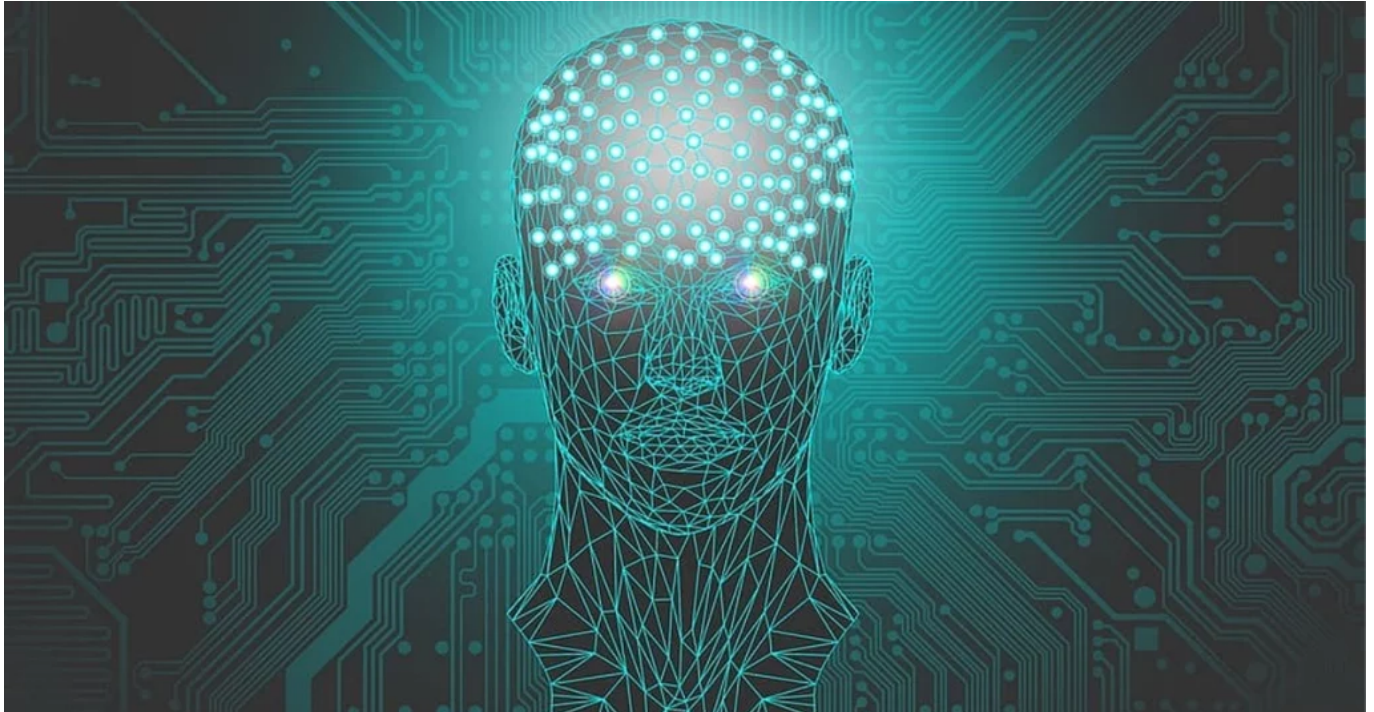


# How DAOs are shaping the future of the digital world

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**Context:** DAOs are an extraordinary advancement that emerges from the convergence of Blockchain Technology and governance, revolutionising the way organisations operate.

## **Details:**

- Decentralised Autonomous Organisations (DAOs) are a remarkable innovation that combines blockchain technology and governance.
- These digital entities operate without centralised control and are governed by smart contracts and the consensus of their members.
- They often use cryptocurrencies for decision-making and resource allocation. DAOs have attracted interest for their ability to transform industries like finance, art, and governance, by promoting transparent, democratic, and self-executing systems.
- These entities are not only reshaping conventional business structures but also questioning our understanding of trust, governance, and collaboration in the digital realm.
- DAO is an organisation that operates according to a computer program, which is designed to be transparent and controlled by its members, without any government interference.
- The purpose of DAOs is to establish self-sustaining and community-based entities that are governed by smart contracts on blockchain networks.
- These contracts automatically enforce predetermined rules, eliminating the need for intermediaries and relying on code instead of traditional authorities to ensure trust.
- A key aspect of DAOs is their ability to revolutionise collaboration by enabling global

cooperation without borders.

- Participants, often known as token holders, have the opportunity to propose and vote on decisions regarding the organisation's objectives and resources.
- This decentralised decision-making process guarantees that no single entity has excessive influence.

## **Decentralised Autonomous Organisations (DAOs):**

### **About:**

- DAOs are digital entities that operate without centralized control and are governed by smart contracts and member consensus.
- They use cryptocurrencies for decision-making and resource allocation. DAOs have the potential to revolutionize industries like finance, art, and governance by promoting transparency, democracy, and automated systems.
- They are changing traditional business structures and redefining trust, governance, and collaboration in the digital realm.
- The concept behind DAOs is to establish self-sustaining, community-driven entities controlled by smart contracts on blockchain networks.

### **Different scenarios where DAOs is utilised:**

- Decentralised finance platforms like Compound and Maker DAOs have introduced lending and borrowing services, allowing users to participate in the global financial ecosystem without relying on traditional banks.
- In the art world, artists are tokenizing their creations and using DAOs to manage royalties and maintain control over their intellectual property.
- Supply chain management is also benefiting from DAOs, as they provide transparency and traceability in global supply chains to ensure product authenticity and quality.
- Moreover, DAOs are being used for decision-making in online communities, with platforms like DAOstack facilitating decentralised governance structures.

### **Importance of DAOs:**

- DAOs promote decentralization and democratic decision-making by shifting power away from central authorities and allowing token holders to propose and vote on decisions.
- The use of smart contracts ensures transparency and trust by offering a clear view of operations, but vulnerabilities in these contracts can raise security concerns.
- DAOs also enable global collaboration and inclusivity by transcending geographical and socio-economic barriers, allowing individuals from various backgrounds to collaborate and contribute.
- Additionally, they facilitate direct cooperation among participants with shared objectives, eliminating the need for intermediaries and promoting innovation and the free flow of ideas.

### **Challenges Related to DAOs :**

- Security vulnerabilities in smart contracts, such as the DAO hack in 2016, have raised

concerns about the security and immutability of blockchain systems.

- It is important to conduct thorough security audits and continuously improve code reliability.
- The decentralised nature of DAOs presents difficulties in legal classification, taxation, liability assignment, and compliance with regulations in different jurisdictions.
- Governance, intellectual property, and cross-border operations also lack clear answers and require regulatory adjustments.
- Resolving disputes and assigning responsibilities within DAOs is challenging due to decentralised decision-making, and the automated nature of smart contracts raises questions about accountability and conflict resolution without traditional legal mechanisms.

### **Way Forward:**

- DAOs are continually developing and have the potential to bring significant changes to different industries.
- It is important to have ongoing discussions and make adjustments to optimise their benefits and minimise risks.
- This will help ensure that decentralised innovation aligns with legal requirements in the future.
- DAOs represent a new way of organising and provide a vision of a future where transparent and democratic systems have a major impact on different sectors.

**Source:** [TH](#)