Participant 25 and TE Study (Cleaned)

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SPEAKERS
Lisa Wocken, Nathalia Scherer, Participant 25

Nathalia Scherer 00:08
Thank you. Am I pronouncing your name? Right?
Participant 25 00:11
Yep, you got it. What's, what's your name?
Nathalia Scherer 00:16
I'm Natalia.
Participant 25 00:17
Natalia. Great to meet you.
Nathalia Scherer 00:20
Yeah. Great to meet you. And thank you so much for joining us in this research. Yeah, we're super grateful to have you on board. And so I'm Natalia again. We also have Lisa here who is a researcher as well for the for this study. Lisa is going to be taking notes. Hi, I'll be the the muted no screen friend. Over here memoing.
00:48
Nice to meet you.
Nathalia Scherer 00:52
And, as a reminder, the goal for this study is to better understand what token engineering is, and some of the current practices needs and challenges. Those working in this space. We're going to be recording this interview and keeping only the audio file. So feel free to turn your camera off if you prefer that. Or keeping it on and at any point you are welcome to omit any responses to the questions. And yeah, that's it. Once again,
01:36
super grateful.
Nathalia Scherer 01:38
Did you have any questions before we get started?
Participant 25 01:42
I'm just curious like what the end format of the report or research might look like and where it will be distributed.
Nathalia Scherer 01:51
So we're gonna write a report. Based on focused mostly on definitions needs and challenges and the current landscape in general. We're going to share that publicly still not sure exactly. That's gonna sit on a website. Probably on the website as well. It's on page.
02:16
And yeah.
Participant 25 02:19
So that's about it on that.
Nathalia Scherer 02:21
Cool. So I'm gonna start recording
Participant 25 02:27
the second recording in progress. Alright.
Nathalia Scherer 02:32
So can you start by sharing a little bit of your own personal journey of how you got involved in your field of work?
Participant 25 02:41
Absolutely. Um, so I put this back in 2014. I started sort of learning about cryptocurrency, initially through actually a website where you could kind of play games to get tokens as well as watching advertisements and things and initially to try to get Steam game keys, but also had this thing called Bitcoin there. So it was sort of like a very, very early version of a player earn game in order to get cryptocurrency and so when went down the Bitcoin rabbit hole and then 2014 So at the same time, very interested in game item trading, particularly $name two, very into their economy, and I enjoyed that to the point where I say I

got a degree in economics or to get better at trading virtual hats and and so I, I kind of wanted from there and knew that I wanted to put my career in the intersection of kind of virtual or games cryptocurrency economics, I wasn't entirely sure what that would actually end up being I knew, like Valve had been hiring economists to do research on their economy, but seemed like a very small market to try to break into. But fortunately, my things seem to have been well timed and now it is actually starting to become viable to be an economist in in virtual worlds. And so that is that's where I continue to push my career. And so I sort of broke into the web three space professionally in 2018. Doing systems design for a crypto racing game, kind of in the first wave of of web three games. Unfortunately, that didn't make it through the bear market. And so I switched over to a company that is building out crypto casinos and exchanges doing incentive design and statistical design. So as we tried to figure out what motivated people and how to retain people in a casino setting, also creating different types of token designs in order to compete with competitors that I realized that we're essentially building Ponzi schemes and I wanted to push the industry away from that. And so innovating new incentive models or token models and incentive systems, to push the things that pick the industry in a better direction. And then in 2021, got the opportunity to join $name as the first hire in their consulting department. And initially, that was working with a lot of defi clients on token design. And given my interest in the gaming side of things I push to expand our gaming vertical. And so now, my focus has been much more on the gaming side helping web three gaming companies design sustainable economies. And that about takes us to where I'm at today. Thank you so much.

Nathalia Scherer 05:43
And also how how would you define token engineering? Yeah.

Participant 25 05:55
So I'd say it's about creating and verifying the viability of, of various systems that are built in a web three context and so connecting the different types of economic agents or thinking about how different types of economic agents interact with the assets and resources within a particular economy.

Nathalia Scherer 06:25
And what would you say that token engineering is solving that other fields are not?

