

DAO-Web3 and the RE:Birth of the Individual

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The development of digital technology is causing a sea change in power relations and systems of control, including the way people communicate. How can we leverage technology to create optimal power structures and political systems for the future? The Taejae Academy is researching ideal political party models and political systems with a view to driving exceptional progress for Korea, and has turned its attention toward DAOs, a futuristic form of organization based on individual participation and communication. With DAOs currently taking the spotlight in a number of fields alongside the rise of blockchain, on September 8 the Taejae Academy's National Capabilities team invited Park Hye-jin, the CEO of startup investment consulting and blockchain development firm Biyard, to explore the potential application of DAOs to political party models. Park's presentation on 'Web3 and the RE:Birth of the Individual' looked at current trends in DAOs and the potential to apply this model to the current political system. Taejae Academy Director Kim Do-yeon and President Kim Sung-Hwan also participated in the discussion along with other Taejae Academy executives and staff. Moving forward, the Taejae Academy plans to experiment with creating and running a DAO.

Main Points

1. Understanding DAOs

DAOs run on code and all members take part as equals

DAO stands for Decentralized Autonomous Organization. DAOs are run based on shareholder participation, and they operate through smart contracts on the blockchain.

One of the reasons DAOs are garnering attention is that shareholders are all granted equal participation rights. In blockchain, the actors are wallet addresses rather than people. These

addresses consist of long and cryptic codes made up of numbers and character strings. Storing assets in your wallet allows you to take part in various blockchain transactions, and although all transactions and assets are made public in a transparent manner, there is no way to identify the owner of a wallet unless they reveal themselves. This guarantees both transparency and anonymity.

When a DAO is formed, organizational objectives are set and a treasury is created to manage funds. Members invest in the treasury, and each member receives a distribution of tokens or Non Fungible Token(NFT) issued by the organization to hold in their wallets, with a computer making sure that the owners match. The method of token distribution can vary depending on the type of organization. Some DAOs distribute tokens in proportion to the amount invested, while others simply offer a single token as a kind of voting right, irrespective of the amount invested. Quality is guaranteed because each individual participates by using tokens received in return for their investment. The organization is run based on the policy created at the outset, and any decisions on updates to the policy are made through a vote among all members.

Smart contracts are a way for a computer to automatically enforce a promise using linguistic coding. The main features to note are that a smart contract cannot be stopped, edited, counterfeited or forged once it is created. Because of this, once the agreement or operational rules of an organization or political party are linguistically coded by a computer, promises can be automatically fulfilled without human influence.

However, in practice the contracts used often entail a lot of complexity or circumstantial variables due to the interests of various stakeholders, and not everything can be converted into code. Accordingly, technological development remains ongoing in this area.

Ethereum founder Vitalik Buterin originally created a cryptocurrency treasury and received investment from people looking to invest in startups. If the investment was successful and generated a lot of profit, this profit was automatically distributed proportionally under a smart contract. This represented the beginning of DAOs.

In summary, a DAO is an organization that brings together different stakeholders to invest in a single address that exists to serve a certain purpose, and members are granted rights as a reward for the funds they provide. The operational rules or policies of the organization are turned into code, and everyone who has been granted authority runs the organization by participating through voting or making proposals.

2. SBT – Challenges and Solutions

SBT was created to solve the problem of trust

SBT overcomes the limitations of anonymity by including a 'social identity' of past actions

Despite this explosive growth, people have also raised concerns over DAOs. Two of the major criticisms are trust issues and the loss of decentralization that results from the centralization of participation.

Bitcoin all started from the question 'What would happen if we used encryption and distributed technology to enable P2P transactions even in the absence of another transacting party?' One of Bitcoin's greatest merits is that safe financial transactions can be conducted between two parties even without any trust between them. Bitcoin has remained online since it first started in 2009, without stopping, breaking down or falling victim to attacks from hackers.

In the past, people simply viewed blockchain as a special and innovative tool that expanded the scope of P2P transactions, but with the emergence of NFTs and the metaverse in 2021 and now the arrival of DAOs, blockchain is no longer limited to financial transactions between individuals. People began to create Web3 communities of people who owned the same type of NFTs. This led to a greater need to improve interactivity within these communities as it was necessary to make group decisions for mutual benefit, such as how to increase the value of the NFTS they owned or use this to contribute to society. Blockchain was originally limited to financial transactions, but as the scope expanded to social transactions, it created the problem of trust in other people. In Web3 communities, people had no idea who they were dealing with since the only information available was a wallet address. This made it impossible to delegate authority or hold people accountable.

In light of these problems, the US Department of Justice conducted large-scale crackdowns on the practice of rug pulling, where people receive large amounts of investment through a blockchain wallet and then make off with the funds.

One way to do this was for an anonymous individual within a DAO to create several wallets, then conceal their identity while taking control of the community. In simple terms, it was possible for a single individual to pose as multiple people in order to launch a civil attack on the network.

The other problem was the low level of engagement. In many cases, people would join multiple DAO communities but not active engage in any of them. With the majority disengaged and only a small minority of highly active members, this led to the problem of reduced quality.

To solve this issue, Vitalik Buterin created Soul Bound Token (SBT) for the purpose of embedding a social identity in wallets while still preserving anonymity. The main feature of this token is that it becomes non-transferable after being sent a single time. This allows it to be used as a form of social identity akin to a birthplace or academic credentials. Owning SBT helped to reduce industry risk by making it possible to verify a person's ID, and also contributed to greater transparency and trust.

