You will never behave that way in my presence again," and they never did.
- Have you ever looked back and noticed that certain friends just disappeared from your life? Maybe they are people who are stubborn or overly critical. Maybe they are sweet and pandering. Whatever it is, something happened at a point in your life, you were no longer willing to tolerate certain kinds of people, and even though you didn't say it out loud, they faded away from your circle of friends.
- Has anyone ever said to you "When I see you being <honest, brave, creative, self-expressed, confident…>, it makes me also be more <honest, brave, creative, self-expressed, confident…> in my life." Have you ever said that to someone, or not said it, but seen it happen?

OTHERS TO OTHERS

In the previous section, we talked about influencing what people say to you. That makes some sense to most people. We all understand that when you are irritable and yell at someone, you will trigger them to be nasty or run away. But what about influencing what other people say to others?

Again, you can use direct or indirect methods to do this, but one of the most powerful methods is listening deeply and communicating your observations. Notice that people in your organization communicate with one another in a certain way. For example, there is a certain way people communicate with the legal team, right? Maybe they avoid them. Maybe

they act like they are kind of stupid because they don't understand DLT. Maybe they communicate only through email.

Grace: I noticed in my family, we didn't ask each other about health issues. We would call a third person, usually my brother, who is a doctor, and say "How is Dad's health?". Once I observed this, I simply told each family member that I had observed this and each one said they noticed the same thing, but they have no problem if I ask them directly about their health. From that moment on, we all could talk about it directly instead of going to a third party. Just observing the behavior and commenting on it was enough for us to realize how ridiculous it was.

In the Science of Acting, there's a concept called a "construct". Everyone has a multitude of Constructs which make up our way of functioning in the world. In the above paragraph, we mentioned "lawyers". In your mind, mostly hidden, there is a Construct for what a lawyer is. Likewise, you have a Construct for "man", "woman", "engineer", "boss", "parent", and so on. If someone has an overly obvious construct for a person of a specific culture, we call that bigotry. But we all have Constructs for people of other cultures. Pretending you are color blind is no good. You aren't. Our brains are not built that way. They are built with categories and Constructs for people, places, situations, and objects.

Based on this theory, you could say that we never talk to an individual. We talk to a group of constructs. When you understand this, firstly, it's easy not to take things personally. After all, nobody is talking to you. They are talking to a conglomeration of the labels they attached to you and their constructs for those labels. Secondly, it gets easier to see that people's communications behavior falls into certain categories.

Mini-exercise

Pick up the nearest object and look at it. What does it remind you of? What memories are associated with that object? What words are associated with that object?

Notice that if you were to give that object to someone else and ask them the same questions, they would have different answers. Notice that we have Constructs for the simplest every day object. This means, to some degree, that you are not even looking at the same object as the guy next to you.

Exercise: Shifting others-to-others behavior

Look in your DAO for where the communications is sub-optimal. Sub-optimal could be anything: lack of adequate communications, too many useless meetings, gossip, people feeling insulted, conflicts between key players, whatever.

Simply observe the behavior, and simply state what you see with no judgment. Really, no judgment. Just say things as an observation and ask why or make a specific request.

“I noticed that you tend to send email when there’s a problem rather than come to Lily’s office and explain it in person. Why is that?”

“I noticed that your team spends more time in meetings than other teams. Is there some problem I can help with? Can I attend some of the meetings to see if we can make them more efficient?”

“I noticed that the slack channel has a lot of jokes that could be seen as offensive to certain ethnicities. That is unacceptable. Please stop it.”

“I noticed that your team doesn’t report their progress to the person who is assigned as team leader. Why do you report among yourselves but not inform so-and-so?”

Often, these problems are just bad habits. Sometimes there’s a deeper problem. If you simply take an approach where you are asking with true curiosity, you’ll find that the teams will be able to resolve the problems quickly.

Decision-making

Section 4

DECISION-MAKING

You would think that decision-making would be the first section. It's the whole reason you are reading this book: so you can make decisions. We put it last because you can't make proper decisions without the prerequisites of honesty, responsibility, measurement, and understanding of your role in the community.

This section is a revision of the original section written in 2018. Despite my overall sense that DAO tooling is all wrong, I've left some sections the same, and others I've rewritten. Also, I've added Appendix C: Radical Cobudgeting and Adaptive System Project Resourcing. It's a major departure from existing tooling, and it leverages technology available today to optimize for outcomes and collaboration.

At the time of writing, we mentioned the illusion of distributed decision-making by foundations, but the November 2017 decision not to implement the Segwit 2x fork is an example of a not-decentralized decision that affected $130 billion. The community had a large-scale debate on what to do, and then 5 people made the decision. We happen to know that it was 5 because we have inside information from one of the five on that call. Five people, and we don't know which five people, were the only ones who mattered when the actual decision was made. That's a more centralized and less transparent decision-making process than any corporation or federal bank that we know of. By the way, raise your hand if you think that decision was based on technological merit. That's what we think, too. It was probably more based on the potential impact on the price and/or the controversy surrounding the fork. Is it a bad thing to make decisions based on the impact on the price of bitcoin rather than the technological stability of the blockchain? We don't know. But we sure would want to know who was in that room and what their considerations were, and why they think that was representative of the whole community. Oh, and can someone remind us of how those people got to

be the decision-makers in the first place? When are the next elections? Oh.

Update: What we got right and wrong in the 2018 version

Happily, we got one or two things right, but most of what we wrote in 2018 turned out to be oversimplified. In particular, voting turns out to be the wrong path for democracy. Here's the rundown of the ways I've refactored this section based on how I've come to understand things over the past 6 years.

- Although we were right that it is just a small element of decision-making, today I feel that the focus on voting has broken the industry and deserves a complete refactor, which I discuss in sections 6 and 7 of this book.
- Traditional decision making did not require any changes
- The classic decision-making table is still a useful tool, but there are a lot of other approaches in the industry. Furthermore, as I discuss in Forking code isn't like forking a river, the hard decisions are more complex than choosing from a decision table.
- In addition to "Equality of ideas", I've added a section on minority opinions and dissent. Having a "Devil's advocate" is extremely important, but often these minority opinion-holders find themselves unappreciated and leave the DAO, to everyone's detriment.
- The voting systems section has been completely rewritten. I have come to believe that voting creates so many perverse incentives that it is almost useless. The DAO space now has a class of professional politicians and delegates, because voting has become so overwhelming and onerous. I cover this in depth in Section 5.

- The initial version of this book was hopelessly naive regarding weighted voting. Obviously, plutocracy is problematic, but determining reputation is both difficult and problematic in ways that I cover briefly here. Reputation and identity are so complex that it's where I expect to be spending the better part of the next year, so look forward to version 2.1 or maybe a whole separate book on that. I've left the original sections on weighted voting, but I am pretty sure the thinking is flawed.

Traditional decision-making

While we aren't going to go deeply into traditional decision-making, one of our observations has been that, in most situations, when organizations use a decision table, it eliminates a tremendous amount of friction. Most people have seen a decision table, but for some reason, it's not the first go-to-method for groups making decisions. We aren't sure why, but we suspect it has to do with people's general enjoyment of a good debate. We love that too. Writing this book was one big enjoyment of a good debate, and usually we agreed on everything. But we had a good time walking around the streets of London discussing our ethics regarding how long you could sit in a coffee shop on the merits of just one coffee, and whether it is OK to sit in a hotel lobby without ordering a drink. (They had an inferior coffee machine.)

If you wonder why we are telling this story, you'll love this next mini-exercise.

Mini-exercise: Decisions

- Name 3 decisions in your organization that have taken up more than an hour of your time (and others' time, but which didn't really matter to the fate of the organization.

- Bonus: Create policies that will eliminate this kind of debate in the future. For example: “All employees can spend up to $100 in petty cash per month. The spending will be reviewed by the accounting department each month.”

CLASSIC DECISION-MAKING TABLE

Following is a classic decision-making table for developing a product. You can adjust it to your own needs.

Step 1, criteria. Rank all the criteria from 1-10 (with 10 being the best).

Column1	Serves existing users	Aligns with future direction	Is fun to develop (passion)	Makes current investors happy	Makes future investors intereste	Cost is reasonable	Potential for M&A to want this	Competitive advantage	We can charge more for it	Technical risk is low
Feature A	10	6	3	10	6	6	10	7	7	5
Feature B	3	8	8	6	8	7	5	6	10	5
Feature C	2	3	10	2	2	10	4	4	2	9
Feature D	8	8	6	6	7	8	8	7	5	5
Feature E	9	2	10	8	5	10	8	8	8	4
Feature F	6	6	6	6	4	7	4	4	2	8

Again, for a lot of you, this is basic, but you probably aren’t implementing this very often. When you break things down like this, typically there is very little debate. It’s unusual that someone will say that investors are excited about this new technology and someone else will say they aren’t. We all know what investors are excited about. It’s rare that people will disagree about the technical challenge, etc. The rest of the chapter deals with how to manage disagreements, but if you start out like this, you’ll find you’ve mitigated 80% of disagreement.

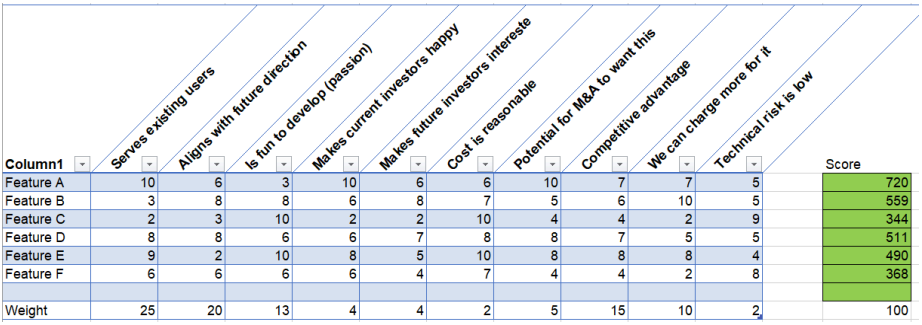
Step 2: Decide on the weights. This has to add up to 100%, and the weights should not be too even. We’ll illustrate. As you can see, when we

gave things equal weights, we had a couple of clear losers, but the others are still a bit too close to call. That's where the big debates start, when we think that it's just as important to serve existing users as it is to gain competitive advantage.

Column1	Serves existing users	Aligns with future direction	Is fun to develop (passion)	Makes current investors happy	Makes future investors intereste	Cost is reasonable	Potential for M&A to want this	Competitive advantage	We can charge more for it	Technical risk is low	Score
Feature A	10	6	3	10	6	6	10	7	7	5	700
Feature B	3	8	8	6	8	7	5	6	10	5	630
Feature C	2	3	10	2	2	10	4	4	2	9	460
Feature D	8	8	6	6	7	8	8	7	5	5	600
Feature E	9	2	10	8	5	10	8	8	8	4	630
Feature F	6	6	6	6	4	7	4	4	2	8	470
Weight	10	10	10	10	10	10	10	10	10	10	

Deciding on the weights is a bit more divisive than deciding on whether developing a particular feature is fun. However, if you have a company which is aligned on its values, this should also not be too hard. Also, some things are obvious. If you are running out of cash, making something that creates income and pleases future investors is more important. If you are richer than the Catholic Church, you don't care about that so much. Let's take the example of having enough money, since that's where most of the people in the industry are right now.