06:45
kind of a tough one, because it's,

Participant 25 06:45
I'd say it's sort of a field of its own. Maybe Systems Engineering is a little bit related or kind of game systems design is is a related aspect of it. But it adds in a layer of economic fundamentals. That I think separates it a bit from those other sort of methodologies of solving these problems. And taking that understanding of economic fundamentals into the context of web three, game or defi or other design adds in a greater understanding of potential risks. And actually even maybe expand it to this, maybe, maybe go outside of some people's definition token engineering and there's also kind of behavioral economics aspect of it that I think is important, and where you're not even just thinking about what will a rational person do in this particular situation? How will rational agent act, but also taking the field of behavioral economics to understand realistically, what will different agents do in particular situations? And what impact does that have on the rest of the system? And so you get better models for predicting how different agents are going to interact and the impact that that will have. Thank you for that.

Nathalia Scherer 08:27
Now, we're gonna dive more into the specifics and day to day of people working in the field. So could you share a little bit about your daily work routine? What are the tools that you use? Maybe some of the tasks in specific?

08:49
Yeah, absolutely.

Participant 25 08:50
And so, it varies a little bit depending on where we're at with, with a particular project or client, and so, I guess going through the stages here, so when initially working with projects, we focus on the qualitative sign the underlying incentives, finding an economy first and so here it's not not a whole lot of tooling. It's really creating presentations for for different clients that are going through the stages of constructing an economy from first principles. So it's a lot of brainstorming around the they have these particular goals or trying to incentivize these, or they have these different types of target user personas, desirable or undesirable actions and then how, and then based on that, what actually makes sense in terms of assets within an economy and how should those be structured? And what are the implications of that? And then that further expanded in doing risk assessment to understand what how where could there be misaligned incentives, how could a bad actor exploit this economy? And what are some mitigation strategies for those potential issues and so again, this is still in PowerPoint presentation format, very iteratively, working with the team to put together a qualitative structure for the economy and how different agents will interact with each other. And so it's very important to us that that part is solidified. Prior to going going into any sort of modeling, because significant changes to the qualitative structure of an economy require very heavy revisions to to any sort of modeling process. And so once Once we're through that stage, then the two tools that we generally use for modeling our Excel and machinations and so with Excel models, generally this is a macro view that's

looking at an ongoing forecast under different market scenarios of the quantitative impact of all relevant value flows. So understanding every type of asset in the economy, whether it's on or off chain, a fungible or non fungible, we want to understand it, understand the inflation understand the impact of the different economic agents and understand how they might change under various scenarios. And then for and for modeling. In in machinations. Generally, that's more focused towards game clients. And so that often, it's modeled at the level of a different of a certain type of player persona. So understanding what impact is certain type of player persona will have on the economy based on the different decisions that they make, and how that interacts with various types of faucets and sinks. And then it can be that the info or the data derive from that simulation can also be used to do a more macro simulation of understanding if there's a certain number of this type of user personas entering the economy. What is the larger simulate impact on on the system and and whatever goals you're trying to figure out.

Nathalia Scherer 12:11
Thank you so much, Matt. That was really good.

12:15
And

Nathalia Scherer 12:17
in terms of projects, if we look at the spectrum of projects that you've worked with, would you be able to give us two examples of polar opposite projects that you've been involved with and why would you consider them opposites or are different?

Participant 25 12:37
Um, so one project that we work with on the gaming side is shrapnel. So triple a first person shooter, and this is this involves a lot of mix of game design and economy design. So we come in with the end in helping us understand what are some problems with economic sustainability, but we also had to work closely with their game designers to say, how are we making trade offs between some of your game design pillars and some of your economy design pillars? And so it really needed a both like game design and economy design knowledge to deliver good insights and provide creative solutions that kind of fit as a compromise between some of these difficult problems that they that wouldn't be sambal through solely games on or solely economy design skills. And then on in sort of an opposite engagement. We'd be working with IO G, the team behind Cardano on doing the design for their midnight Sidechain. And so this involves getting a really deep understanding of blockchain layer, economy design, and just getting very technical and going through a process of a lot of revision with a lot of different stakeholders. And yeah, just had a much more technical skill set required to go through that one. You

Nathalia Scherer 14:21
know, thinking about areas of knowledge, which ones would you consider essential

