

[00:00:00] Eric: Hi, this is Eric Hess with The Encrypted Economy. What truly gave birth to Bitcoin and the vibrant digital asset economy we have today was a deep distrust of governments, corporations, faceless organizations, and the need for privacy that could be enforced with cryptography. It was a belief that privacy was part of a social contract, and fundamentally that people must come together and deploy encryption for the common good.

This predates Bitcoin and goes right to the heart of protecting privacy with encrypted systems. And this way the cypherpunks and the anarchists were combined, united, by distrust common, good social contracts. Do these themes resonate in the encrypted economy today? Should they? And what's going to become of the encrypted economy, not the podcast, but the economy, if there is a tension building between the decentralized government and where it's supposed to achieve [00:01:00] and Cryptonomics? Is power from the governance structures that we are creating, going to be reconcentrated?

I'm going to caution my listeners here against reading a bias into the way that I framed this question. And there does not have to be just one Victor or one system in the new economy, but we do increasingly have to ask ourselves whether we are building a better tomorrow for the innovators,

builders and creators, or are we facilitating a new means of control for the next Facebook or the next Google or even countries engaged in censorship? Let's face it, the flowering of creative energy that we have witnessed in this new economy would not have been possible if it was dominated initially by just a handful of large players or a large country.

Some might liken it to the [00:02:00] wild west, but that term masks all the incredible innovation that's actually going on. Common good, social contract, and their relations with decentralized governance.

This is what we discuss with Nathan Schneider today on The Encrypted Economy. In addition to being a professor at the University of Colorado, he is an author and a well-known commentator to the Twitter community. He regularly collaborates with thought leaders in the space on issues of decentralized governance and, of course, cooperatives. I think you're going to enjoy this episode a lot. And with that, I give you Nathan Schneider.

Eric: Welcome to The Encrypted Economy, a weekly podcast featuring discussions exploring the business laws, regulation, security, and technologies relating to digital assets and data. I am Eric Hess, founder of Hess Legal Counsel. I've spent decades representing regulated exchanges, broker-dealers, investment advisors, and all

matter of FinTech companies for all things touching electronic trading with a focus on new and developing technologies.

This is Eric Hess with the encrypted economy? today we are fortunate to have Nathan Schneider on the podcast. Now, Nathan is a professor at the University of Colorado. He is an author of *Thank You, Anarchy, Occupy wall street*. He is also heavily involved in [00:03:00] writing papers and the discussion around decentralized governance, and of course, cooperatives,

[00:03:06] Eric: Nathan, Welcome.

Nathan: Thank you. It's so good to be here.

[00:03:09] Eric: Great to have you on. So I told yo, I was going to comment on your backdrop. which is if you're watching the video, we have quite the art gallery back there. Are there any plans to convert those into NFTs and sell them on opensea?

[00:03:24] Nathan: Some of them actually our NFTs, not these, I think in particular, but my kids have minted so many.

[00:03:30] Eric: Yeah. Oh, okay. How have they are they up there with the Beppe auctions or, or no, not yet?

[00:03:36] Nathan: Not yet. I figured out minting. I haven't figured out marketing,

[00:03:41] Eric: I think a lot. I think anybody a lot in-

[00:03:43] Nathan: the ethics of marketing one's children's art makes one feel icky about the whole process.

So it kind of drains the motivation, but we're waiting for some family members to jump on board.

[00:03:59] Eric: [00:04:00] pseudonymity as a remedy for exploitation of children. So anyway

[00:04:07] Nathan: all proceeds go to the education of the artists.

[00:04:10] Eric: There you go. There you go. I like that it goes right into their 5 29.

So Nathan, why don't you give us a little bit of background. I spoke a little bit about your professorship and your, your works, and, maybe give us a little bit of background as to your origin story into the, the governance universe.

[00:04:29] Nathan:

Yeah, well you mentioned that I wrote a book about occupy wall street for a while.

I was really a social movement reporter, so it was covering protest movements around the world and started a website that doing that. And the year 2011 was really important for me in that work. It was a year of global uprisings from the Arab spring to occupy wall street. And, and there were all kinds of things that these were against, but one of the

things [00:05:00] that was a common pattern from the middle east, to the US and around the world was the practice of kind of new forms of radical democracy in the streets and in the occupied spaces. And, and it was striking to me that that year, that it felt like there was a craving for deeper kinds of democracy among these young people involved in these movements, wherever you went, it seemed our digital networks had kind of awakened to this craving.

And then after the encampments had been cleared and so forth, I was on the lookout for what's going to be next for this craving. Where can this go? Where can this, can this conquest for a truer, more real democracy go? Two different traditions or two different currents kind of grabbed me.