As you can see below, as soon as we seriously prioritized our desire to make our customers happy, maintain our future vision and create competitive advantage, we have clear winners and clear losers.



Column1	Serves existing users	Aligns with future direction	Is fun to develop (passion)	Makes current investors happy	Makes future investors intereste	Cost is reasonable	Potential for M&A to want this	Competitive advantage	We can charge more for it	Technical risk is low	Score
Feature A	10	6	3	10	6	6	10	7	7	5	720
Feature B	3	8	8	6	8	7	5	6	10	5	559
Feature C	2	3	10	2	2	10	4	4	2	9	344
Feature D	8	8	6	6	7	8	8	7	5	5	511
Feature E	9	2	10	8	5	10	8	8	8	4	490
Feature F	6	6	6	6	4	7	4	4	2	8	368
Weight	25	20	13	4	4	2	5	15	10	2	100

Equality of ideas

The distributed and decentralized world adheres to a particular philosophy of equality. We recognize that everyone has ideas, and that the best idea can come from anywhere. In fact, the closer you are to a problem, the more likely that your solution will have merit. CEOs can be completely blind to the actual problems happening with customers, because they are so far removed, but the customer service person knows exactly which problems are recurring.

In this context, anyone, anywhere in the organization can propose an idea to solve any problem, anywhere in the organization. As we discussed in the chapter on transparency of information, the organization needs a way to be transparent about some of the most difficult problems it is having. If a particular team wants more input, the system should make the problem more public. In any case, there needs to be a mechanism for getting everyone's input. In our Western societies we are partial to the idea of one person one vote. We are not here to debate democracy in our society, but we would like to emphasize what was explained before in this chapter. An idea meritocracy has proven its incredible effectiveness in business, for example, at Bridgewater Investment (the most successful Hedge Fund of all time). For more on this, see this video with Ray Dalio or read his book "Principles". (https://www.youtube.com/watch?v=HXbsVbFAczg&t=217s)

Most people think that brainstorming sessions are the best way to get lots of ideas, but the evidence shows that having people think separately about a problem and submit lists of their ideas works better. Group dynamics may cause some people to be quiet, and once a great idea is proposed, it tends to shut down other ideas. There might be a better idea, but once a good solution is proposed, people in a group tend to stop thinking. Also, ideas tend to be weighted based on the person who proposes them, so a good idea from someone who is ethnically diverse or in a position considered "less important", for example, may be pre-judged.

Exercise: Brainstorm the better way

Set up a meeting to brainstorm solutions to something of importance in your organization. It could be a problem you are dealing with, a technical development, or improving an existing function in the organization.

- Declare the topic, and tell each person they must arrive with a list of 10 ideas, even bad ideas, but 10 ideas, printed out. Also, mention that at least one should be impractical or a joke, if possible, let them know that they will not need to read their own ideas, but that the ideas will be anonymized and everyone will read someone else's ideas.
- At the meeting, have everyone submit the ideas at the door, or put them all in the middle and scramble them. Then have each person take a list and read it as if it was their own. They have to pretend each one is a great idea, even the impractical and joke ones.
- RULE: NO judgment of the ideas while they are being read out loud. Sometimes the best ideas are a modification of the worst ideas.
- Assemble all the ideas on a whiteboard or post-its, and consider together how many of the ideas would probably not be there if someone had felt they might be judged.
- NOW start to judge the best ideas, and to modify those which are a bit outrageous. Don't erase the outrageous ones right away.

Those might be your best insights for innovation. Attempt to modify the ones that are the most out-of-the-box rather than discount them.

Minority opinions, dissent, and scapegoating

Have you ever been in a situation where someone spoke up in a meeting about something you were thinking was wrong, but you were hesitant to speak? Did you immediately give your support publicly in the meeting? Did you go up to that person later to tell them they were right on? When you tell someone privately that you support them, you are letting them know that you don't have their back. If they stick out their neck, they are on their own.

People who speak truth to power will continue to do so, even without your support. But do you really want to be in an organization that creates scapegoats? Or in one that supports Pluralistic Ignorance (the state where the majority of people act in a way they don't agree with because they think that the rest of the people agree with it). More to the point,is that who you want to be?

Secret support may be the best thing you can give in some situations. But it also emphasizes something important: even when critics are appreciated, they often find themselves unsure of their status in the organization.

Robust ideas come from rigorous discussion, including handling objections and standing up to criticism. Some people are naturally oriented towards seeing risks or long-term consequences, while others are more optimistic. Those who see the problems are essential to improve on initial ideas.

Unfortunately, unpopular ideas are unpopular. The people who often offer critique can easily be written off as difficult or hyper-critical. In DAOs, they almost never get rewarded for their inputs, no matter how valuable it may be.

Grace: One of my customers stiffed me for work on their whitepaper, because after I pointed out some of the serious ethical and legal issues, they discontinued the work. My pushback saved them millions of dollars in wasted time and lawsuits, but they didn't even pay me the base price for the work performed because it was "useless."

DAOs need to mature to the point where they find a structure for rewarding contribution by criticism. Proposal discussion forums provide a good place for people to receive feedback that improves their proposals, but the feedback-givers are rarely rewarded in any way. In elections, it's rare to elect controversial characters. Furthermore, critics may never get their proposals approved in a grants program. Giving honest feedback in a transparent system can be costly. Not having honest feedback is even more costly.

The most effective governance systems are those with checks and balances, or rough consensus systems. Encouraging minority opinions and opposition is difficult, but it's a key part of democracy. At the very least, DAOs should have an explicit way of letting people know that they are welcome members of the community even when they hold opposition positions.

Grace: During our work as the elected Supervisory Council for the SingularityNET, the Foundation announced a community vote for a token merger. My colleague on the council (Daniel Ospina) and myself made public statements against the merger for reasons having to do with our stance on democratic process. While the Foundation was displeased with our opposition, they behaved respectfully and professionally throughout the process. Both the community and the Foundation made it clear that we were welcome to continue being part of the community and

applying for funding in their grants program after our term as Supervisory Council. Our minority opinion was also published on the official SingularityNET blog. Although none of our recommendations were implemented, the respect given to the "Devil's Advocate: position will, in the long run, strengthen the community by allowing open discussion and critical thinking.

Exercise: How do you treat dissenters?

In a DAO or organization you belong to, ask yourself how these issues are handled today, and what the ideal situation would be.

- How do we encourage critical feedback?
- Are safety and ethics sometimes compromised in favor of consensus?
- What happens to people who are perceived as overly critical?
- Do we publicize information when there is controversy over a decision?
- What happens if the dissenting opinion turns out to be true over time?
- Talk to some of the people who tend to be the critics. How often do they get positive feedback in private, but no support in public?
- Where is it possible that the majority opinion is being suppressed because people perceive it to be unpopular or because it's outside of Overton's Window?

Identity and reputation

Who makes the decisions? Web3 has resolved this in the most simplistic way by using token voting. If you own tokens in a system, you have the right to vote. Oh, and by the way, we pay salaries in these tokens. So if you need that money to pay your rent, you lose your influence, whether

or not you are qualified to make better decisions than the people who can afford to hodl.

The flaws in the system have been discussed ad nauseam. Proof-of-personhood, identity scores, and reputation solutions have popped up throughout the history of Web3, mostly with complete disregard for the 20 years of work from the Self-Sovereign Identity (SSI) community.

Identity is important to prevent Sybil attacks, but in the real world that's not a thing. Digital technology, especially digital cash, presents some very strong incentives for people and non-people to create fake identities. This is a never-ending arms race, and Web3 could learn a lot from those who have been studying digital identity for decades.

It's no surprise that crypto bros have decided to reinvent the wheel instead of doing basic research into the solutions already available, but due to a bizarre series of events in which I was abducted to Prague for a week and forced to write a paper on Reputation Interpretation, I learned of this esoteric group of geeks who speak in even more TLAs than any other group I've encountered in my 35 years in tech.

This book will not cover frameworks for identity. The profound work being done by the Trust over IP Foundation, [21]The Decentralized Identity Foundation[22], The Open Wallet Foundation[23], and W3C cover this work extensively. My personal favorite these days is the KERI framework[24], which operates independent of blockchains but is compatible with other reputation and identity artifacts.

In short, there are a thousand people who have thought about identity and reputation for a lot longer than you have, and if you are doing

[21] https://trustoverip.org/
[22] https://identity.foundation/
[23] https://github.com/openwallet-foundation
[24] https://github.com/WebOfTrust/keri

anything in the field of identity and reputation, you owe it to yourself to go to the Internet Identity Workshop, Digital Identity Unconference, or any of the other excellent identity events. Joining any of the above organizations or going through their documentation will get you a long way.

Otherwise, you get craziness like "Proof of Humanity", which not only has a creepy name, but also failed due to perverse incentives. The idea behind this project was that people would upload a video of themselves and stake some ETH to prove their identities. A panel of human judges would watch the video to determine that the people were, indeed, humans. The judges, of course, would get the staked ETH only for those who failed the test. Oops. I am not at liberty to say more about what happened behind the scenes, which leads me to the next question, which is that of reputation.

Reputation issuance vs. interpretation

Recognizing the complexity of reputation means that there will never be one reputation measure or one "reputation token" that can provide an adequate reputation score. Reputation includes understanding different levels and types of contribution as well as different competencies. Similarly, reputation issuance and reputation acceptance are two separate mechanisms, often practiced by separate entities. For example, a university issues degrees, but the degrees are accepted by employers or clients. Each employer can interpret a degree differently, depending on their assessment of the quality of the issuing university.

Within Web3, separation of issuance and interpretation is demonstrated by Gitcoin Passport[25], which provides an affirmation of someone's "personhood" based on connecting to multiple other profiles: Twitter, Discord, LinkedIn, Google, etc., as well as their Ethereum wallet. Based

[25] https://passport.gitcoin.co/

on the amount of activity of that identity, Passport provides a single score which represents the likelihood that this is a real human individual, not a dummy wallet or bot. For quadratic funding, that's an adequate measure.

The Ethereum Attestation Service has done a good job of providing a way for anyone to issue any type of credential. Fundamentally, EAS is a partial implementation of verifiable credentials. The system could mature to be more compatible with existing architectures, but having everything on chain poses a number of challenges. The founders are probably wrong about the practicality of creating reputation scores by having AI bots scan all the schemas. The more common way to address that problem is through lists of verified issuers. Different authorities could issue verified issuers lists, making the system fully decentralized. EAS could feasibly be used with a KERI or DID architecture for identifying the individuals in the system, rather than using public key addresses.

Architecture for identity and reputation

Fundamentally, identity is about the following questions:

- Are you human?
- Are you who you say you are?

