

TOKENOMICS

EXECUTIVE SUMMARY

OUTLINE

Tokenomics is a new model for analyzing human motivation and group behavior. It presents a synthesis of research drawn from behavioral economics, motivation theory, and neuroscience, and seeks to provide a set of tools by which positive cultural changes can be implemented in organizations and communities. Tokenomics works by examining the emotional payoffs that people derive from their actions.

PRINCIPLES

The core ideas of the Tokenomics model are as follows:

- People think by matching patterns. They measure their successes by matching their achievements against their expectations. The successful matching of expectations results in behavior reinforcement.
- People have sequences of behavior that they use for self-validation. Broadly speaking, these patterns relate to a person's self-perceived social value.
- Jolts of social behavior reinforcement can be usefully modeled as 'tokens'. Tokens are units of subjective personal currency.
- Behavior in groups of people can be modeled in terms of token transactions.

ADVANTAGES

The advantages of the Tokenomics approach are:

- The idea of tokens is easy to communicate to group members.
- Human social behavior is framed in reductionist terms. This enables us to borrow from machine learning to model the behavior that is seen.
- Describing token patterns to watch for provides simple observational tools by which people can measure and analyze what is happening in the groups they inhabit.

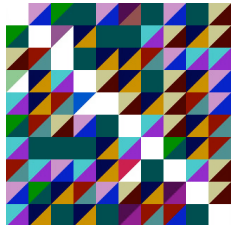
IMPLEMENTATION

Using Tokenomics to effect organizational cultural change involves a three step process:

1. Mapping: observing and identifying the transactions by which personal validation is transmitted.
2. Modeling: developing an understanding of how individual transactions give rise to cultural whole.
3. Mending: using targeted interactions to create new transactions that make the culture stronger and more functional.

Tokenomics represents a powerful new tool through which community and organization leaders can dramatically improve the happiness and effectiveness of the cultures they contribute to.





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WORKING EXAMPLE

The following real-life example shows how Tokenomics analyzes workplace interactions.

A manager, Alan, is working late in the office on a project that must be finished that night. He has two employees helping out: Bill and Charlie. Alan's concentration is flagging, but he knows he can't simply delegate the work and walk out. He asks Bill to go down to the vending machine to get him a coke, and provides money for a drink for all three of them if they want one. Bill and Charlie go down to the vending machine together, but come back with only two cokes--one for Alan and one for Charlie.

"Where's yours," asks Alan.

"Oh, I didn't want one so I just kept the money," says Bill.

Alan blows up.

WHY IS ALAN ANGRY?

Traditional economics would say that Alan is being irrational, as the money for the coke has already been offered and how it's deployed is irrelevant. Traditional behavioral science suggests that Bill's behavior feels wrong because he has transgressed a 'social norm'. However, from the perspective of improving group behavior, neither of these statements is particularly useful.

Tokenomics suggests that Alan has constructed an *expectation*: that Bill and Charlie will get themselves drinks and be grateful. The payoff Alan receives is that his self-perception as a fair and generous boss is supported. When that expectation fails to be matched, Alan experiences an automatic stress response and the backup behaviors mediated by his 'lizard-brain' are invoked. Consequently, Alan's rationality goes down. As well as knowing why Alan becomes upset, we also know that one value system he responds to is that of being 'a fair and generous boss'. We can use this knowledge to model Alan's behavior in future. Using this kind of reasoning, Tokenomics allows us to build computer models of workplace culture, and develop tools to improve it.