Participant 25 14:27
or token engineering? Yeah, so I think this is maybe less of an area of knowledge but more of a way of thinking and working and that is first principles based design. I think I see a lot of teams that are trying to build trying to do the token design. And their process really revolves around looking at what other people are doing and copying it without really understanding the implications. And each project is different. They have their own goals. They have their own own agents and specific specifications that they're they're trying to work around. And so it's really important to do first principles based design, and that comes with a need or sort of need to have creativity in the design process. But then, having an understanding of kind of economic fundamentals is useful when thinking about risk assessment. And so need to Yeah, I understand where, where an economy can go wrong. And it also requires a bit of a ability to think adversarially to put yourself in the mind of someone who's trying to exploit a system. Think about how they would do it so that you can then react defensively and adjust incentives to mitigate that issue. Do you need an understanding of some blockchain fundamentals that one varies the extent you need depending on the type of project that you're working with? And generally even even for for teams where it's not super technical, it might be useful to be able to make advice that is relevant, we'll run into major technical issues. And along that same vein, actually, having an understanding of the legal landscape is important because for obviously, I'm not a lawyer myself, but if when I'm making recommendations of economy designs to clients, I need to make sure that I'm not making recommendations that are highly likely to be thrown out as soon as it goes in front of the legal team. So have an understanding of what what is and is not likely in the various to be viable in the various levels of legal risk inherent with particular strategies is important. on on on the modeling side, yeah, just knowledge of whatever type of software that you're looking to be working with. And I think, depending on the type of projects, the yeah can be flexible with the type of software that you use for that.

Nathalia Scherer 17:37
And now we're gonna move a little more towards challenges and needs. So yeah, what challenges have you faced in your work with token engineering?

17:57
Don't go look,

Participant 25 17:58

I think a potential challenge is
18:02
a
Participant 25 18:06
very general lack of understanding from the broader space and what actually goes into token engineering and even definition wise, a lot of different terms of use like token engineering, honestly, is not very common. The one that gets thrown around a lot is tokenomics, which I do not like that term. Because it means very different things to different people. Some people think that it's literally just the pie chart and vesting schedule, and that's a component that sometimes like we don't even touch that if we do that's a very small portion of the work that we actually do. And so yeah, there's a lot of different confusion about terminology. About what the work it is that we do, and the benefit that is that it provides. And so, yeah, a lot of teams they're, they're recognizing that maybe they they need help, but they don't really know the parameters of what they need help with. And so yeah, I think that the general just lack of understanding of, of the space and industry and what people working in this industry can provide, or even the extent of some of the risks that some of these products may face. Some of them recognize that they have unknown unknowns, but some some of them just kind of have a have a feeling that oh, this is pretty simple. I can figure it out by copying others. And that ties into the previous point of if you're not doing first principles based design, you're liable to make some mistake and not recognize the the how much that can impact your viability on the line.
Nathalia Scherer 19:52
And would you add any other pitfalls that you see in the space in general even just for the field of token engineering itself?
Participant 25 20:15
Yeah, I this is getting a little bit better. I'm starting I was thinking maybe like better information sharing between what people are finding and the innovations that people are having in the space. Very, very recently, I started to see some positive trends like more telegram groups popping up of people working in the space and collaborating, sharing knowledge and so I think that's that's a positive trend, but one that I think can can keep improving as well as better information sharing among the industry to kind of accelerate the growth in better designs and better outcomes.
Nathalia Scherer 21:03
And then, what do you see as the most pressing needs for the token engineering field to address?
21:21
Well,
Participant 25 21:24
having some impact on regulation in the US would be, not sure how viable this is, but I think it is important to have greater regulatory clarity and this may or may not be driven by token engineers in general, but I think they should have some say in that process if they if they can have any impact on regulation. And that is something that we are trying to do to some extent with economics design. are hoping to do in the near future. But the vagueness of regulation, as it stands right now, does significantly complicate complicate some of the qualitative design processes of being unaware of what of exactly what the long term legal viability of some of these strategies will be. creates a lot of unknown and uncertain unknowns and uncertainty when conveying all this to clients and then still going to lawyers who can't give straight answers on what what exactly is workable or not. And so, yeah, if there's anything they can be done to push for regulatory clarity in the space, I think that would be very helpful to token engineers. Thank you.
Nathalia Scherer 22:39
And how about ethics? How would you describe the role of ethics, in token engineering, or would you would you see it as a
Participant 25 22:49
so I think an area where my mind initially goes on this question is sort of Ponzi based designs as an area where there can be a potential ethical mismatch between what a particular company may want and be asking from a token engineer have create incentives that maximize revenue within the system. And that may come from creating incentives that are incentive for activity greater than what that what an agent would naturally spend, based on the fundamental product itself. And so that can create these Ponzi loops that, I think realistically there are a lot of there are a lot of people in this space that have extreme risk preferences that actually they understand what they're getting into in Ponzi projects and actually have demand for that is the only place they can get their extreme risk returns, but in the same process you also catch a lot of, especially retail users that don't fully understand the risks of Ponzi structured products, and can get badly burned by them. And that can create and that is a big source of ethical risk for those who are designing systems that have the potential to be Ponzi structures. And so that is an area where designers need to be aware of if they are creating incentives for Ponzi like systems, and that if there's any chance that there will be users who do not understand the risks of the system they create and get burned as a result, that that is potentially ethically problematic, and they should have clear conversations about that with the team that they're designing that for to make sure everyone fully understands the ethical implications of that decision.
Nathalia Scherer 25:12