Once you establish who you are, reputation asks the following questions:

- What privileges do you have in this system?
- What attributes or reputation do you have vis-a-vis the application or use case?

The architecture of almost every reputation system in the real world is fundamentally the same:

- **Issuers** provide credentials, reviews, or other attestations.
- **Verifiers** request and assess the attestations based on the access the verifier provides.

- A mechanism between the issuer and verifier makes the work of the verifier easier. The mechanism might be a “list of accredited universities” to validate university degrees, a farming association to accredit organic farms, an algorithm that interprets reviews of hotels, etc.

Collapsing these different questions has created all kinds of sloppiness in the digital space.

Onchain vs. offchain reputation

Onchain reputation, which is linked to your offchain identity, is problematic for several reasons:

- Personal safety: displaying your value or values onchain opens people up to attack in the physical world (if you receive a POAP at a specific location, you obviously are not home).
- Bias and exposure of personal views.
- Inability for selective disclosure. Even deleting a credential or using ZK, you can’t necessarily hide the fact that you received something or had it in the past.
- Lack of control: Someone can send credentials to a wallet without consent.
- Immutability: People’s talents improve and degrade over time. Likewise, someone can be forgiven for a transgression. The immutable nature of the blockchain does not appropriately reflect how reputation and reconciliation work in society.

The Self-Sovereign Identity community has established standards with the W3C for Digital Identifiers that can be implemented with blockchain as an anchor. The KERI protocol takes it one step further, creating a digital identifier that doesn’t require blockchain as an anchor at all

Technologically there is no reason to force people to have on-chain transparent identity. At the same time, on-chain activity, like any other public activity (such as Twitter activity) can be used as an input for reputation interpretation.

Reputation can never be digitized

Reputation and trust are fundamental to human systems, but they are infinitely difficult to capture in any digital form. There are two deep truths about reputation that prevent it from ever being digitized. We have all kinds of digital proxies for trust and reputation, but they can be used only in very narrow contexts.

One deep truth about reputation was pointed out to me by Matthew Schutte of Holochain, who noted that the most important and insightful reputation information is shared only in private. The more you trust that the information will be kept secret, the more of the truth you will reveal. The secret to real reputation is secrecy. If you start to digitize those types of secrets, people will simply stop revealing them. At all. (You can read Matthew's work on the topic here: http://matthewschutte.com/?s=identity)

The second deep truth about reputation is that it's not a thing. It's a movement. The seminal work on this is Phil Sheldrake's Generative Identity. The TLDR is that you are a different person before that first cup of coffee than you are the rest of the day. There is no such thing as a static reputation. We are different in different contexts, and we are ***constantly and consistently*** updating our behavior. That's what maturity is. You recognize your mistakes and repair them. You forgive other people's mistakes. Everyone's physiological and emotional makeup is changing every moment of every day. Reputation cannot be digitized.

Of course, there are uses for digital identity. Unfortunately, those uses are primarily captured by large entities which do not have our best interests in mind.

To have new forms of democracy, we will need appropriate forms of digital identity and digital reputation. However, we should be very cautious not to change things that are part of our natural systems. For example, people **do** have multiple identities.

GRACE: Some people call me Mom. (Not very many, mind you.) When I am "Mom", I don't talk about any of the stuff in this book because it is "boring." I talk about Taylor Swift, and I don't say "Taylor Swift is the epitome of late-stage capitalism," although that is certainly my true opinion. No. I wear friendship bracelets with the names of my cats, Karma and Ivy (those are TS songs in case you don't know). That is only one of my two "Mom" identities. In the other Mom identity I listen to Muse and blink-182. So if you see me wearing a black T-shirt, I am either Mom2 or work-from-home crypto-bro.

It turns out that most people know they can never rely on digital representations of reputation or even personal references. Those are just the starting point for work relationships. Getting to know each other is part of the process that simply has to happen when people or groups work together. Reputation signaling tends to be used as a minimum threshold to get in the door.

Exercise: Identity and reputation you can use

Consider the different cases where you are giving people rights in the organization. For those cases, ask yourself the following questions:

- How bad would it be for someone to maintain multiple identities in your system?
- What do you actually need to know about each participant to give them access?
- What information is already part of the system (on-chain or collected in other ways)?

- To what degree is community participation and contribution more important than token holdings?
- What is the minimum viable way for you to reach a reasonable level of certainty that they pass the threshold for access?
- What vulnerabilities are you opening up if reputation or identification information becomes accessible to the public or is breached? (For example if you have a Bored Ape and you get a POAP at EthCC, everyone can see you are rich and you are not at your place of residence.)
- Are there ways to create systems that are less vulnerable to attacks by people with multiple identities? For example, in deliberation and citizens assemblies, it's too time-consuming to make intelligent contributions to multiple groups simultaneously.

Proposal and voting systems

Voting systems have a fundamental flaw: they create divisiveness. Naturally, if you can choose only one option, and other people can choose only one option, the team starts to get divided into us-versus-them. You'll hear people say that this is a result of the media or the filterbubble, but it is deeper than that. As soon as you create a voting system that assumes one-opinion per person, you will eventually reach a divisive level. The media simply amplifies the system. It doesn't create the system.

Therefore, we highly recommend you move away from a zero-sum game types of voting systems. Unless a question is truly yes-or-no, you can come up with more than two solutions.

Recently, a group of us constructed an approach to optimize for collaboration and creative solutions. Check out Appendix C: Radical Cobudgeting and Adaptive System Project Resourcing for this approach, which eliminates any need for voting to determine the most meritocratic people and projects.

Generally speaking our feeling is that solutions based on choosing the best proposal should go through the following process:

1. Proposal creation. At least 3 potential solutions should be on the table for any issue, with the optimal number being a bit higher, maybe 5.
2. Mitigation process. For each proposal on the table, the group should look at the downsides of each proposal, and mitigate those negative consequences. The resulting proposals may end up being a combination of the existing proposals, or include mitigation aspects not considered in the first iteration.
3. Final proposal group, again, at least 3 proposals on the table.
4. Voting system that allows for people to vote for more than one proposal. Possible paradigms:
    a. Multiple vote system. Vote for as many solutions as you like.
    b. Veto system. You don't vote for the best solution, but just against the ones you think are completely unacceptable.
    c. Point system. Each person gets a bank of points or tokens and distributes them according to the merit of each solution. So, if you had 10 points to distribute, you might give 5 to your favorite solution, 3 to the next favorite, and 2 to a solution which is acceptable but not great.
    d. Ranking system. Rank the solutions in order of preferability.

If you think about the debate that results in any of these systems, you can see it is different from a one-person-one-vote system. Instead of saying that such-and-such solution is the best, there can be a healthy discussion of how much better each solution is, or whether a particular solution is acceptable. Even if there were "media", the conversation wouldn't pit one solution against one another, because the votes aren't pitted against one another. There's less of a personal identification of each person as committing to one side or the other.

RETHINKING VOTING

My official "best product name" prize goes to the Jokerace.io tool. Distinguishing a "race" from a "vote" is key. The industry is using the word "Vote" for distinctly different types of processes, often mashing them up together.

Voting can be a useful tool if used rarely and designed to fulfill one distinct purpose. A non-exhaustive list of purposes:

- Ratification: After an inclusive process of creating a proposal, ratification provides a basic approval that ensures there is no major opposition. For ratification, you might design a veto capability or require an 80 or 90% approval vote.

- Competition: Competitions are fun, but voting in a competition should be viewed more as a popularity contest than a meritocracy. The people who vote in competitions are typically the fans and the other competitors. Voting in supposedly meritocratic competitions (television talent shows) has become popular because you can charge people for their votes. It's a nice income stream, but it is just a game and it doesn't usually determine the winner.

- Prioritization: Ranked voting can be used for prioritizing the organization's development and funding. Again, this becomes more of a popularity contest than a meritocracy. Infrastructure issues such as security and scaling just aren't as interesting and popular as meetups and events. For discretionary budgets, ranked voting is used as a way to get more of the community involved in a project, and it works in a minority of cases. The other methods of governance outlined in this document are more likely to result in a meritocratic system than ranked prioritization. These types of

processes also create a competitive environment which discourages collaboration and creates uncomfortable group dynamics. The radical co-funding process described in the appendix is an alternative that can be deployed not just to prioritize projects, but to create group process that encourages collaboration rather than competition.

- Selection: In a selection process, there may be multiple proposals on the table to address a specific challenge. In some situations, it's simply not possible to reach a consensus on the best outcome or the best way to reach that outcome. In that case, having multiple bids on a proposal is healthy. It may be a question of which team is best, or which approach is best. Depending on the consequences of selection, it may be useful to also have a veto built in. For example, having a veto threshold could be used to prevent damage to wildlife that could be caused by industry that is popular because it brings jobs to an area (or because the corporation paid people off to vote). DAO Grants programs generally mix prioritization and selection into one big voting process, which can create even more bad blood.

- Election: Election of people for particular roles may be unavoidable in some situations. The Web3 space currently has a class of professional politicians who operate as delegates for multiple protocols. Is that a good thing? I'm not sure. I'm also pretty sure that the Open Source approach of "Working code and rough consensus" would be better than the delegates programs. But I digress. Sometimes you need a human-populated council and electing them is more democratic than appointing them. At the same time, it seems to me that there are better ways to think about election than voting. For example, using AI, it could be possible to scan discussion platforms for people who are domain experts, create a pool of experts, and use sortition among that qualified pool. The section on Unvoting for experts and committees offers some ideas of how to identify and select experts

without the campaigning and popularity contest aspects of democratically elected councils.

- Divvying up Magic Internet Money: Quadratic funding is a popular way of determining how to allocate donated funds in a shared treasury. It works primarily because of the laws of Magic Internet Money, which follow no natural or rational logic, but do have some theoretical economic backing. Yes, I have a math background and I understand the math. But at the end of the day, the reason that Quadratic Funding works is because the spigot of funny money keeps flowing.

In Section 6, I enumerate the ways in which voting has failed. Voting is, in many ways, the worst way to make a decision because it reduces the need for compromise in favor of a system where some people get to impose their will on others. In DAOs, so few people participate in votes that it's hard to even argue that the process is democratic. However, used rarely and designed appropriately, voting can be part of a governance system.

Merit-based inequality

Let's face it. We are equal, but we aren't equally informed or intelligent about the same things. Ask Marco about raising capital and he'll give you a much more authoritative answer. Grace will sound like she knows what she's talking about, but she hasn't actually raised more than a million dollars in capital. Marco has raised millions. We are both knowledgeable in this area, but there's clear and measurable evidence that Marco's opinion is the one you should listen to if the two of us don't concur. On the other hand, Grace has double the number of children that Marco has, and they are both awesome, so she has double the authority on parenting. (Just joking, Marco's daughter is 100% awesome, too. But don't ask him about giving birth, because he hasn't done that.)

