The Inexorable Rise of The DAO
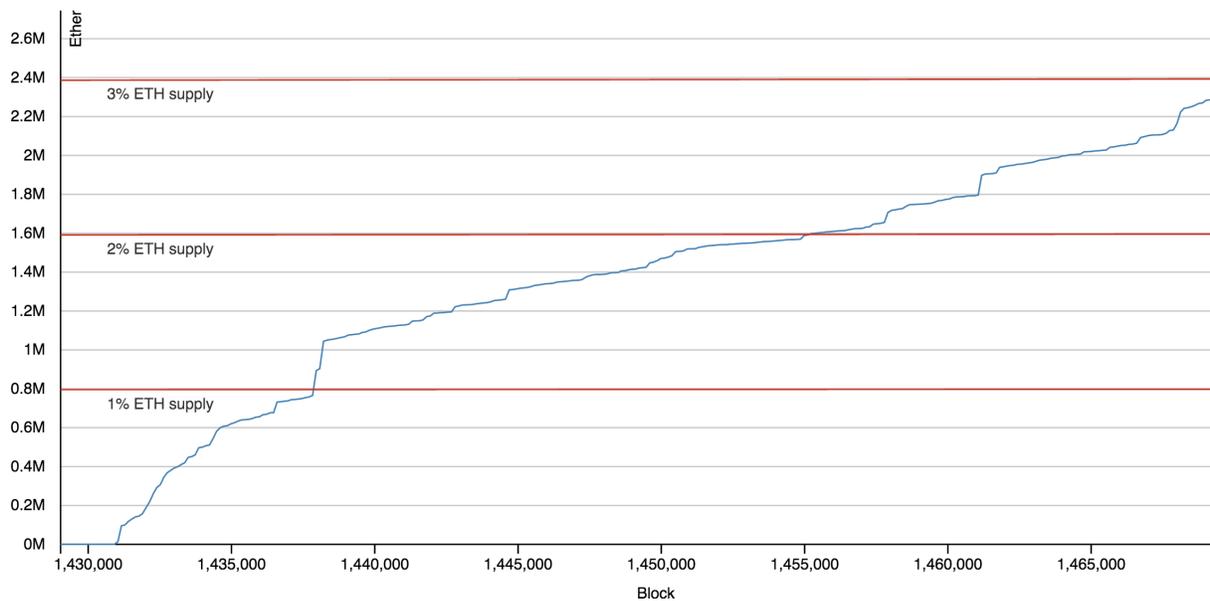
Stephan Tual

Follow

May 6, 2016 · Unlisted

Ether in contract 🔗

This is going well. Chart courtesy of DAOStats.

As I write this article, "The DAO" has become the second largest holder of ether on the

planet (overtaking the Ethereum Foundation in the process) with 2,289,016 ETH.

Fun fact: that's over 38% of all ETH in all Ethereum contracts combined. And just a few

hours ago, it zoomed past [Pebble](), [Prison Architect]() and even [Ethereum](), landing at a mind-boggling third position in the list of the world's [highest funded crowdfunding projects in history]() with an historical **USD 21.96M** equivalent.

The DAO's inception last Saturday led to both the [highest increase of new accounts]() and the [highest ever number of Ethereum transactions](). To say the DAO is a momentous event in the history of Ethereum, and blockchains in general, is an understatement, but for many, the question remains: why the excitement and what does it all mean?

Goodbye, unfair governance models

The cat is out of the bag: a provably fair, 100% decentralized governance model is now publicly available for anyone to copy, improve on and reproduce. This includes [its smart contracts]() and the [Token Creation module]() itself, all provided free and open source under the [LGPL](). Major exchanges have backed this model, while the code has been audited by the best minds in the field, the greater daohub.org community and even [the company that audited Ethereum itself]().

While I'm sure many will continue to try deceiving their users by imposing artificial centralization rules to 'pseudo-DAOs', The DAO has educated the public in the importance of checking the source code and [validating the bytecode]() of such projects.

Provide an intrinsic value or go home

It's official: 'coins' for the sake of 'coins', 'ICOs' and featureless 'altcoins' are now dead, buried and cremated. DAO Tokens on the other hand hold intrinsic value in the form of rewards generated by the products and services the DAO backs. Of course, they can still be traded peer-to-peer and on exchanges from the day the DAO Creation phase ends.

