Identity, Reputation, and the Future of Decentralized Governance
Plan for today

- Why stable identities can be useful
- Stable identities and governance
- The Citizens’ House: design questions
Revisiting economic vs. civic governance

Economic: maximizing shareholder value

- Voters largely agree on goal
- People can buy in/sell out depending on beliefs about future value
- One share/token one vote makes sense in this framework

Civic: maximizing “social welfare” of the “community”

- Community members have different preferences/goals/priorities
- May be harder to enter/exit
- Want to represent the entire community in decision-making
- One-person, one-vote makes sense in this framework
Concrete example of civic governance: social media

Imagine governing a web3 social network platform…

- What should be done with the treasury?
- What should the “community standards” of the platform be?
- How should content ranking/recommendation algorithms work?

A social network is arguably like a “town square”

→ May think that the users/the community should govern it, not tokenholders
Are DAOs civic, economic, or both?

Tension: many DAOs engage in civic rhetoric, but token voting is not civic.

Sybil problem: if you only support token voting, you cannot enforce one-person, one-vote.

Conclusion: if you want to pursue civic goals, need something other than token voting.
One identity, one vote

- In some cases, you may observe “real-world” identities
  - KYC
  - Worldcoin
  - Some social media

- In others, you may be able to use “pseudonymity”
  - Stable addresses/handles that accrue reputation over time
  - Can issue non-transferable voting tokens to these addresses
  - Can’t easily rule out one person having multiple pseudonyms
Some things that identity enables

- Can put “the community” in charge of civic governance issues, maybe
- Can use rules that require no Sybils
  - E.g., quadratic voting
  - E.g., paying people for their participation
- Can build in reputational mechanisms to try to incentivize helpful behaviors
Key challenges to identity

- Can you build a system to track identities while remaining decentralized?
- How do you prevent bad actors from accruing/buying/stealing “good” reputations and then using them for bad?
Refresher on Optimism

- Layer 2 blockchain that scales Ethereum
- Has developed a bicameral governance model that has been very inspirational in the industry
- Doing governance experiments relevant to other projects and even beyond web3
- Governance of Optimism:
  - Determine how protocol works/is updated
  - Manage treasury
  - Award funding to “public goods” projects
  - Figure out how to incorporate views of those building on the OP stack
The Token House

- Relatively standard token-based voting chamber
- Broadly speaking, in charge of the protocol
- The more developed, more active part of OP’s governance today
The Citizens’ House

- Novel chamber in which “one badge” = “one vote”
- Badgeholders are selected through experimental methods we will talk about in detail
- Main job of Citizens’ House as of now is to award retroactive public goods funding to projects (“retro PGF”)
- Projects are nominated and then badgeholders vote on which to reward retroactively
- Why retroactive? Worth considering pros and cons
<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Badgeholder</td>
<td>anational library</td>
<td>Hive</td>
<td>Watch The Burn</td>
<td>Synthetix</td>
<td>TrueBlocks</td>
<td>DeFi Llama</td>
<td>CryptoFees.info</td>
<td>DappTools</td>
<td>EIP1559</td>
<td>L2BEAT</td>
</tr>
<tr>
<td>3</td>
<td>@the_ethernaut</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>@annieYke</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>@aparnalocked</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>@austingriffith</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>@transmissions11</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>@ben_chain</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>@trustlessstate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>@elenas_geshova</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>@gregthegreek</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>@technocrypto</td>
<td>2</td>
<td>1</td>
<td>-1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>@jenny_pollack</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>@krzkszczor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>@karl_dot_tech</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>@kelvinflchter</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>@kevinjho_</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>@liamihorne</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>@tyneslol</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>@lightclients</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>@protolambda</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>@ricmoo</td>
<td>1</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>@notscottmoore</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td>@yoavv</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Total Votes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>% of Total Votes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>$ Value Awarded</td>
<td>$23,227</td>
<td>$31,785</td>
<td>$4,890</td>
<td>$0</td>
<td>$12,225</td>
<td>$7,335</td>
<td>$22,005</td>
<td>$30,562</td>
<td>$12,225</td>
<td>$15,892</td>
</tr>
</tbody>
</table>
Exercise: who becomes a citizen?

Imagine you are in charge of designing Optimism’s governance…

How would you create a decentralized system for selecting badgeholders? Specifically…

● What is the process by which a badgeholder is awarded a badge?
● How long does an address get to keep the badge?
● In the short run, how would you start this process? Who would get the first badges?
● In the long run, how would you progressively decentralize this? Could you get to a point where you no longer have any say over who the badgeholders are? How?
Experimentation with badgeholder selection

Voting badges for RetroPGF 2 will be distributed to 90 community members:

- Each badgeholder in RetroPGF 1 will receive a new voting badge, and will be able to distribute a voting badge to one community member of their choosing.
- Optimism’s Token House will elect ten badgeholders, each of whom will be able to distribute a voting badge to one community member of their choosing.
- Finally, the Optimism Foundation will distribute 21 voting badges to community members, each of whom will be able to distribute a voting badge to one community member of their choosing.
Exercise: what does the citizens’ house do?

Imagine again you are in charge of designing Optimism’s governance…

What would you ask the badgeholders to do?

- How would they vote to allocate “public goods” funding to projects? What projects would they consider, and how?
- Who would determine how much money they have to allocate to these projects? The badgeholders? The token holders? Both?
- What other kinds of decisions do you think should lie with the Citizens’ house rather than the token house?
Attacks on the citizens’ house

How might people carry out governance attacks on the citizens’ house?