In any case, you get the idea. For a fantastic reference on this, see Ray Dalio's book, *Principles of Work and Life*. As one of the foremost self-made billionaires and investors in the world, Dalio institutionalized the system of merit-based inequality in his fund. By weighting the votes of those who had better experience in specific areas, the organization made better decisions. In one example he gives, the team was more-or-less split regarding whether Germany would vote to support the potential Quantitative easing proposed by Mario Draghi, the head of ECB. The debate at Bridgewater was whether to prepare the fund for an inevitable breakup of the Eurozone if Draghi would stand up to the Germans and back the Euro. When they made a democratic (one person one vote) vote they ended up 50/50. However, when they used merit-based weighing by giving the experts in foreign currency trade and foreign politics higher voting power, the result was 66/34 for Draghi standing his ground on quantitative easing. Whether we agree with the decision or not, the experts proved correct when, several weeks later, the ECB decided an unlimited Quantitative easing.

We recognize that not all decisions are quite so qualitative, and sometimes we can only know the merit of a decision based on a very

long-term outlook. We propose a merit-based solution, but we don't know the formula. It's certainly different for different types of networks, but we already can see the problems inherent when some groups gain too much power. Many social networks, even the newer blockchain-based ones, are subject to issues of concentrated power in the hands of certain groups.

Our suggestion is, at least for a start, to go with a Pareto-like cap on weights. In any decision-making process, it should take a minimum of 20% of high-merit people to overpower the other 80%. You might go for more or less, but that's just our guess. That doesn't represent the reality, of course, but it represents a voting system that can optimize for expertise without creating a cartel of too few authoritative people, reverting the organization back to hierarchy.

In this context, we think that in a merit-based voting system, the following principles are a good outline:

- Voting rights should be domain-specific. If you are great in finance, it doesn't mean you are great in marketing.
- How much "voting rights" someone has should be based solely on measurable results, such as how often the person has made correct decisions in that domain in the past. In the absence of evidence on past results, it is possible to substitute education or domain expertise, but we don't suggest this as a long-term solution.
- Each individual is responsible to refrain from voting about a domain where they truly have no expertise or no opinion. In other words, you are allowed to declare your expertise level at "zero" and, unless there is measurable evidence to the contrary, the group should encourage people from withholding a vote when they don't have the appropriate knowledge and/or the decision will not impact them.
- Both weighted and non-weighted voting tables should be available to everyone as part of the radical transparency, and to prevent anything super-weird from happening.

After reading this, it should be apparent that "tokens" are not a very good representation of voting rights. Someone can accumulate a tremendous amount of tokens, either by earning or buying tokens. We feel that, in this context, token accumulation may be able to be used as a representation of experience or perhaps leadership potential. We will give an example later in the chapter.

It's worth reiterating that just because one DAO in the blockchain has used a particular system of merit, it doesn't mean it works yet. We are still in the experimentation stage, so we aren't sure how this is all going to work out. We'd love to hear more input on how you have implemented this in your organization, and what's working.

Impact-based inequality

Expertise is important in many ways, but in a distributed world, there's something more important: impact. If I am the foremost expert on hydroelectric dams, it does not mean the dam will impact me at all. Maybe it will impact my salary, but the impact on me is not the same as the impact on the people living in a village downstream. This is the greatest downfall of the current system of power-based decision making. People who are not women make most of the decisions on women's health. Non-profits from rich countries make decisions on how to help people in developing economies. Parliamentarians pass legislation on welfare measures for the unemployed.

Distributed leadership has the potential to allow those who are impacted to have a say in the solutions presented and the solutions agreed upon in a fairer way.

Unlike merit-based weight, we think there is a real case for some people to have 20 times as much weight as other people when it comes to impact-based inequality. Let's take the example of the Israeli-Palestinian conflict. Everyone seems to have an opinion on this, but there are

approximately 10 million people who actually live in the area, and another few million refugees who will be impacted directly by the decision. It does not make sense to say everyone in the region has the same level of vote on the situation, much less everyone in the world. The same could be said for Catalonia, Ukraine, Kashmir, Kurdistan, or any other region where there is divisiveness over borders.

If you think a bit deeper, it's nonsensical for each nation in the world to have 1 vote on each situation because.

- The people who are most impacted often have zero votes (Catalonia, Kashmir, Kurdistan and Palestine do not have places in the UN.).
- China has the same number of seats in the United Nations as Macedonia. That's kind of weird.
- Most of the members of the United Nations will be completely unaffected by the outcomes of these issues. If you are a member of the EU, for example, changes to Catalonia influence your monetary system, but changes in Kashmir would make no difference to you.

Without taking sides on the Catalonia issue, it is quite clear that a person living in Barcelona has a big stake, a person living in Madrid has a fair stake, a person living in Paris has some stake, and a person living in Shanghai has zero stake. While we don't think that zero stake should necessarily equal zero votes, we do think that a more just system of voting has to be implemented when we are talking about distributed leadership.

If everyone is a leader, everyone gets a vote. Depending on what your organization is doing, you need to take a look at who your stakeholders are, and what kind of weight you want to give them as far as voting. Whether you use a digital token mechanism or not, the weight of different stakeholders could be wildly different depending on the impact on their lives.

As with merit-based weighted decisions, we have just started to think about this, and welcome the community's experience.

Caveat: In most corporate decisions, it will be obvious that the executive directors are the most heavily impacted. That doesn't count. You can't say "We get to set our own salaries because we are the most strongly impacted." or "Because I am the R&D director, I will have to invest the most resources to develop a solution to reduce our environmental impact, so I get more votes than everyone else." The people who drink the water near where you are dumping your waste are more strongly impacted than you, even though it's your job.

Exercise: Create a weights system for your organization

Merit-based system:

- Choose a domain where the decision-making in your organization is both important and subject to many different opinions or options.
- Have the team suggest several measures that could be subjective measures of merit that could be tracked over time.
- Choose the measures and weights that should be assigned based on performance on those measures.

Impact-based system

- Choose a domain where decision-making will not only impact your organization, but other stakeholders.
- Have the team look at how to get input from those stakeholders, both short and long term. Long term could involve tokenization, but in the short term, it is probably impractical.
- Choose the measures and weights that should be assigned based on impact.

DAO Tooling in 2024: The Wrong Direction

Section 5

DAO TOOLING IS BROKEN

The entire Web3 DAO technology stack is broken, and it's broken because of several wrong assumptions about decision-making and democracy. In this section, I go over the wrong assumptions and why they are wrong.

In this section:

- Dispensable people
- Voting is deadly
- Are DAOs just a form of UBI for geeks?
- Onboarding: free work is expensive
- Funding is broken
- Forking code isn't like forking a river

Refactoring software is a normal part of software development. "Plan to throw one away; you will anyhow," says Fred Brooks in The Mythical Man Month. Of course, another normal part of technology development involves hundreds of attempts to duplicate the wrong first attempt at a solution.

Most of you who are in the DAO space are using the wrong approach based on these flawed assumptions. Fixing these problems has some potential, but it will be much slower than starting over. As they say, it's never too late to turn back if you find out you're on the wrong path.

Dispensable people

In many ways, modern society treats individuals as dispensable and interchangeable. Labels such as “consumer”, “user”, and “human resources” are indicators of the disdain for humanity that is pervasive in our society.

Military conflicts and terrorist attacks epitomize society’s message that individuals, particularly young men, are dispensable. Dating apps have unlimited “inventory” so you can simply swipe left as often as you want, discarding one human after another. Wherever you look, from water pollution to cobalt mining, humans are interchangeable commodities or dispensable objects.

Outsourcing, contracting, and the gig economy have expanded people’s dispensability to the workplace. Now everyone is personally and professionally replaceable, which means you are so dispensable that at some point, you have no right to have a decent and stable life where you can take responsibility for your family and your own well-being. The memecoin and GameStop phenomena are direct results of the hopelessness of young people when it comes to their financial futures. I have zero judgment of fugazi schemes and drug use as the coping mechanisms of today’s youth.

The fundamental human social contract is that *you will be able to have a life*. This is the social contract when a parent brings a child into the world. This is the social contract between the State and the citizen. This is the social contract of a religion and a believer. Whether spoken or not, every child comes into the world expecting the opportunity to have a decent life. For you reading this sentence, that social contract has been fundamentally broken.

Exercise: Are you dispensable?

Check your physical and emotional reactions to the last two paragraphs. How is it for you to be dispensable? For people around you? As you come into a DAO or Web3 project, what hidden baggage are you bringing with you from the broken social contract? What "survival" thoughts are interfering with your generosity and humanity? What anger are you bringing to your environmental regeneration project? The next paragraph describes my current experience.

Grace: For more than a decade, I was one of the top talents on Upwork. Dozens of the ICO Whitepapers I wrote were through Upwork and I maintained a rating of between 95-100% success with outstanding customer reviews. Then they changed the algorithms. Projects that were complete but not properly "closed" were counted as failures. Not using their "bids" system to pay extra meant I was downgraded. And when my slate filled up with DAO work and I stopped using Upwork at all, that was the worst. The last time I used Upwork, my rating was 100% and now it's hovering around 80%. How did I get bad ratings by doing nothing? Only the algo knows. Yet, when I've recruited writers on Upwork, among those who have 5-star ratings, 80% have a grammatical error either in their cover letter or the first paragraph of their writing samples. Upwork considers the freelancers as completely interchangeable, so it doesn't matter if the top people actually produce the best work; it only matters that they provide the most income for the platform. Suddenly, I have to apply for a job or DAO funding, which isn't a great comfort, as this section of the book describes. And I can see it subtly in my relationships when I talk to people. I'm on the prowl. I am thinking about how much it will cost to print this book in physical format, and who I can give it to at ETHcc to improve my chances of getting a job. Do you see what I mean? It moves me from a generous mindset to a scarcity mindset. It moves you from someone who can benefit from this book to a potential lead. I am aware of it, so it has less power over me, but it's there, in the lizard brain, telling me my children are in danger if my salary doesn't show up.

Code thinks you're dispensable

DAOs are the next extreme in gig work. To get in, you first need to do a lot of free work and kiss up to the "community". You either have or fake the "vibe". You need to figure out what the community wants. Maybe you do some gig work, like creating a blog post or helping with some technical issue. Then you are ready to propose. You participate in discussion forums and modify your proposal. Then you post the proposal for voting. Reviewers are either fair or unfair, insightful or stupid, posting all of their comments and opinions about you for the whole world to see. You desperately answer in ways that are convincing and clever. You wait, you hope, and maybe you get the grant money. Of course, the first one will be small. Not enough to carry you over to the next round, that's for sure. You have to prove yourself before you can apply for a larger amount. Rinse and repeat.

And, by the way, if you are sick, there's no sick leave. There are no paid vacation days, no retirement benefits, no disability insurance, no parental leave. In fact, if anything happens to you, you just get a bad reputation which may or may not follow you from DAO to DAO.

If you're reading this, you are probably in the Web3 space because you care about creating a better society. Perhaps the future of work. Perhaps a regenerative future. Perhaps more social equity. Whatever it is, does the picture I just painted fulfill on any of that?