And now in terms of diversity, do you have any thoughts on how to increase diversity and inclusivity? When? Yeah, like within the token engineering field?
25:27
Yeah, great.
Participant 25 25:28
Great question. Um yeah. Yeah, perhaps this is something that can be started in when thinking about how to grow the token engineering space, because as of now it's it's a very it's a it's a very small industry so far, and I don't think there's there's not like a standard track into the industry yet. I think that's that's probably yet to be created. And so perhaps, in initial hiring for early positions, there can be a heavy preference or statements within those kinds of job descriptions of openness and inclusivity. And in more active hiring programs or internship programs, perhaps they can be targeted towards having for aiming towards including a diverse group and each of those cohorts and thinking about what what groups they're reaching out to to bring those people in as, as this industry expands and trying to bring in more young people introduce them to the potential of this
26:53
option. Thank you
Nathalia Scherer 26:59
we're also interested in looking at resources available for the field. And thank you as if, in your perspective. What are the incentives right now for practicing token engineering and looking also what are typical rewards, both in terms of value and
Participant 25 27:22
form that someone can receive participating? Yeah. And so there are kind of different structures for ways that people work in the field some people to it as solo consultants, and in some cases, taking Fiat some cases may might take some tokens and so potential incentive can be exposure to the upside of the particular project, although that carries the risk of the execution risk of it. There's the potential to work directly in industry as a essentially an economist, economist within a project itself that's helping with their design and ongoing maintenance and evolution of that system. And that one is very likely to have both salary and potentially equity and token components to it as ongoing incentives. Then there can be working for a larger consulting firm as as I am with economics design, and that has salary and equity components of it. We we don't take tokens actually as part of our structure. So that's not applicable in that case. But I say overall, there is a there's a quite high demand for people with experience in in token economy roles right now. And I see that demand continuing to increase as we get more projects building in the space, more content out there, especially on the gaming side that will need a good economy design. And so I see it can entail strong demand and corresponding high rewards for those looking to enter the space
Nathalia Scherer 29:33
and across the different possible roles and the types of jobs. What would you say is an average salary
Participant 25 29:47
per token engineer now? Um yeah, so it just kind of varies based on experience. I want to give a wide range to encapsulate that of $80,000 to $160,000 per year. And
Nathalia Scherer 30:20
anything else that he would add to the financial reality or perspectives in the field?
Participant 25 30:31
I don't think I don't think i have anything else on that one
Nathalia Scherer 30:36
In terms of the future, what do you wish for the future of token engineering? And also, where do you see going in the next three years?
Participant 25 30:50
Yeah, um, i wish to see it as a better understood profession. And so I think it'll be a clearer role. where companies are planning - actively planning this in their initial budgeting of we're going to need to hire an economist or hire a consultant but widespread knowledge that this is a key skill set that needs - that they will need to have that input somewhere in their process. And so yeah, just kind of general broader knowledge there. And, yeah, in terms of how the space is progressing, I think the biggest catalyst is going to be the gaming side. Because I believe we're going to see virtual worlds with a very high level of economic complexity and also and a key part of it is also the, the size of these economies and the value at stake being on the scale of small countries. At that point, I think that will be a major catalyst of understanding the importance of involving those with an economic background to do the initial design and ongoing maintenance of these economies. And I still that do you think it will have grown importance in another web three sectors as well, but individual projects likely are going to have smaller economies of value at stake and somewhat lower complexity? And so while I do think we will see growing interest in Design there, I think the more higher stakes and more broadly known but that's probably at a mainstream level within the next, maybe three, three to five years will be the game economies given the the scale and complexity concerns. How about AI?
Nathalia Scherer 33:25

