

# Pre-Class Discovery: DAOs

Digital Finance – BSc Course

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Complete before class. No prior knowledge required. Work alone or in pairs.

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## Activity 1: Board vs. DAO

A company needs to decide whether to spend \$50,000 on a marketing campaign.

**Option A:** A traditional board of 7 directors votes in a meeting.

**Option B:** A DAO with 10,000 token holders votes on-chain over 5 days.

- (a) List 3 advantages and 3 disadvantages of the board approach.
  
  
  
  
  
  
  
  
  
  
- (b) List 3 advantages and 3 disadvantages of the DAO approach.
  
  
  
  
  
  
  
  
  
  
- (c) Which approach would you choose for (i) an emergency security fix and (ii) a long-term brand strategy? Justify each.

## Activity 2: Design Your DAO

Your university student association wants to become a DAO. It has 2,000 members, a €50,000 annual budget, and organises events, clubs, and student services.

- (a) Define voting rights: 1 token per member, or proportional to fees paid? What are the tradeoffs?
  
  
  
  
  
  
  
  
  
  
- (b) Design the proposal process: who can submit proposals, what information must a proposal contain, and how long is the voting period?
  
  
  
  
  
  
  
  
  
  
- (c) Set a quorum requirement. What percentage of members must vote for a decision to be valid? Justify your choice.
  
  
  
  
  
  
  
  
  
  
- (d) Which decisions need a full token vote vs. delegation to a committee? Give 2 examples of each.

## Activity 3: The Turnout Problem

Typical voter turnout: DAOs 3–5%, national elections ~60%, corporate shareholder votes 70–80%.

(a) Why is DAO turnout so much lower? List at least 3 reasons.

(b) Propose 3 mechanisms to increase DAO voter participation.

(c) Does 4% turnout make a DAO undemocratic? Or is “voice when you care” a valid model? Take a position and give 3 arguments.