

Investigating the influence of early investors, team members, and venture capitalists in DAOs voting processes

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Existing literature has largely documented that the ownership of governance tokens, i.e., tokens that grant rights to vote in Decentralized Autonomous Organizations (DAOs), is highly unequally distributed: decision-making power in this framework is concentrated in the hands of a few individuals. Moreover, previous works show that governance tokens are distributed primarily to team members, early investors, or protocol treasuries. In particular, scholars have investigated the role in the voting process of so-called contributors or vested users, i.e., users that are involved in the technical realization of the dApp overseen by a DAO. Contributors include project owners, administrators, and developers of a DAO project.

Such studies, however, limit the analysis to the category of contributor, neglecting other prominent actors like early investors, sponsors, and venture capitalists. The intended study presented here aims to extend such investigations in a number of ways: first, by providing additional insights regarding the involvement of specific contributor types already identified by the literature (i.e. discern the individual impact of project owners, administrators, and developers). Second, we will consider a broader range of prominent actors in the DeFi ecosystem, such as early investors, sponsors, and venture capitalists. In this regard, we have already started collecting the data (both on-chain and off-chain) that allow associating Ethereum addresses used for voting purposes with external datasets to label such addresses as venture capitalists, additional developers, and early investors. Third, we plan to extend the methodology to other DLTs other than Ethereum and examine cross-ledger voting activity of contributors and other actors.

The second goal and expected contribution of this study is the investigation at a more granular level of the impact of contributors and other prominent actors across different proposal categories. Currently, it is unclear whether the influence of contributors is useful or harmful to the ecosystem, as contributors' outside voting power could be reflective of their understanding (or value added, or use) of the organization in question, or used for personal gain. Intuitively, it may be acceptable for developer contributors to decide on technical code-update proposals. In contrast, a more diverse contributor base would likely be desirable to decide on proposals such as charity payout from the DAO treasury. Understanding in which contexts contributors are more active is therefore essential to assess whether their influence is beneficial or not to the ecosystem.

In conclusion, with this proposed study, we expect to shed further light on DAO voting processes, and to provide relevant insights for policymakers and prosecutors on who ultimately governs DAOs. This proposed study contributes to the literature investigating to what extent such projects are really decentralized or not.