

# Wharton Cryptogovernance Workshop

*July 1-2, 2019, San Francisco, CA*

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The Zicklin Center for Business Ethics Research at the Wharton School of the University of Pennsylvania is launching a new initiative on the governance of blockchain-related projects, platforms, and consortia. We are hosting an initial meeting at Wharton San Francisco for approximately 25 highly-esteemed experts, representing a wide variety of perspectives and backgrounds.

We understand governance broadly as the means by which communities make and execute decisions, with particular emphasis on mechanisms beyond formal governmental authority. Governance will be a significant determinant of the success of blockchain networks. All human systems of sufficient scale and significance must address un-anticipated challenges and evolving requirements. The promise of distributed ledger technology is that these needs can be handled in new ways, avoiding traditional forms of centralized power. Doing so, however, raises thorny problems, as several high-profile incidents have already illustrated.

The event will address the following types of questions:

- What specifically does governance mean in the blockchain context.
- Options for effective design of governance mechanisms, and tradeoffs involved.
- Relationships between private or technical governance structures and formal legal arrangements.
- How governance research and practice in other domains can enlighten blockchain governance debates.
- Best practices for communities facing governance challenges.

The workshop will be conducted under Chatham House Rules to encourage open conversation. We will encourage all attendees to actively contribute to interactive discussions. A more specific agenda will follow.

This effort builds on the highly successful Wharton Reg@Tech Workshops, which since 2017 have connected worldwide regulators, legal experts, and academics to shape the regulatory responses to cryptocurrencies. The cryptogovernance initiative will serve as a catalyst for discussion, create a clearer understanding of the problem space, and lay the groundwork to develop best practices. Through relatively small, high-level roundtables, we also hope to build personal relationships and break down barriers between communities of practice considering similar issues from different vantage points. As a distinguished academic institution, Wharton offers an independent forum to consider questions that have significant business, intellectual, and public policy implications.

## Why an initiative on cryptogovernance?

Blockchains are designed to be immutable, but they need to be able to adapt and implement improvements to sustain and survive in the long run. Various challenges the industry is currently facing, such as scalability or regulatory compliance, and will also face in the future, will require appropriate governance to establish the right incentives or mechanisms for solutions.

Although blockchain governance issues are distinctive, governance is a much-studied topic in a variety of academic disciplines and market contexts. The insights of these conversations can be helpful for crypto-specific issues. Conversely, blockchain ecosystems offer opportunities for governance innovations that could be valuable for traditional environments as well. There are already significant examples of blockchain governance in practice, with distinct approaches and varying degrees of effectiveness.

Distributed ledger technology serves as a technological infrastructure to enable decentralized and resilient governance with numerous participants. However, the underlying incentive schemes of permissionless systems, both proof-of-work and proof-of-stake, create governance challenges and add new complexity. For permissioned systems and consortia, the challenge is convincing participants that control is effectively decentralized, such that the distributed ledger approach represents a real change. Incidents such as the DAO exploit and the Bitcoin block size debate have been intensively discussed by the industry, but there is little consensus about the lessons to be learned.

An interdisciplinary examination of cryptogovernance could not be more timely. Blockchain systems employing express governance mechanisms are now in deployment, providing real-world experience to complement theoretical expectations. There is also the relatively near-term potential for large-scale adoption of DLT in major industries such as securities trading, which will raise the stakes for governance mechanisms considerably. While these questions today are debated in standards bodies, Telegram groups, and specialized conferences, there is no effective boundary-spanning forum for expert discussion of cryptogovernance. That is the need the initiative seeks to fill.

## Organizers:

### **William S. Laufer**

Professor of Legal Studies & Business Ethics, Sociology, and Criminology, University of Pennsylvania; Director, the Zicklin Center

### **Kevin Werbach**

Professor of Legal Studies and Business Ethics, Wharton School, University of Pennsylvania

### **Daniel Resas**

Senior Fellow at the Zicklin Center; Partner at Schnittker Mollmann Partners

### **Christian Sillaber**

Senior Fellow at the Zicklin Center; Senior researcher at the University of Innsbruck