List of highest funded crowdfunding projects

From Wikipedia, the free encyclopedia

This is an incomplete list of the highest funded crowdfunding projects, either successful or not.

Rank ⇕	Project ⇕	Category ⇕	Platform ⇕	Campaign end date ⇕	Campaign target ⇕	Amount raised ⇕
1	Star Citizen	Video game	Kickstarter, Independent	Ongoing	-	$111,262,157
2	Elio Motors	Low-cost, high mileage vehicle	Independent	Ongoing	-	$25,615,760
3	The DAO⧉	Blockchain	Ethereum	May 28, 2016	$500,000	$22,300,000 (*sale is live)
4	Pebble Time	Smartwatch	Kickstarter	Mar 27, 2015	$500,000	$20,338,986
5	Prison Architect	Video game	Independent, Steam Early Access	Oct 6, 2015	-	$19,000,000
6	Ethereum	Blockchain	Bitcoin, Independent	Sep 2, 2014	-	$18,439,086
7	Coolest Cooler	Product Design	Kickstarter	Aug 29, 2014	$50,000	$13,285,226
8	Ubuntu Edge	Smartphone	Indiegogo	Aug 21, 2013	$32,000,000	$12,814,196
9	Flow Hive	Beehive	Indiegogo	Apr 19, 2015	$70,000	$12,174,187

With 21 days to go, The DAO is well on its way to top the Wikipedia list of highest crowdfunding projects

The 'Get out' Clause

A much talked about feature on reddit is the opportunity to 'split'. In other words, DAO Token Holders can leave The DAO at anytime and retrieve their ETH not already assigned to proposals. Even better, they also maintain their right to future rewards from the proposals supported while they were still part of The DAO. A quick note for the mathematically minded: this is of course better executed with tokens created while the ETH to DAO token ratio is still 1:100 (the early creation phase ending in a weeks time).

Dilution, Schmilution

Every ETH added to the DAO is another ETH going towards the development of a product or service generating rewards for the DAO. This creates Contractor incentivization: if a Contractor does a good job on their first Proposal, they will be more likely to be selected for subsequent ones (you didn't think we'd only submit a single Proposal, did you?).

It also creates the opportunity to develop synergies between projects backed by The DAO. Every ETH is going straight back to the community, where it matters most: the ecosystem and the apps that will bring Ethereum into the mainstream.

Blockchain-based Voting Trumps All

In the UK, the Science Ministry opened up the naming of their new polar research ship to a poll. The result: "Boaty McBoatface." Is the 'wisdom of the crowd' therefore a myth? Of course not. Once decisions start being driven by DAO Token Holders that are vested in The DAO, I know we'll observe a great deal of maturity from the community whose ROI depends on The DAO's success.

The DAO will also benefit from immutable, incorruptible blockchain-based voting, immune to the trolling, FUDing and gaming that plagues both forums, reddits and online surveys. DAO token voting will trump all, and the DAO Token Holders that have taken the most risk and are now holding the most tokens will weigh more heavily in the decision making process.


Yes it's hilarious (and quintessentially British), but it's not necessarily productive.

DAO 2.0

Futarchy, Liquid Democracy, Loomio-type consensus interfaces and dozens of other features that are considerably more advanced than the simple (but secure) voting

