Guest

Why the future of the metaverse can only be decentralized

Justin Sun
@justinsuntron

March 5, 2022 6:40 AM

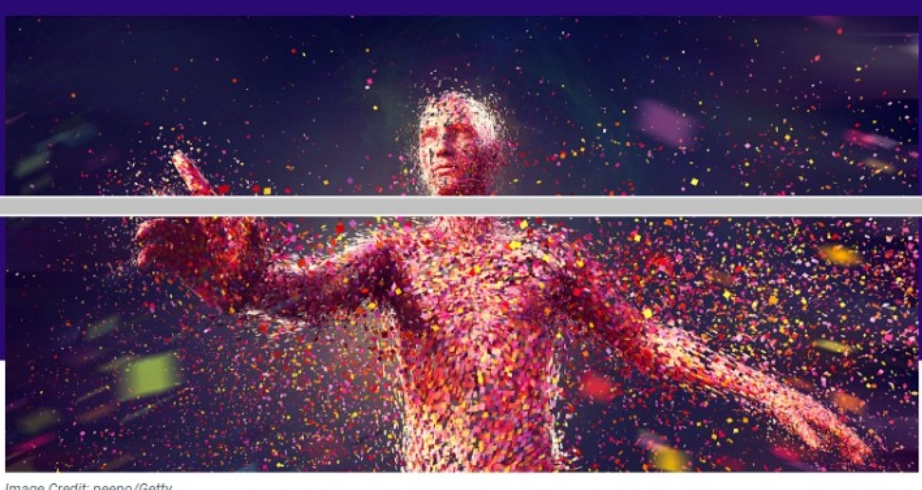

Image Credit: peepo/Getty

This article was contributed by Justin Sun, Permanent Representative of Grenada to the WTO and the founder of TRON

The race to the metaverse is on, featuring runners and riders, including tech giants like Meta, Microsoft, and Epic, to blockchain old-schoolers like Decentraland and Somnium Space.

The only problem is that it looks suspiciously like a repeat of the "format wars" we've seen play out time and time again. Just look at the current video streaming fiasco. We now need to subscribe to ten different streaming services to watch the shows we actually want to watch. It's the same old cycle we've seen play out in decades of centralized tech, from VHS versus Betamax in the 1980s to Facebook versus MySpace a decade ago. Now, Microsoft and Meta are squaring up in their bid to dominate the virtual space.

A dystopian vision?

Tech stock investors can look away now, but these attempts are doomed to fail. Meta's bid to compete with Microsoft by penetrating the enterprise workspace metaverse has already landed badly. Meanwhile, Mark Zuckerberg's vision of a centralized Facebook-style social metaverse has been dubbed "dystopian" by one of the firm's earliest supporters.

Meanwhile, Microsoft itself appears to have a zig-zag approach to realizing its metaverse ambitions. Following Meta's renaming last year, Microsoft was quick to jump in with its announcement that Teams was to be developed into the workspace metaverse of choice, leveraging its vast base of enterprise users.

Within a matter of weeks, the firm also announced it had made its biggest-ever acquisition in a takeover of gaming firm Activision Blizzard, with CEO Satya Nadella going on to tell the FT in an interview that he believes the future of the metaverse is in gaming.

So under this centralized vision, we're going to have AR-enabled PowerPoint presentations by day and 3D social networks aimed at harvesting yet more data by night. It's hardly surprising that people aren't getting excited.

While big tech firms slug it out to realize their vision of what *we* want, decentralized metaverses and Web3 initiatives are currently attracting record investment, pulling in around $30 billion in venture capital last year. What can these investors see that Meta and Microsoft are missing? That the potential of Web3 as the digital infrastructure of the future cannot be overlooked when envisioning a metaverse.

The power of DAOs

The ideal metaverse should not only break technological barriers by offering an unparalleled user experience, but this is an opportunity to transform the big tech business model that we've all come to know and dislike. Rather than operating services designed to extract monetary value from users, Web3 innovators create platforms that aim to empower people. Truly autonomous creations where the users are, if not the owners in the traditional sense of the word, then the beneficiaries.

The only way to think of the ideal metaverse is through the building blocks laid by decentralized autonomous organizations, or DAOs. The world is only just waking up to the transformative power of DAOs, which have made headlines for attempts to buy a copy of the US Constitution, crowdfund legal fees for Julian Assange, and lower the barriers to entry for real estate investing. In the decentralized finance movement, DAOs are now the norm rather than the exception, and now that they're beginning to penetrate the mainstream, it's only a matter of time before this model extends to other platforms and protocols, too.

How can we be sure of this? Because from the users' perspective, the DAO model offers unbeatable value. We all know that in the traditional social media model, we – or rather our data – are the product that generates value. Each update or "improvement" simply attempts to extract more revenue from our data. However, users don't see any of this value – instead, it's funneled back to shareholders.

A social network based on a DAO upends this model to return value to those who generate it. Users have an ownership stake in the platform, and assuming it operates using the same ad-based revenue model, the user will receive a share of these revenues as a reward for their engagement.

Unparalleled network effects

The network effects of such a model would be unparalleled because the incentives are aligned. Users – let's go crazy and just call them people now – will want their friends and family to join so they can also participate in the rewards and make the network a better place to hang out. The more people join, the more developers want to build third-party apps and services to tap into this growing community of active, engaged people who are happy to be there, and the positive cycle continues.

What's more, thanks to the underlying blockchain infrastructure, people own the assets and benefits they accrue on any given platform. In the Web2 model, we don't own anything so we end up tied into platforms and services simply so we can benefit from the work we've put into them over the years. Closing a social media account means losing followers, closing a streaming service means losing playlists and access to streaming material, closing an online marketplace listing wipes out a carefully-built customer directory.

In the Web3 world, we own our assets, so we can carry them with us across different platforms without fear of being penalized. This also has the potential to make assets exponentially more valuable than they are in the Web2 world. For instance, Spotify has put the world's music library in our pockets, but the cost of doing so has reduced the value of a music track to fractions of a cent.

But if a piece of music is tied to an NFT that can be owned and played on any platform or device, it becomes worth more to the listener – and the artist is the one reaping 100% of that extra value.

Decentralization is the only viable model

Coming back to the tension between centralized metaverses and decentralized ones, it's unclear how the two can co-exist. Following Twitter's lead, Meta is rumored to be rolling out NFT support for Facebook and Instagram and even launching its own NFT marketplace.

It's hard to imagine who would want to mint NFTs that only work in a closed ecosystem, but it's even harder to imagine Meta, or any of the other big tech firms, launching NFTs that permit interoperability with the established blockchain infrastructure.

So big tech has a choice. Embrace the open, decentralized nature of the future in the metaverse, or continue operating closed ecosystems that are only designed to extract value at the expense of their most valuable assets. Because once people begin to understand that Web3 empowers them to own their data, their follower counts, their customers, all the value they accrue online and take it with them, the "Web 2.0" business model is no longer attractive or sustainable.

Justin Sun is the Permanent Representative of Grenada to the WTO and the founder of TRON

Author

Justin Sun

Topics

AR/VR Business Commerce Consumer Data DataDecisionMakers Dev Enterprise technology