IMNVHO, the design of DAOs results in a culture that strongly favors young and single men with strong verbal and written English, and those who are proactive and comfortable with high levels of uncertainty. Sensitive people, people who need stability, people who need structure, parents, collaborative people, people who need structure, people who spend more time in real relationships than online, people who aren't great with words, people who care deeply about the well-being of their colleagues—all of those people will be naturally repelled at some stage of

the game. This means that, by definition, DAOs cannot provide inputs from diverse populations. The system design is highly exclusive.

Somewhere in your soul, you know society has let you down. Somewhere in your consciousness, you have internalized the societal judgment that people are interchangeable and dispensable. That's why you participate in DAOs that internalize the values of the default society, without considering that there is something fundamentally wrong with the idea that you must perform certain types of work to be of value to society at all.

Given the water we're swimming in, it's no surprise that DAOs have leveraged deadly voting mechanisms, onboarding that looks like digital hazing ritual, and a UBI only for those who make it through proof-of-nerdiness protocols.

Voting is deadly

I often say voting is dead, but it would be more accurate to say that voting is deadly. Voting is certainly alive throughout the world's democracies and vibrant within the DAO world, and wherever it goes, it wreaks havoc. From rainforest destruction to repression of peoples who want to declare their own sovereignty, going with the majority opinion causes actual deadly consequences worldwide.

As you are reading this, it's fairly likely that you are ready to defend voting. You have a list of reasons why voting is democratic, how it works better than anything else, etc. I'm going to ask you to be willing to suspend that belief for a moment. You can have your belief back after you finish the chapter.

Exercise: Give up your right to vote

As you suspend your belief about voting, take a practical real-life look at who benefits from your ingrained belief that democracy is all about voting. Look carefully at the choices you are given on the various ballots that are presented to you as a voter, whenever you have participated in a vote. As I write this chapter (June 2024), both France and Britain are executing snap general elections declared by their Prime Ministers. The United States is on its way towards a presidential election in which one candidate has been convicted of a crime, and the other candidate has been dismissed from standing trial because he is too senile. The third candidate is considered by most voters to be "not viable" even though he is the only one who has consistently appeared in court as a winning attorney instead of the one being prosecuted. Who is benefiting from the belief that you only have two choices in that election? It's not the populace, that's for sure.

Have you heard the quote “Democracy is the worst form of government except for all the rest.”? Who said that? **Hint:** it isn’t someone who represents 21st century thinking about what’s good for the planet and humanity.

The point of this exercise is to have you step back and see that there are forces in place who want you to believe that voting is the best form of democracy, and that your choices in that vote are limited.

Exercise: How often do you vote?

Outside of DAOs you belong to, how many times have you voted this week? On anything? What types of decisions were they, and what was the emotional tone of the vote? OK, now, think: How many group decisions have you been involved with this week? If you are like most people, the groups you belong to have made dozens of decisions this week and either zero or one of them involved an actual vote. DAO technology centers around voting, and yet, if you look at your life, that’s not how decisions are really made. In fact, if you look at your life, you’ll notice many of the decisions that are made don’t get executed, don’t get executed as they were envisioned, or are executed but didn’t get the desired result.

And yet DAOs have chosen voting as the centerpiece of decision-making. Then they complain of voter apathy and try to address that problem rather than realizing that voting simply shouldn’t be the core of the system.

Voting improvement attempts have taken multiple forms:

- Gini coefficient and quadratic voting to reduce “whale” influence.
- Off-chain snapshots to reduce transaction fees on voting, with a trusted multisig team.
- Layer2 voting to reduce voting costs.
- Voting token drops to wallets for specific votes.

- Reputation layers for weighted voting.
- One-token-one-vote.
- Ranked voting.
- Ratings-based voting.
- Voting rounds or epochs.
- Grants calls to define what can be proposed.
- Sub-DAOs and elected committees.
- Expert ratings of proposals to reduce overwhelm for figuring out what to vote for.
- NFT-gated voting.
- Staked-token snapshots to allow stakers to vote.
- Payment to community reviewers of proposals.

The list goes on, and each of the fixes has been better than plutocratic voting with tokens. But none has solved the basic problems. Voting typically represents less than 10% of the eligible voting tokens. Most people don't care about most of the votes, because it's not really their money being allocated, and they aren't the grants recipients. If you pay them for reviews, you get lots of reviews, mostly SALAMI (Systematic Approaches to Learning Algorithms and Machine Inferences).

Voting can be expedient for some cases, which is why this book contains a section distinguishing the different types of voting (prioritization, (s)election, competition, and ratification). If you must, refer to that chapter.

Are DAOs just a form of UBI for geeks?

Actually, almost all of Web3 is a form of UBI for geeks. From memecoins to layer3s, from NFTs to delegate roles, everyone's on the take and almost none of the technology is relevant to normies. Almost none of the technology is relevant to the daily lives of those of us in Web3. And almost none of the technology will result in any of the freedom, security, social equality or ecological sustainability that we blather on about.

But it's a great form of UBI.

Onboarding people to Web3 is mostly about finding cool jobs for our friends. They can become an Airdrop Farmer. They can run a node or be a delegate. They can flip memecoins. Perhaps play-to-earn is their thing. If they're artistic they can issue their own NFTs. If they can learn some programming skills, there's tons of work for them. The list goes on.

Grace: At Devconnect in 2023, I was fortunate enough to be invited to dinner with a bunch of Etherean OGs. The conversation was so technical and so fast-moving that I couldn't understand 30% of it, which means 99% of the population couldn't understand any of it. As these guys were talking about the esoteric differences between privacy protocols on different L2s, I thought: *nobody outside of Web3 is ever going to use any of this technology*.

We have more blockspace than we know what to do with, and every week there are half a dozen new blockchains trying to woo dApps. One stat mentioned more than 1000 coins a day are issued on Solana alone. Someone else recently noted that the disappearance of hundreds of millions of dollars in the Terra-Luna fiasco had no effect on the real economy. All of that money had just appeared out of thin air. I'm not

saying that it didn't hurt when all of us lost those sums of money, but most of it had been earned in airdrops and yield farming, not in hard labor plowing the earth and planting potatoes.

This isn't a criticism of Web3, per se. David Graber's Bullshit Jobs[26] is where you can find that critique. The bulk of today's white collar jobs produce nothing but pollution. That's the economy we live in. If we can print our own money, LFG.

In that context, DAOs are a success. People do what they want and live where they want. Anyone in the world can join. If you're not terribly talented but you have time on your hands, there are all kinds of bounties for you. Play to earn probably saved hundreds of thousands of people from starvation during the lockdowns. It's not bad to make money doing weird things that nobody understands and nobody outside of your industry will ever use.

It's cool in its own way, but it's not leading to a solarpunk future.

For me, the purpose of all this new GovTech is to create new forms of democracy that can effectively address planetary problems, like preserving the environment and serving the citizens of the earth rather than the military industrial complex.

The technology we have developed so far in Web3 does a fair-to-middling job of managing a shared pool of funds and a codebase, but it's not fit to purpose for the complex problems that the existing governments are failing to address.

[26] https://en.wikipedia.org/wiki/Bullshit_Jobs

Onboarding: free work is expensive

Joining a DAO involves a lot of unpaid time. On the one hand, it's OK to expect people to educate themselves at their own expense. That's how education works. However, that's not how teamwork works. In a workplace, people are hired for their talent, given training and a mentor, and taught to do their job. In a DAO, all of that is informal. Nobody is directly responsible for anyone else, and nobody is penalized if someone fails as a result of their mentoring.

Even worse, rarely do DAOs properly compensate people who help others onboard. In other words, someone who helps you is being penalized because their time helping you is uncompensated time. In any normal organization, there are professionals taking care of onboarding, but not in DAOs, at least not usually.

Some DAOs have started to fund onboarding, fortunately. Unfortunately, the onboarding is often done by people who are inventing how to do it, rather than professionals.

Grace: I recently joined an Onboarding call for a major L2. The call was facilitated by a group that had raised a grant to onboard people. In the meeting, they interviewed each participant individually for a few minutes (why did we all need to come to one call if they were personal interviews?). The stated purpose of the call was to help us find the right group to join in the DAO. Perfect, that's what I came for. We all got a generic text and a link telling us the generic way to onboard ourselves and were told someone would get back to us about where we fit in. Nobody got back to me. When I texted the Telegram channel, they again gave me the generic information they give everyone. The team is properly funded for onboarding people, but they aren't doing it. And who is going

to complain? I failed to be onboarded and I wasn't given a feedback form to let anyone know that it was a fail. If ***I*** failed to onboard to a DAO, you have to wonder who succeeded. Who is going to tell them how to improve what they are doing so they could succeed? They didn't design the onboarding properly, and they didn't design a feedback loop. The experiment doesn't have to fail, but it will and the DAO will conclude that spending money on onboarding is a waste of time.

Let's say you stubbornly onboarded yourself despite the difficulty. Now you are hanging out, vibe-ing, discussing proposals, whatever you are doing. Are you doing a good job of the vibe-ing and commenting? How can you find out? Just as with the onboarding, the feedback loops are random. You might get useful feedback. You might be able to identify what training you need to improve. And you might not. It's just random whether you get good advice or bad regarding your participation in the DAO. There's no clarity regarding accomplishing the next level of participation or authority or membership. You're just mucking about hoping to be recognized and get to a level where there's some real money to be earned.

By the way, nobody talks about the perverse incentive in DAO onboarding. If you think about the DAO treasury as a zero-sum game in which the current members are competing for the money, why would they want to onboard new people? They certainly wouldn't want to onboard people smarter and more talented than themselves. These tend to be subconscious drivers, so they tend to show up in subtle rather than overt ways.

Some of you might think that the lack of clarity in DAOs is a feature, not a bug,and I agree. After all, it lets people get paid for what they want to do. Given the previous section on how DAOs are just a form of UBI for geeks, wasting time onboarding is a fine activity as long as someone is enjoying it and/or getting paid for it.

Many DAOs are doing stuff people want to do, and not stuff that will move the project forward. That's fine as long as you print magic internet money and move to the next DAO when the money in one DAO runs out.

Forking code isn't like forking a river

Real people can't fork themselves off of the planet. Putting aside the wealthy-boy-man fantasy of living on Mars, we are all stuck with a planet on which there is not one drop of water free of microplastics, where the productivity of agricultural land is deteriorating, and where social unrest and mass migration are becoming the norm.

None of those problems will be resolved in a vote-for-your favorite proposal system. DAO tooling today doesn't have the capacity to handle the force of situations where multiple interests need to be bridged, where the consequences of any decision are stark, and where emergencies can change the whole scenario from moment-to-moment.

You can split a pot of money in a way that feels basically fair.

You can fork code indefinitely.

But once you dam a river, the consequences ripple out for lifetimes.

We urgently need solutions that are capable of governing Artificial Intelligence, salvaging what's left of planetary ecological balance, and creating a decent standard of life for all humans on the planet.

On that optimistic note, let's talk about refactoring. Because it's never too soon to turn around when you realize you are going down the wrong path.

Refactoring: So what should we Digitize?

Section 6

If not voting, then what?