We see it continues to advance. There's potential for it to significantly impact the development and implementation of token engineering. So in your opinion, how do you see AI affecting

Participant 25 33:39

the field? Yeah. And so I think this is why the importance of conveying first principles based design is key. Because AI is quite strong in conducting market research, understanding what is applicable given what others have done, what existing data is showing. And so there's potentially some cannibalization or some loss in demand for token engineers from companies who see who just want to see what other people are doing and copying it that I think can is very can very viably be done by AI but in areas where there's much more customized approach needed to to make something viable, that's where kind of humans can still shine and also in creating innovations within the space of understanding of creating new types of token models, new types of monetization, mechanics, all these components that are kind of fundamentally new. I think this is still where humans can have an edge and then also in still having

35:09

kind of more

Participant 25 35:11

ongoing relationships with with different companies. I think it's still useful to have a token engineer involved, but one that is strongly capable in leveraging AI technology for efficiency. It's absolutely we'll have to be using it to remain competitive, but I don't I don't think it will it will necessarily make the industry obsolete in any way

Nathalia Scherer 35:48

You for we're approaching the end of the interview. I just have a couple more questions. And one of them is about people and whose work do you admire in the token engineering space. And also if you have any names of people that you think would be valuable for this study, be

Participant 25 36:11

great to hear. Yeah, yeah, I would recommend my my boss $nam. She's done a lot of a lot of work in the space from very, like one of one of the very early people doing more formalized research and education around token economies.

36:40

Let's see.

Participant 25 36:42

$Edward castronova is Yeah, a bit bit more on the economic side, but he does actively work with web three projects on their economies and he's kind of the godfather of virtual economies. And so he has a lot of really good books and papers that are essentially in many cases predating web3 games and in cryptocurrencies, in some cases. but are still very relevant to current current thinking. So definitely recommend him. Thank you.

Nathalia Scherer 37:20

And one clarifying question. You mentioned that people use different terms when talking about this work. And you mentioned tokenomics Is there any other term that that you would like to mention?

Participant 25 37:38

It's very similar but token economics and I like that because I see it as, or to me tokenomics sounds like you're trying to create something that's entirely new. while, phrasing it as token economics shows that it's merely applying the fundamentals of economics to this particular context, rather than trying to imply that this is something completely new. Thank you. Anything else that you'd like to share? Cant think anything else is coming to mind for now.

Nathalia Scherer 38:20

Thanks again, so much for your generosity being a part of this. The next steps for us is to continue the interviews probably over the next month. And at that point, we might reach out again to if we need to clarify or if you have any extra questions. So would that be okay with you.

Participant 25 38:47

Yeah, absolutely.

Nathalia Scherer 38:49

And, of course, by participating in the study, you're going to be part of the first group to get the insights and we also welcome any further questions or considerations that you might want to add at any point. So yeah, I reached out to you, I think on telegram so happy to receive any further

39:13

comments or inputs, as well.

Participant 25 39:16

Sounds good. I'm looking forward to reading the report.

Nathalia Scherer 39:21

Thank you so much. Have a great day.

Participant 25 39:23

You too. Have a good one.

39:25
Bye. Thank you. Bye bye.
Lisa Wocken 39:34
Gonna use the recording. I stopped the recording. Recording stopped. Okay, because otter.ai is still here. It'll still transcribe anything we share, I believe.
Nathalia Scherer 39:50
Let me let's end this call. And we'll jump back in. I'll send you a link