For example, imagine that the members of an investment DAO decide to invest in a fintech startup. There is no way to know whether a person joining as an investor has any fintech experience. However, opening their wallet to see their SBT allows you to verify their expertise by seeing whether they have contributed to other fintech startups or have a history of involvement in fintech projects. In this way, SBT makes it possible to verify an individual's social identity, providing the requisite trust to check their expertise or delegate authority.

Let's look at an example of a political party. I believe it might be possible to lead the development of political parties in a positive direction by creating DAO parties, allowing the public to view the history of each lawmaker through the issue of SBT tokens, and creating a system where these parties can compete with one another. Another potential use is leveraging SBT to datafy a person's accumulated reputation and trust in order to provide low collateral loans to the market, and it could also be used for NFTs. Imagine an artist who champions environmental action and has committed to donating some of the profits from sales of her artwork to environmental protection groups. If there were past records of this artist taking part in environmental activities in her SBT, people would determine that the declaration is legitimate, which could encourage those who share a similar vision to purchase the art. All of these possibilities arise from the non-transferability of SBT.

3. The RE:Birth of the Individual

DAO is in the spotlight because it allows individuals to exist as actors

The important thing with all these changes is that it represents the advent of a world where individuals once again take center stage through blockchain. Throughout history, people

have always lived as objects, as members of a country or corporation, customers or citizens. Individuals served as consumers in the relationship between corporations and individuals, and companies employed a range of marketing techniques to pursue profits. However, this is not the case in Web3 communities. Individuals gain more authority and power due to their greater voice and higher level of participation, and the fact that individuals can ultimately be reborn as individual actors through personal wallets is one of the reasons DAOs are currently receiving so much attention.

4. What's Happening

Lobbying and political backing through DAOs in the US

Andrew Yang's 'Lobby 3' and the pro-Web 3.0 DAO '3OH'

Let's take a look at what's happening in the political sphere through DAOs.

In America, '3OH DAO' is a community that seeks to help policymakers who champion pro-Web3 policies. As lobbying is legal in the US, 3OH DAO engages in lobbying by first raising capital through the DAO and then using these funds to support and propose policy campaigns and back the legislative work of pro-Web3 lawmakers. In addition, they educate lawmakers who propose policies on the benefits to DAO communities. 3OH DAO also offers expert guides to lawmakers who propose regulations, and strive to improve such guides.

Another example is Andrew Yang, a candidate in the 2020 US presidential election, who created the DAO 'Lobby3' in order to support Web3-related policies and alleviate social class issues. This DAO lobbies parties and politicians and also backs lawmakers.

Key Discussion Points

Q. Is it possible to create a DAO in Korea that supports positive legislative activities?

It is possible, but there are regulatory issues under current laws. As someone who runs an investment DAO, the best method is to create a DAO within the blockchain, which is also the case for funds. But at the moment there are legal issues in Korea. If you create a fund on the blockchain and invest in startups, the source of that financing becomes unclear, so the startups end up having to justify where the funds came from. To avoid these regulations, we create funds through an intermediary and then make decisions through participating shareholders who have been issued tokens. We need to find a way to solve government regulation and legal issues at the same time. As I mentioned in the case studies, DAOs such as Lobby3 are communities that support legislative activities which promote Web3 or blockchain and paint these technologies in a positive light. If these efforts are able to create good regulations then I think we can reach a stage where continued development is possible.

It is also easy to dissolve a DAO created for a political campaign after it has served its purpose. All you have to do is code a smart contract that states 'This DAO will disband after a certain goal is reached' when you set the initial objective, and then any leftover assets will be distributed to members as tokens.

Q. How can we get people from social classes who don't understand digital technology involved?

There have been a lot of attempts to solve that problem. The first is mobile. The smartphone app market is dominated by Apple and Google, and all apps have to give 30% of their profits to Apple and Google. Distributing profits to members is a core part of DAOs, but under the current model you have to give your profits to the platform. DAOs are opposed to this, so that's why they are still on the internet and have not yet moved into the mobile app space. You need mobile access to make it easier to use and facilitate quick voting, but this problem needs to be solved.

The second thing is that you need an easy payment method for buying and selling. The process of generating a wallet and buying coins is too complicated. Even if you provide videos or explanatory documents whenever you run a project event, it's still too difficult to access. So there are now platforms where you can generate a wallet simply by clicking on an email address code, and technology has been developed that facilitates the purchase of coins on a platform you are already using for digital payments.

Q. Are there currently any active DAOs in Korea?

In Korea, social communities are still at the level of exchanging ideas on Discord, a Web3 platform. They are not yet DAOs. There is not any progress because Korea is currently unable to offer the functionality to form DAOs. There are investment DAOs. However, financing has the potential to conflict with Korean law, so the corporate bodies are based in the US or Singapore. Last year, the US state of Wyoming recognized the legal status of DAOs. This makes it possible to protect DAO members from the organization's liability and name DAOs as a legal entity in contracts. In particular, the fact that DAOs have obtained legal standing which supersedes the articles of association in the smart contract is quite meaningful. In Korea, there have also been several attempts to form DAOs in Wyoming. Up to 400 DAOs have popped up in Wyoming since the law passed, and most of them are investment DAOs.