So DAOs were a clunky first attempt at new forms of democracy. Democracy is hard. Let's pick up the pieces and move on.

The more I've studied different systems of functioning decision-making, the more they all seem the same. Decisions are made by groups of people talking and figuring out what they want to do together. Sometimes these groups are called communities, DAOs, or teams. Sometimes they go by names like parliaments, cabinets, or juries. Other times they have formal descriptions like oligarchy, holacracy, or sociocracy. And sometimes they are tribes or congregations. But they are all based on human interaction and deliberation that is, at its core, too complex to automate.

Aspects of human decision-making can be codified and automated, but only if we understand which parts should be automated and which ones can't be automated. This chapter covers areas of DAO-voting governance, with an emphasis on the ones that might be able to be automated in some way. A decade ago, it might have been impossible to automate these methodologies, but today we have technologies that could be applied and scaled.

For 5 years we've been experimenting with different types of voting as the only part that gets automated. That approach hasn't gotten us very far.

I'm not saying that any of the following approaches are correct, but they are areas of experimentation that are worth exploring and considering.

- Working code and rough consensus
- Sociocracy and holacracy
- Citizen assemblies
- Bio-mimicry and bodily function
- Mission based movements
- Deliberation and signaling

- Regulation and enforcement
- Checks and balances
- Unvoting for representatives
- How to fix “voting” (last and definitely least)

By the way, you’ve probably heard someone tell you that something or another “doesn’t scale” beyond Dunbar’s Number. Don’t believe them. Anyone can say “it doesn’t scale” just like anyone can say “you can never put a man on the moon” Maybe they’re right but maybe not. They are just theorizing while we are busy trying to save the planet, so you can just ignore them.

Scaling for decentralized systems doesn’t look the same as scaling for centralized systems. For example, Alcoholics Anonymous scales all over the world, and it even becomes Overeaters Anonymous and other addiction-related Anonymous groups. It keeps scaling without a center and without any profit to the organization as a whole. Linux has dozens of distros. If you aren’t picky about what you mean by “scale”, there’s a lot more flexibility in terms of how you proceed with distributed governance.

Working code and rough consensus

We reject: kings, presidents and voting.

We believe in: rough consensus and running code.

David D. Clark, IETF Proceedings 1992

This book opens with quotes from David D. Clark and Pete Resnick from the Internet Engineering Task Force (IETF) because that organization has governed the operating protocols of the internet for more than 30 years. It's been going well. The internet runs, despite the fact that the IETF has completely open membership and they never vote on anything.

For more than 30 years, this institution has been quietly and competently governing a truly global commons that touches almost all of humanity. They've been governing in such a way that none of us ever think about it. Imagine that.

Imagine a world in which the natural resources of the earth were governed in such a way that we never had to think about it. Imagine food and health being governed globally in such a way that we didn't even notice it, and if we did, we could just go to the nearest Global Food and Health Forum, join a working group, and participate. Imagine everyone's voice being heard.

Perhaps that seems like a ridiculous fantasy, except I am using the internet right now to write this book and send it to a publisher and have it printed so you now have it in your hand. (Or perhaps you downloaded it and sent money over the internet, and… you get the picture.)

It is not only possible to rule a global commons properly, but it is actually happening under our noses without our knowing about it. The IETF members are not paid, either. They have to find sponsors, or they come from corporations or governments who pay their salaries.

There's no need for us to explain how this works. You can just go to their public documentation: "On Consensus and Humming in the IETF,[27]" by Pete Resnick, published in 2014.

From that paper:

> *Experience has shown us traditional voting leads to gaming of the system, "compromises" of the wrong sort as described earlier, important minority views being ignored, and, in the end, worse technical outcomes.*

The IETF is not an exception in the world of software. Everyone uses SNTP and Linux and a myriad of other open source packages that are built using the "Working code and rough consensus" form of governance. It's painful to see how far off track we are in the Web3 world, given that the open source movement has this rich history of success.

Fortunately, the Summer of Protocols folks have voted in a team which is researching the IETF and their work. You can follow the research they're doing here[28].

[27] https://datatracker.ietf.org/doc/html/rfc7282
[28] https://forum.summerofprotocols.com/t/arc-regenerative-communities-study-of-the-ietf/1316/1

Sociocracy and Holocracy

Almost all the functioning DAOs look like forms of sociocracy or holocracy at some point. While they have voting on funding rounds, the actual work getting done is within "Sub-DAOs" with functional tasks.

Congratulations! If you are calling your teams a sub-DAO, you have just re-invented hierarchy! If, rather than a hierarchy, you have more of an elected council running the parent DAO, you have re-invented a sociocratic or holacratic structure.

The main question in these types of systems is whether you have optimized how code is used. If you have a well-functioning team-based group, do you really need grants rounds for funding?

Many of the DAOs with grants funding are providing budgets to organizations that never really participate in the DAO community. Is that what you want to be doing? And if so, is community voting the right way to go. After all, if you have a functioning group of teams who are aligned with the mission, perhaps they would be able to do a better job of allocating funds than a vote from token holders.

If you are developing tooling for governance, and you have set up working groups, maybe there are tools those groups could use that are more helpful than budget voting tools. For example, how about tooling that follows up on allocated funds and tracks whether the delivery matches the promise and makes it easy to approve or reject milestone payments? How about tooling that assesses whether proposals meet the criteria that are stipulated in the call for proposals? Detection of corruption?

Currently, there are a few tools out there that help DAO teams work together. Dework, Wonderverse, and Hypha come to mind. Those software programs represent a first steps which add a bit of Web3 to task management. With a bit of creativity, there's plenty more automation possible in sub-DAOs.

Citizen assemblies

Citizen Assemblies are representative bodies of citizens chosen at random to create legislative recommendations. Citizen Assemblies have proven effective in many places worldwide, not just in providing practical recommendations for government action, but also in bridging societal gaps and bringing communities closer together.

Successful citizens assemblies are randomly selected from a populace, but in such a way that different perspectives are represented. Citizens are paid for their time so that it is not detrimental to their financial security to participate. Finally, the events span multiple days and include presentations by experts on the topic to be discussed, professional facilitation, and collaborative problem-solving.

A citizen's assembly is not just the act of bringing a bunch of people together. A colleague was recently funded by a grants program by a major foundation in the Web3 industry. As part of their funding, they were expected to participate in a one-week group event including the other recipients of the grants round. When someone in the group asked what to expect at the event, they were told that there was going to be tyranny of structurelessness and FAFO (F* around and Find Out). That is not a citizens assembly. My colleague told me that despite the informality, the group is impressive and the time spent together is somewhat productive. But that should not be mistaken for a formal process led by experienced facilitators with a clear outcome being produced.

If you want to implement a citizens assembly, get professionals to lead the initial ones and train your DAO participants to lead the next ones. It is quite possible that Web3 could provide tooling and automation to help citizens assemblies with knowledge management, communications of the proceedings, and scaling up to larger groups through the use of large language models.

Bio-mimicry and Bodily Function

As it relates to DAOs, biomimicry can provide a useful model of decentralized governance. Each element in natural ecosystems carries out functions based on its interactions with the other entities in the ecosystem. The 800-pound gorilla doesn't have more power in the jungle than the anthill. We often use the 800-pound gorilla metaphor to signify the power that large players have in a market, but that's just because we are biased towards looking at big mammals. If the microbes in the soil start malfunctioning, those gorillas won't be healthy for very long. (If you want to dig into how many ants are required to have those industrial gorillas function and just how fragile the industrial jungle is, check out the book Material World by Ed Conway[29].)

A useful framework for thinking about governance in biological systems includes three main frameworks:

- Sensory systems
- Resource distribution systems
- Regulatory systems

When you design a governance framework, it's useful to look at these three aspects of the system, whether you are using biomimicry or not. There are many other ways to consider biomimicry. The biological systems of the earth are distributed and decentralized adaptive systems, and they've been functioning for long before humans appeared. In other words, it's a well-proven model.

[29] https://www.goodreads.com/book/show/125937631-material-world

Sensory systems

Living systems detect, interpret, and communicate signals both internally and externally. When a human sees and smells a slice of bread, they identify food. If the ingredients of that bread are artificial but smell and look like food, the body ingests the bread and the result is poor health. If a butterfly is black and yellow, it might look poisonous and birds won't eat it (even if it is just mimicking the poisonous one but is really a different species). Your DAO might have outward-facing sensors (oracles/market prices) as well as self-sensory systems (community participation/network usage).

Following are some of the ways humans have automated sensory systems:

- User-generated media. Theoretically, allowing everyone to create media could drastically improve the ways that humans understand one another and provide much more accurate reporting. However, these systems have become so corrupted that we've actually impaired our ability to make sense of the world.
- Physical sensors. Sensors have been successfully used in production systems. Sensors have dramatically increased productivity globally. They could be used to preserve ecological balance, but inside a system that emphasizes short-term outcomes over long-term planetary health, we have so far failed to fully leverage these capabilities.
- Machine learning (big data). Machine learning algorithms are able to make sense of a tremendous amount of data. Again, this has allowed for optimization of production as well as improvements in medical diagnostics and futures modeling. These systems have potential for inputs to governance systems.

The main problems people run into is when they use sensory systems as decision-making systems. In governance, automation can help make sense of large amounts of data. However, when these systems replace human deliberation and wisdom, they often cause corruption or harmful outcomes.

Resource distribution systems.

Biological systems distribute resources in the optimal way to keep the organism alive. When food is digested, the energy and nutrients are distributed to the organs that need it. Human monetary systems and supply chains don't optimize for keeping the organisms alive. You can optimize resource allocation systems in all kinds of ways. Some DAOs try to make sure everyone gets a little something, while others have meritocratic systems.

DAOs, like modern financial systems, use money as a resource allocation system. The problem with that is resource distribution doesn't have a connection to the sensory system that would indicate the needs of the living systems on the planet, including human living systems.

In living systems, resource allocation should be connected to the sustainability of the living system. In companies and DAOs, we do think in those terms. Financial sustainability is all about keeping the (non-living) organism alive. It isn't about keeping the living humans alive. This is the reason why more cooperative and humane organizations have a lot more trouble staying alive. Nonprofits are often starved for funds, and so-called "teal" and triple-bottom-line organizations are in the minority.

In any case, when you think about the fact that the monetary system serves as a kind of automated resource distribution system, it gives you reason to believe that DAOs and Web3 could actually do something about it. After all, we are supposedly designing the functionality of the tokens we print. So far, we haven't done much to have them operate in alternative ways, but the potential is certainly there.

Regulatory systems

The regulatory systems maintain homeostasis in living systems. Too much of that alcoholic drink, and the regulatory system throws up or passes out, preventing the individual from going over the regulatory limit. Notice there are multiple ways to regulate behavior. That's what earth's "tipping points" are really about. If one limit is passed, the next reaction of the living system will be more extreme than the previous warning not to pass the regulatory system.

Later in this chapter, I extrapolate about regulatory versus enforcement. Nature doesn't differentiate. But your DAO can invent different mechanisms to keep the operations and behaviors within defined boundaries.

