

How does the IWA define tokens?

Very simply, a token is something that represents the value of something else. A good analogy to help you more generally envision tokens as representations is the board game Monopoly, where the whole game revolves around tokens. The game pieces, property cards, tiny plastic houses and hotels, play money, and "Get out of Jail" cards are tokens that represent value.

But these tokens are not all of the same type. A game piece represents a player or, when thinking in business terms, an identity - or even an account. The play money represents monetary value, and the property cards represent land ownership as represented by title deeds. Property cards also contain details like rents or fees which represent contractual obligations.

The money and property cards act like bearer instruments. Meaning, if you possess or bear these tokens, you are the owner and can do anything you want to with them. Bearer instruments are anonymously sold or redeemed, so when the game is over there is no record of who previously owned a property or held that particular \$500 bill.

It is normal for some tokens to represent an asset of tangible value, and also be owned by another token that usually represents an identity or account. In the Monopoly analogy, the engine token can own the Park Avenue property card token.

Outside the gaming world, there are many common, real-world examples of tokens. Currencies are well-known forms of tokens because currency is just the representation of monetary value. Diplomas represent a certification that you have passed some rigorous course of education. Tickets to concerts and movies represent your rights and privileges with respect to the specified entertainment. UPC codes represent classes of products. Property deeds represent ownership. And so on.

Monopoly tokens are not going to help you change the world, however; that will require taking the definition of a token to a new level. The first step is to think digitally. Many tokens that used to be physical are now available in digital form, some exclusively so.

We no longer have to deal with paper stock certificates, for example, as stock markets have dematerialized. Many plane tickets now exist only on electronic devices. But simply taking a physical representation of value and turning into something digital only makes ownership of the token more convenient; it does nothing to change the centralized, constrained, transactional structure surrounding its issuance and use.

Understanding digital tokens as electronic representations of things of value is the first step towards envisioning a world where the control of value represented in digital form can be shifted from centralized and vertical to decentralized and democratized, changing the way that trust is managed and value authenticated in human interchange.