

Will the future be web3, Metaverse or open source?

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'Web3' has emerged as a buzzword over the last few months. An underlying assumption in this term is that there was a preceding web1, that there was a web2, and that there will soon be a new phase in this process of technological change. There is a fight over what this future might look like – the opposing camps can be loosely framed as those who see it as web3, as Metaverse(s) and those who would like it to be open source. There is overlap between the camps. Those who understand what these terms mean, how digital assets are involved, and why the terms are garnering so much attention (and controversy) will be better positioned to spot new opportunities in the future.

Web3 was a term introduced by Gavin Wood in 2014¹ – but has since been popularised by Chris Dixon and his team at venture capital firm Andreessen Horowitz2 (a16z). Summed up as 'read, write, own'³, the term implies that online life has gone through three successive phases where users have been able to gradually extend what they are able to do online.

Google trends, interest over time (2017-2022) in term 'web3'

Source: Google Trends; <https://trends.google.com/trends/explore?date=today%205-y&q=web3>, taken 20/1/22

First there was a web1. Born out of the mid-1990s, a community of free and open source software (FOSS) developers tried to build a digital eco-system where users would be able to run their own servers, control/own their data and lead relatively autonomous lives online. Tim Berners-Lee's World Wide Web (www) is emblematic of this open standard vision⁴. This vision spawned companies like Geocities – customised home pages written in html and liberal use of gifs⁵ – or Napster and BitTorrent – which allowed peer to peer file transfer⁶.

This vision did not entirely work out.

According to this narrative, web2 came next and involved a shift to more interactions occurring on platforms owned by companies like Google, Facebook and Twitter. In exchange for 'free' hosting and sleek user-interfaces – people interacted on closed source platforms where user data collected (including a lot of valuable personal information) were licensed in perpetuity to the platform owners. This valuable intangible property allowed these companies to eventually grow and dominate the market.

A16z sensed that a shift occurring in the digital space and adopted the 'web3' term to capture their vision for the future. Others have also sensed this shift occurring and have termed it 'Metaverse'. The old guard

of FOSS think there might be an opportunity to reincarnate their original vision of open source, online life. Digital assets have a role in each of the three visions.

In the web3 vision there are open source protocols on which new decentralised applications are built. Boosters point to the use of public key cryptography and distributed databases ('blockchains') to give people control when and where those assets are transferred. This is the 'own' part of a16z's "read, write, own" mantra. This in practice confers some concept of 'ownership' though not in a legal sense. Detractors will point out that many interactions on these platforms currently require users to entrust their private keys to the platforms. The eco-system is not entirely distributed either⁷. Moreover, venture capitalists hold varying proportions of the coins and tokens when the distributed networks are created⁸, such as Solana (SOL) or Avalanche (AVAX), meaning they are likely to capture a large proportion of the value created.

Source: The Block Research Digital Asset Outlook 2022; <https://www.tbstat.com/wp/uploads/2021/12/The-Block-Research-2022-Digital-Asset-Outlook.v2.pdf>

The open source model takes the web3 vision a step further. The idea is that decentralised applications are developed using open source software and protocols. Distributed databases and public key cryptography – where users self-custody their private keys – confer control, ownership and ultimately responsibility over one's digital assets. At the expense security and the need for deeper technical knowledge compared to the web3 model, this vision might allow people to recoup and benefit from the value of the intellectual property and retained value that they create when interacting online. This is a vision that has captivated the CEO of Block, Jack Dorsey, who sees Bitcoin as one of the key open source protocols.

In the Metaverse model, people primarily interact via closed source and integrated online platforms. This represents an incremental evolution of the successful models of the past decade such as those developed by Microsoft, Google, Facebook and others. Many people are quite comfortable using these platforms – even if security and privacy have been historically problematic. Integrating people's professional, social, recreational, financial and other facets into one platform might deliver convenience, cost and speed benefits that outweigh the downsides. This is part of the logic that underpins Microsoft's most recent – and largest ever – acquisition of video games maker Activision Blizzard⁹.

Source: Geekwire; <https://www.geekwire.com/2022/chart-microsofts-biggest-acquisitions-of-all-time-led-by-the-blockbuster-deal-to-buy-activision-blizzard/>

The battle lines are becoming clearer but constantly shifting in the contest for digital property rights over the coming decade. While these three broad visions are not mutually exclusive – the risk/reward ratio varies substantially across the different contenders in this space. Suffice to say - the stakes are high. Those who successfully navigate the space stand to gain a cut of the next phase of digital asset value creation – and this time it might be more than just insiders who do so.

1 <https://www.wired.com/story/web3-gavin-wood-interview/>

2 <https://future.a16z.com/why-web3-matters/>

3 <https://twitter.com/cdixon/status/1459036992050716697?lang=en-GB>

4 <https://home.cern/science/computing/birth-web/short-history-web>

5 <https://www.wired.com/2009/11/geocities/>

6 <https://www.wired.com/2013/04/napster/>

7 <https://moxie.org/2022/01/07/web3-first-impressions.html>

8

<https://preview.redd.it/2f6fm0t9nvn71.png?width=979&format=png&auto=webp&s=08a2695df35b796fbe3dbafdc27fe1e4397e6976>

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