Deliberation and signaling

Not so very long ago, people had to sit down together to talk about how to solve problems. This was true for heads of state and members of parliament, journalists, and regular people. You had to sit in a room together or get on the phone, and hear the nuances in someone's voice, see their body language when you were working out problems. You often shared food with them or at least a coffee and donuts. Even if you didn't agree, you could at least comment on the table service or something. All of these things helped you work out compromises.

Now the deliberations are often over digital media. We might have better records of what was said, but lose the nuances. We can't quite tell if they were being sarcastic. Sometimes we respond while we are still in bed, before we drink our first cup of coffee. People over the age of 40 are a lot worse at texting than people under the age of 40. So much cultural context is lost.

But even worse than all that is that the social media systems are designed to elevate the most divisive and emotionally triggering texts. This trains people to seek divisiveness instead of conciliation. It can also lead to untrue and inaccurate information gets elevated over true information.

The best Youtubers and Tiktokers know that a few intentional mistakes will dramatically increase the responses, either from haters or those just trying to help you out. Either way, the algo likes bloopers.

For effective governance of shared resources, good deliberation and signaling systems should feature:

- Distinguishing between popular opinions and evidence-based opinions. It might be popular to say that biodiversity offsets are good, but there is no scientific basis for believing that you can offset biodiversity loss in one ecosystem by increasing it somewhere else. (Biodiversity credits do have a scientific foundation, but offsets don't.)
- Encouraging thoughtful disagreement and nuanced arguments, and discouraging polarization.
- Encouraging multiple perspectives.
- Recognizing outlying ideas as having potential for offering creative solutions. Original thought often gets discarded in systems that bias towards consensus ideas. People who rarely contribute might be the most insightful.
- Encouraging brainstorming of compromise and collaborative solutions.
- Exposing conflicts of interest and propaganda. It's legitimate for people to promote opinions that will benefit them personally. It's normal for corporations to fund "think tanks" that provide biased evidence. At the same time, people need to know what financial interests an biases are being presented in order to make intelligent decisions.
- Reducing or eliminating machine-generated participation. While some people may benefit from machine-improved language, the basic thoughts and ideas must be genuinely held by a human who stands behind the statement.
- Offering appropriate anonymity and protections for people who may be endangered by expressing their true opinions. The wrong

> kind of anonymity encourages people to attack others and say things they would never say in real life. The right kind of anonymity protects whistle-blowers and thoughtful dissent.

A recent blog post by RnDAO highlighted 60 different communications platforms for organizational communications[30]. Very few of them offer significant improvements in even one of the nine areas cited above. Nobody needs one more system that creates the same damage we have available in the current systems. One platform which has recently come out in beta is Forby.io, which is designed to help groups improve on their proposals. The design thinking behind this tool is excellent, though we have yet to see it in action.

Good deliberation platforms can provide excellent signaling, allowing DAOs to understand the different opinions represented within their community. Today's machine-generated intelligence has tremendous potential to assess and analyze conversations to give tremendous insights into the differences and agreements within a community. And although it creeps me out, the emotional-sensing algorithms are pretty good at interpreting people's emotional state in video conferences.

Signaling is effective for understanding what issues need to be addressed through governance. It can be used to come up with initial proposals that can be refined by the community. I put them together because it seems to me that assessing the naturally-occuring conversations is better than asking people what they think in surveys or polls. Today's technology has reached a point where it's probably unnecessary to poll people because the large language models are good enough to ingest as much information as any DAO can generate and provide good mapping of the range of opinions, without the biases that are intrinsic in polling and surveys.

[30] https://www.rndao.io/blog/post/60-apps-for-sharing-knowledge-in-your-organization

Mission based movements

The longest-lived and most successful decentralized organizations aren't really organizations. Social change doesn't happen through one organization, but rather through a collection of organizations with the same goal. The end of slavery, the legalization of gay marriage, the exit of the British from India--all of these were not organized in the same coordinated way we are thinking about when we talk about DAOs.

Theoretically, if your DAO were true to its name, some of the parts of the organization would function autonomously, like a branch of Alcoholics Anonymous or a local Extinction Rebellion protest. Religions like Judaism and Islam are also decentralized organizations. Unlike the Catholic Church, those religions do not have a top-down structure where there is one point of decision-making. Buddhism is decentralized, but it might not be an organization as such.

Web3 does have the potential to create tooling that could support these types of movements. But discussing how they work is way beyond the scope of this book. Fortunately, there are books on exactly this topic.

If you're re-thinking how to do DAO tooling, take a deeper dive into movements and historically distributed organizations.

Great starting points:

- Ori Brafman, "The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations"
- Srdja Popovic and Matthew Miller: "Blueprint for Revolution: How to Use Rice Pudding, Lego Men, and Other Nonviolent Techniques to Galvanize Communities, Overthrow Dictators, or Simply Change the World"

Legislation is not regulation

The section on biomimicry discusses regulation. In today's "regulatory environment", there's a collapse of regulation, legislation, and enforcement.

Regulatory mechanisms are mechanisms which prevent a system from violating certain boundaries. For example, doors never used to fall off of airplanes in mid-flight. That's because the regulatory legislation required airplane manufacturers to have independent third-party checks inside of their factories. The legislation changed, and it was still called regulation, but it didn't have internal oversight. Now, you have enforcement through the judicial system after a door flew off an airplane.

Needless to say, you want a system in which the regulation prevents death, not a system that gives you monetary compensation after death happens. Regulations such as GDPR don't prevent surveillance capitalism; they just fine companies that violate the legislation. Large companies just factor in those fines as a cost of doing business. You get the idea.

DAOs actually have designed a number of regulatory systems. For example, DAOstack and others created mechanisms that add extra time to a vote if the decision flips within the last hour of voting. Some DAOs use gini coefficients to regulate the influence of whales. DAOs use third-party security audits to ensure that smart contracts are secure.

The progress in internal regulation of DAOs is encouraging, and the industry should make a much bigger deal about these internal mechanisms.

In addition to internal regulation, the industry as a whole is missing the kinds of self-regulation mechanisms that would preserve user safety. It's unclear why the Web3 industry is so slow to participate in standards bodies, or to create its own bodies to provide regulation. The unfortunate consequence is that a lot of our brothers find themselves in court and even in jail. Network States are starting to create their own forms of government which may or may not be able to lead the way in this area.

Checks and balances

So far, the most effective checks and balances we've seen in DAOs are those where the founders clawed back some initiative approved by the DAO. That's not exactly our idea of democracy, though it has definitely prevented rugs on more than one occasion (despite being a form of rug in and of itself).

One of the most public incidents was with a vote in 2023 in the AragonDAO. I'm not in a position to express an opinion about whether the vote was an attempt by DAO members to pay themselves or whether it was legitimate opposition, but in any case, this is not the only case where we saw a centralized Foundation serving as the oversight committee for the DAO.

Another type of check is the screening of proposals to make sure they meet minimum criteria for funding. Cardano at one point had a team of experts screening proposals, but they didn't have veto capabilities.

In any case, clawback by the Foundation is a far cry from democratic checks and balances. None of the DAOs to date have an ethics and safety committee or constitutions stipulating separation of powers. Enforcement of codes of conduct has been patchy, and only a minority of DAOs have formal dispute resolution built into the system.

In some cases, we've seen voting by token holders touted as a kind of check on the power of the Foundation. However, in most cases, the founders hold enough tokens to put a thumb on the scales. The system of pseudonymous wallets and one-token-one-vote eliminates many forms of transparent checks and balances on power.

Checks and balances have been one of the pillars of functional democracies. However, it costs money to implement judiciary, ethics

committees, oversight councils, enforcement mechanisms, and other types of checks and balances on the systems.

Checks and balances provide more ethical governance for the participants in the DAO, but they do slow things down, and they don't necessarily provide a return on financial investment. Furthermore, when you're in power, why would you create mechanisms to limit your power?

In a few extremely rare cases, we are seeing some Web3 projects make major strides towards decentralizing power. In most cases, the founders don't feel the community is truly mature enough to take on oversight of the project. And, let's face it, they are probably right. For the most part, the only projects with that kind of momentum are the OG L1s.

Unvoting for experts and committees

Just about every organization will need representative teams and committees. Sometimes just allowing people to join based on interest is good enough, but for paid positions, you want the best people possible. Unfortunately, elections don't always bias towards the best people for the job, but for the best campaigners. Also, because of the low voter turnout in DAOs, elections can be highly skewed or gamed.

Unvoting, a term which I just invented, could be enabled through a system design which collects information from discussions to determine the top participants and experts. While this tooling doesn't yet exist, it's possible through existing technology.

Here is a basic outline of a form of unvoting:

- Collection of data from community calls, asynchronous chats, proposal submissions, and discussions of proposals.

- Moderation systems like those in Slashdot.org where everyone takes turns being moderators and assessing the quality of other people's contributions. In this system, everyone gets approximately 2 weeks per year as moderator, and they can give multiple labels to comments (insightful, funny, controversial, redundant, flamebait, troll, etc.) These labels provide an overall rating for the participants over time.
- Thumbs up and thumbs down on information indicating general agreement with specific perspectives.
- Social graphs and/or systems that provide assessment of different roles performed in the community (such as TogetherCrew).
- Machine intelligence that can assess all of the information collected and provide a list of experts and contributors based on their specific areas of expertise.
- Sortition and rotation can be used to nominate people for committees based on their passing of a threshold of expertise.

The above uses data collected from the existing discussion platforms to identify the right people. Rather than "election" at a particular moment in time, this represents collating the input of the community over time for a truer reflection of how people assess one another's expertise. It avoids the distractions of campaigning and voting.

Alongside such an approach, a DAO would want to consider the best makeup of the committees. For example, it would be useful to have a "Devil's Advocate" on every committee, but also to have a majority of members who generally represent the opinions of the bulk of the community.

Stuff at the End of the Book

Section 7

Epilogue

Well, we couldn't just abruptly end the book.

Or can we?

First of all, thank you for being part of this journey. Updates and more info can be found at daoleadership.com

This book is version 2.0. Please send any comments, stories, suggestions, questions and requests to grace@daoleadership.com

Secondly, apparently we ***can*** just end the book like this.

Love & Peace, Marco and Grace

Appendix A: Stop preserving unreal things

Reality test: if it can feel pain, it is real.

A lot of effort can go into “saving the company”, preserving a nation, or defending a team. But none of these entities are real. The company feels no pain when it is dissolved. The nation feels no pain when it is split or when it is absorbed into another nation. These things do not exist.

In your DAO, start to be aware when different entities start to try to preserve themselves. Yes, the people in those entities are real, and they want to preserve their jobs, but that’s very different than keeping the company alive.

We have been called in more than once to help figure out a new strategy so that a company can grow or survive. “Why?” is always the first question. In one case, the company was a telecom in a highly competitive environment. The telecom had captured its fair share in a crowded market. There really was no way to “save” or “grow” the company without changing the focus of its business. Why change? Why not just be happy at the size you are at, and continue to be profitable? The company doesn’t care. It doesn’t exist. The team awkwardly laughed when I suggested that nothing bad would happen if the company “died”. They would all get jobs somewhere else.

