

## EXECUTIVE SUMMARY

# Empowering Communities

## Harnessing the Opportunities of the Digital Economy

A comprehensive exploration of the technical, legal, and business aspects of tokenization, drawing on real-world examples of tokens utilized within communities. By the end of this whitepaper, readers will possess a toolkit to navigate the multifaceted world of tokenization, suitable for community leaders, entrepreneurs, or enthusiasts seeking a deeper understanding of the digital economy.



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# The introduction of tokens

The concept of 'tokens' is far from a modern invention. Long before the digital age, tokens served various purposes in society. In ancient and prehistoric cultures, they were key to the development of writing and abstract numbering systems. They emerged alongside the advent of agriculture and the need to manage communal resources. These tokens facilitated the tasks of collecting, recording, retrieving, calculating and communicating, which required formal administration. In classical Athens<sup>1</sup>, tokens took on a unique role in the democratic processes. They were used in selecting officials and played a vital role in citizen participation in city affairs.

A token, as people talk about it today, is a digital representation of value or rights<sup>2</sup>. These tokens can represent assets, access rights, or even functions within a digital ecosystem. It's like the tickets people might get at an event or the tokens in a board game, but then digital, managed on a blockchain. Tokenization is the method of transforming these assets into a digital format that can be exchanged, monitored, and controlled<sup>3</sup>.

Despite the tokens' ancient origins, they continue to demonstrate their value across numerous use cases even to this day. The emergence of 'digital' tokens, for instance, is transforming the ways in which communities are formed, function, and encourage participation. The tokens might symbolize ownership of digital assets, grant access to certain services or features, or represent voting rights within a community<sup>4</sup>. Moreover, to stimulate engagement, tokens can be earned through contributions, such as creating content or participating in governance, and can be used to access special features, services or rewards.

<sup>1</sup> Crisà, A., Gkikaki, M., & Rowan, C. (Eds.). (2019). *Tokens: Culture, connections, communities*. Royal Numismatic Society. (Special Publication No. 57). ISBN 9780901405357.

<sup>2</sup> Heines, R., Dick, C., Pohle, C., & Jung, R. (2021). *The tokenization of everything: Towards a framework for understanding the potentials of tokenized assets*. In *PACIS 2021 Proceedings*. Association for Information Systems. <https://aisel.aisnet.org/pacis2021/>

<sup>3</sup> Voshmgir, S. (2020). *Token economy: How the Web3 reinvents the Internet*.

<sup>4</sup> Heines, R., Dick, C., Pohle, C., & Jung, R. (2021). *The tokenization of everything: Towards a framework for understanding the potentials of tokenized assets*. In *Proceedings of the Pacific Asia Conference on Information Systems (PACIS) 2021*. Association for Information Systems. <https://aisel.aisnet.org/pacis2021/>



- How do you incentivize members for their contribution?
- How do you ensure the active participation of the members?
- How do you make the community attractive to new members?
- How do you want the invested time/effort of members visible?

illustration 1.1: the introduction of tokens

## Tokens to Empower Communities

The use of tokens within a community offers a multitude of benefits that enhance engagement, participation, and overall cohesion. With the emergence of innovative technology, tokenization shows the potential to create a new economic model to integrate non-financial values, such as positive social and environmental impacts, into tradable tokens.<sup>5</sup>

Firstly, Tokens can serve as a powerful incentive mechanism, rewarding members for contributions and participation, thereby fostering a more active and involved community. This can lead to a virtuous cycle where increased engagement results in more rewards, further motivating members<sup>6</sup>. Secondly,

tokens can facilitate a sense of ownership and belonging among community members. When tokens are used to represent a stake or a share in the community, members feel more invested in the community's success and governance. This can lead to more democratic and participatory decision-making processes. Thirdly, tokens can be used as a tool for access control, granting members exclusive rights or privileges, such as access to special events, content or decision-making forums. This exclusivity can enhance the value of being part of the community.<sup>7</sup> Lastly, in communities that utilize blockchain technology, tokens can provide transparency and trust in transactions and interactions, ensuring fairness and reliability