system currently included in the DAO Framework are being developed by many different organizations. Governance will certainly be something that DAO Token Holders will have the opportunity to experiment with more, starting with discussion forums reserved to DAO Token Holders. When future updates to the code are fully tested and approved, The DAO can call its newContract() function migrate to a new, DAO v.2.0 model.
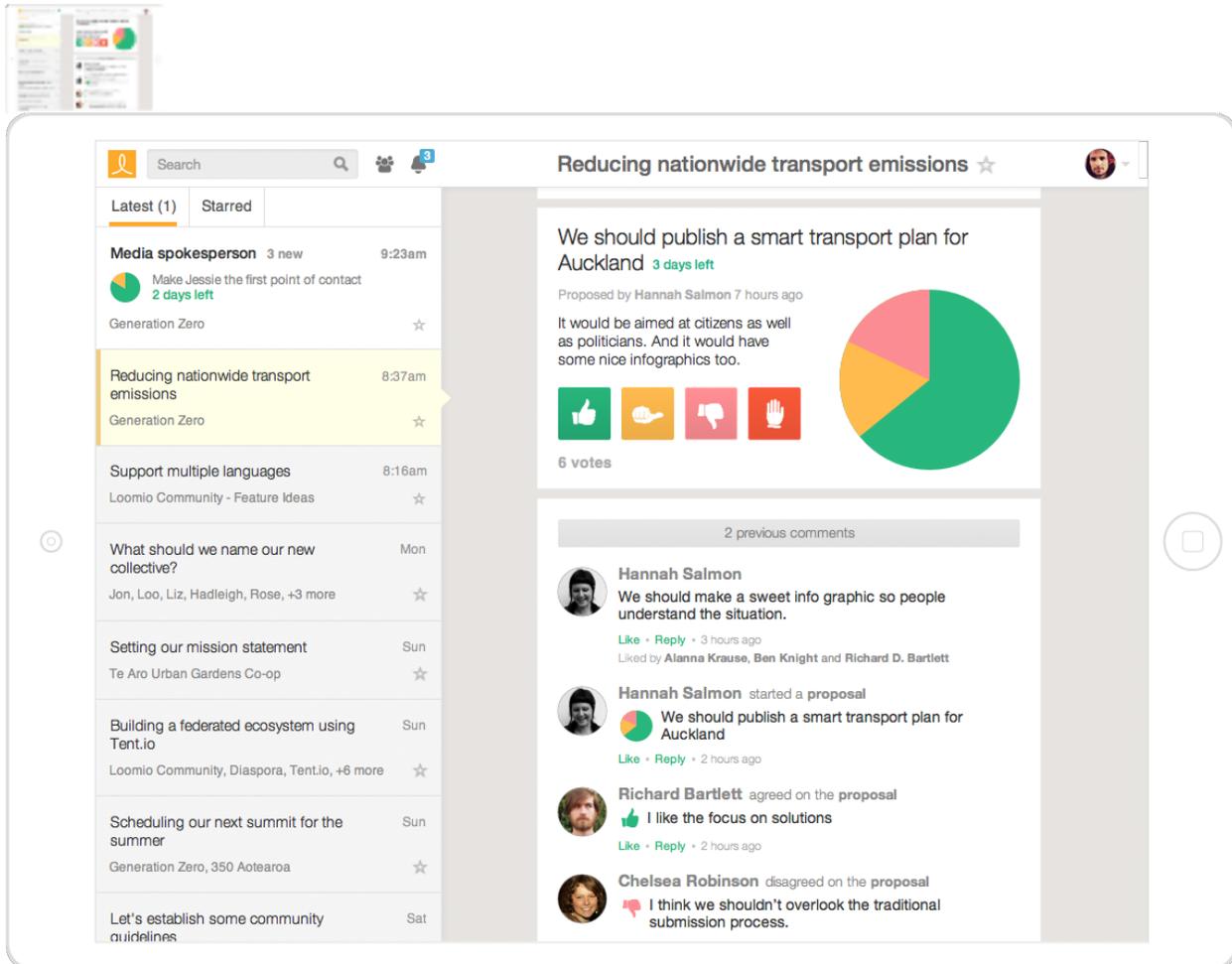
Amongst others, a loomio-type consensus could be integrated as part of a DAO 2.0 governance model

And Beyond…

The DAO is a little complex to get into, of course, but I think people are just starting to realize the potential of this project. Every Ethereum hackathon winner is going to be a potential Proposal. A lot of the projects that have announced future 'crowdsales' are going to change course and submit Proposals to The DAO instead. A lot of people that didn't have access to traditional seed funding because they lived in a country without links to VCs now have direct access to The DAO.

But right now for us, the priority is to keep impressing you guys and see our ambitious [Proposal to build the Universal Sharing Network powered by the Ethereum Computer](#) voted in by The DAO. After this, the next 18–24 months will be all about delivering a brilliant experience to the users alongside a steady flow of ETH to the DAO. See you on the other side!