We included this appendix because we want you to spend your time on real problems. If it’s not real, don’t worry about saving, preserving, growing or fixing it. Just look at the people involved and solve their problems.

Appendix B: How to solve any problem

We aren't going to answer all of the questions you have in this book. However, due to our unique experience and training, we have included this section, in which you can find the solution to every problem. It's even less than two pages. Aren't you glad you got this far in the book (or skipped to here)?

Grace tells a story.

In 2008 was taking a course that involved creating a community project as part of the participation in the course. My project was stuck, I was traveling abroad, and I was desperate to get this working. I called the course leader, even though there were over 100 of us in the course and I knew he was busy. He gave us his mobile in case of emergency, and this was an emergency.

It was the early days of VoiP and I had to dial a zillion numbers and codes and the connection was pretty bad from my VoIP to his mobile phone. What I didn't know until he told the story later was that he was at the pool with his 4 children and a ton of background noise. The connection was so bad that he wasn't even sure what I was saying on the line. But he knew that something was going wrong and he had to say something, because he is a senior life and business coach, and I was calling for the answers. So he gave me the best advice you can give anyone in any situation:

"Make three phone calls that will make a difference."

Let me tell you, that is the greatest coaching of all time. It works in any situation. Make three phone calls that will make a difference. You can't solve any problem in three phone calls, but. you can always get back on

track towards the solution in three phone calls. Sometimes, all you need is one phone call to someone who will just make you feel better and put you in a better mindset to solve the problem. Sometimes you need to call someone you barely know. Maybe you want to call one of the authors of this book. Every now and again, I call the person who gave me this advice, and I remind him of this coaching advice.

Make three phone calls that will make a difference.

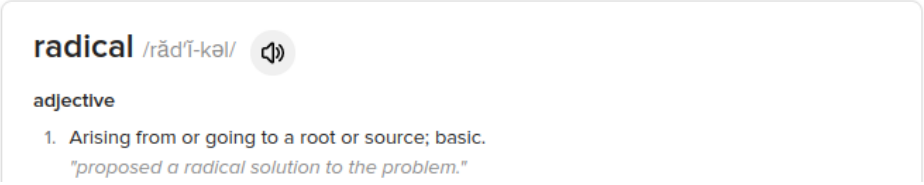
If any of the parts of this book don't help you, do that. And let us know where you got stuck and the solutions you found, so we can upgrade the book for version 3.0.

In case I'm one of those three calls, reach out on www.daoleadership.com to book on my calendar.

Thanks.

Appendix C: Radical Cobudgeting and Adaptive System Project Resourcing

This proposal starts from the point of addressing resource allocation (primarily budget allocation) within a large network of brilliant people with brilliant ideas for addressing the polycrisis as a first step towards creating a complex adaptive network organism that self-organizes to address points of leverage and urgency.



This appendix spawns from more than a decade of thinking coming out of an organization currently called Sideways, which is the result of a meeting of minds among Gijs Spoor (Auraville/Green Silk Road), Grace Rachmany (Voice of Humanity), Jack Becher (Foundations Earth), James Lock (WeAreOpus), and Lakshmi Venugopal (Auraville).

Challenges

Phase 1 Challenge: How can we surface the best projects in our "network" for resourcing (funding and personnel)?

Phase 2 Challenge: How do we create a system in which projects can find the people and teams they need at each phase of the projects?

Phase 3 Challenge: How do we create a complex adaptive network organism that senses the areas of leverage for systems change and channels resources to address those areas?

Phase 1: Co-budgeting without the competition

Phase 1 Challenge: How can we surface the best projects in our "network" for resourcing (funding and personnel)?

Rationale for a radical approach

But wait. Is there even such a thing as the best project?

This radical approach addresses several challenges when it comes to democratic budgeting processes:

- Collaborative budgeting pits people and projects against one another,creating a competitive atmosphere and requiring great presentation and campaigning skills, often at the expense of great ideas.
- Collaborative funding often skips the ideation and team formation processes, assuming that the solution is somewhere out there, and we just have to pick the best one.
- Collaborative funding is unlikely to fund radical ideas or those with a longer future trajectory or wider systems impact.

The intention of this process is to create a set of the top 5-15 projects of 12-24 months for funding.

Identifying common areas of collaboration

During the first phase of the project, people or organizations identify themselves according to:

- Area of work (using the Catalist Table[31] or other framework)
- Intended scope (local, regional, national, global)
- Time horizon

Using this information, a software system will create five clusters of interest, plus one wildcard. People will be placed in a cluster, but can also choose their own cluster.

Clusters: creating the best projects in each area

Each cluster will create a project together. This phase is designed for group process, creation of a team that can work together, and identification of the people who can collaborate. Anyone who continues in this group, by definition, must be willing to let go of their ego and their dream project for the common good. People who are able to complete this group will need to operate well with uncertainty and lack of structure. They will need to be resilient, flexible, able to collaborate and compromise, and able to produce outcomes in an uncertain environment.

Starting conditions for each group:

- 60 days culminating in presentation day.
- $75,000 in funding.

Each group will present:

1. Primary proposal for a 12-24 month project. The proposal will include:

[31] https://www.catalist.network/encyclopedic-table

a. Challenge definition
b. Description
c. Measures / milestones for success
d. Budget of up to $10,000,000
e. WCPGW: how can it be undone if there are unintended outcomes?
f. Governance structure for execution
g. Intellectual property policies

2. "Minority opinion" proposal. This is an alternative proposal. The group will decide how / who gets to submit this alternative proposal.

3. Retro Report
    a. Rationale for choosing these proposals.
    b. Governance for reaching decisions within the team. What would they do differently?
    c. Budget spending report.

Funding and data collection for Phase 2

The intention would be to fund all 10-12 proposals that come out of this process.

If successful, the process could be run every quarter, inviting others to the process as appropriate.

During this phase we will collect data that we can start to assess. Data can be collected from a Slack, Mattermost, or Discord channel and be assessed through AI, as can data recorded on voice-to-text systems for online discussions.

We would employ a data scientist to help us understand information such as:

- Relationships between people (frequency and intensity of communication)
- Contributions and expertise of participants.
- Ability of people to stick it out when decisions didn't go their way.
- Roles that people are fulfilling in the group.
- Attendance at meetings (who got invited, who spoke, who showed up on time, who facilitated).

Assessment of reputation can be attached to individuals or to pods of people who frequently work as a team. One hypothesis is that the formation of pods of people who work as a team will allow the group as a whole to address problems faster, because people won't have to adjust to new working styles on every project. During the work phase, we want to do additional research on small working groups and see if we can have people name their pods and move from project to project as a pod.

Phase 2: Team and project mapping

Phase 2 Challenge: How do we create a system in which projects can find the people and teams they need at each phase of the projects?

Phase 2 will include several technological implementations:

- Data collection as from Phase 1: Asynchronous chat, e-mails, scheduling, transcripts from discussions, written documentation.
- Creation of dashboards that map people's talents, connections, etc.
- Development of two-way matching where someone can conduct a search for certain capabilities, the person being "summoned" has the ability to expose or not expose their data to the person who is asking them to join a project. (Similarly, the person making the call has their information exposed to the person they summon.)

- Development of dashboarding around the accomplishments of projects, so there is a double-layer on the reputation: Reputation within projects and the reputation of the project itself.
- Multi-variable values for reputation. For example, some projects may value diversity and others might value reviving a specific cultural tradition and therefore eschew diverse participants. Some people might be great at offering controversial positions and stirring the pot for brainstorming, while others might be good at bridging differences. Each value is needed in different contexts.
- Contextual recommendation engines for matching people with projects.
- Onboarding capabilities for projects that weren't spawned within the network but are aligned.
- Decentralized database storage for privacy of different groups. Provenance around who can access different types of data around the network.
- Group certificate issuance system for subjective credentials.
- Resource sharing tracking (potentially with cryptocurrency of some type) to identify flows of resources among groups.

The results of this phase will be a robust system for matching projects and initiatives with the people who can execute.

Phase 3: Complex adaptive network organism

Phase 3 Challenge: How do we create a complex adaptive network organism that senses the areas of leverage for systems change and channels resources to address those areas?

With the above two phases we are creating systems that:

- Identify salient and key issues to address
- Gather the most interested and qualified people around the topics to design problem definitions, desired outcomes and potential ways to address the issues
- Provide reputation systems for individuals and teams who can carry out the projects
- Offer funding and resourcing mechanisms for the projects

This describes a system that is a self-healing mechanism for any issues that humans can detect. During Phase 3 we would add functionality such as:

- Checks and balances / regulatory mechanisms that stem from within the groups (rather than having a management team)
- Expansion into different languages and geographies
- Sensory systems to provide objective information about key metrics
- Reporting and knowledge management to identify best practices and offer applications across the network

This appendix does not specify the Phase 3 system. It occurs to us as the natural emerging system from the two first phases, but it is too early to imagine exactly how that will form itself.

Further reading

If we have left out a reference you think should be here, please tell us. It's not intentional and we are not snubbing you. Just tell us what you want to add.

We will have an updated further reading list at www.DAOLeadership.com

This list is alphabetical by first name, which is kind of funny, but names are random anyway. The links won't work in the printed version, but they can all be easily found online. The links in the body of the book are followed by footnotes with the links.

- Allan Cohen, "Entrepreneurs in Every Generation"
- Anthony Robbins, "Re-Awaken the Giant Within"
- Balaji Srinivasan, "The Network State: How To Start a New Country"
- Brad Blanton, "Radical Honesty"
- Brene Brown, "The Gifts of Imperfection"
- Daniel Weinzveg, "Generating Group Genius"
- Ed Conway, "Material World"
- E. Glen Weyl, Audrey Tang and Community, "Augmented Deliberation"
- Fred Brooks, "The Mythical Man Month"
- Frédéric Laloux, "Reinventing Organizations"
- Internet Engineering Task Force (IETF) P. Resnick, "On Consensus and Humming in the IETF"
- Manda Scott, "Any Human Power"
- Marc Manson, "The Subtle Art of Not Giving a Fuck"
- Neale Donald Walsch, "The Complete Conversations with God"
- Ololade Babalola, "DAO Playbook"
- Ori Brafman and Rod A. Beckstrom, "The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations"

- Project Liberty, “Blockchain Governance Design Toolkit”
- Ray Dalio, “Principles: Life and Work”
- Sean Stephenson and Anthony Robbins, “Get Off Your "But": How to End Self-Sabotage and Stand Up for Yourself”
- Seth Godin, “Tribes: We Need You to Lead Us”
- Simon Sinek, “Start with Why”
- SingularityNET, “Blueprint for Decentralization”
- Srdja Popovic and Matthew Miller, “Blueprint for Revolution: How to Use Rice Pudding, Lego Men, and Other Nonviolent Techniques to Galvanize Communities, Overthrow Dictators, or Simply Change the World”