One was I followed a lot of those activists from the occupy movement into the cooperative business [00:06:00] tradition a long tradition of business in which the participants own and govern where they work or where they shop or whatever it is. it's a tradition that crosses a lot of political lines.

it's a tradition that has expressed itself different ways around the world, but it just became really fascinating to me, particularly its relevance to the digital world. Then at the same time while I was on my book tour for the occupied book, I you know a friend took me aside when I was on my San Francisco stop and said you really need to know about this new thing that just came out.

And it was the Ethereum white paper and I did encounter Bitcoin, things like that during occupy actually, and I wasn't really that attracted to it. but Ethereum opened the door for something else, which was maybe we can put these experiments and democracy into smart contracts, into, [00:07:00] how build organizations on our networks. And so in the year, since I've been kind of following these two, these two threads the cooperative business movement, which I wrote a book about everything for everyone, been very involved in helping to develop a new generation of cooperatives. But also the crypto thread which I think is really coming of age right now is, is the moment it's last year or two, when the DAO th these organizations, these questions of governance are really becoming real.

And so it has been a kind of thrilling time to pick up that thread and see also what it has to do with and where it might diverge from that cooperative movement tradition as well.

[00:07:48] Eric: Excellent. Well, that's a, that's a great introduction. and I typically ask about a personal experience, although I almost feel like you shared that personal experience.

So unless you had one that you'd prepared [00:08:00] like a personal experience that like a singular experience that shaped your views, like that moment where something just totally clicked for you.

[00:08:08] Nathan: Well there've been a number of, of these moments and some of them have been kind of you know maybe that maybe I'll contrast that moment of optimism and hope with moments of, kind of of the kind of downers early on in this.

I was, I was living in New York and 2014. hang around at the book, the Bitcoin center down on wall street and saw a side of this phenomenon that I at least found a lot less interesting than than what kind of first drew me into, into Ethereum was this, there was this dead miner sitting there in the room. This mining machine that was no longer useful because it wasn't competitive on the network [00:09:00] anymore.

this way in which there was this kind of dead weight being accumulated, this, this kind of, this empty churning of math. this this, this kind of way in which by putting the Bitcoin center in wall street was kind of positioning it as the next generation of of this kind of financial sector that had really ruined the financial fortunes of my generation in 2008.

and so as somebody who had kind of grown-up being very suspicious of of a world in which finance runs our lives more than human needs. I saw in that place an image of a crypto future that I don't think I want. And it poses that question of to me so often what you hear is the question of whether blockchain or Bitcoin or whatever is going to be real, or is, is, is going to have value is going to [00:10:00] change the world.

to me, the question is really always not so much been whether in some way it's, I think it's going to matter. the question is much more urgent of how is this going to change the world? which pathways are we going to take with this technology? The technology does not predetermine those pathways

we do, what are we going to choose to build with this? And what are we, what possibilities are we going to ignore?

[00:10:28] Eric: Yeah, that is a sharp contrast and I want to get more into the the decentralized governance and DAO's, but before I do so I want to actually go back to the, your, your book thank you, anarchy because anarchy or anarchism, which is different is, is really it was, it, it was part of the movement..[00:11:00]

Toward crypto initially it was, it was very much based on that. And I think you would agree that certainly as more money has poured into it and has become more financial is become less about that movement. and it's, and along the way it's lost some of that. Maybe DAO's are a way to sort of retain that, but I want to take a step back and sort of ask a very just sort of go through it, the difference between anarchy and anarchism.

Could you just define that for us?

[00:11:32] Nathan: Well, yeah, that different way of defining that people often use is and our key as kind of a state of madness and chaos and chaos, right. and anarchism is this school of thought of people seeking a world without oppression seeking a world in which coercion is not, [00:12:00] is not a major feature in which violence is not necessary for the functioning of society.

And and, and and, and people are able to, self-organize more democratically, but I think in some ways, the more important distinction for for the crypto land is is two different threads of what what's known as libertarian thinking under which kind of anarchism falls.

libertarian is a more common term in Europe for the kind of broader picture. and one side is the kind of anarco capitalism. It's kind of called, but libertarian in the United States, which is a vision in which you have weaker government or no government, but you have very strong property rights.

And for instance, both of these sides were there at the beginning of occupy wall street. And these kinds of people are often interested in the gold standard. So you don't need the government to regulate money. Money is regulated by, you know the, the scarcity of [00:13:00] gold or something like that.

and property is the core ordering principle of society. and then there is a kind of left libertarian view that more is more associated with anarchism, which comes out of this, this tradition, for instance, of Proudhon the and, and other European figures Proudhon famously said "Property is theft."

Anarchist for whom property is itself, an oppressive relationship, and that it is not the solution to the problem of, of oppression because it, it, it requires oppression to function. Ultimately the occupy movement really turned much more toward that, toward that model and said, what would it look like if instead of property and coercion, we built a society much more around democratic structuring, um as opposed to the response of the kind of Bitcoin and also [00:14:00] like the game stop attack on wall street, right?

Which was, which is we're gonna use property as the means by which to challenge what we see as oppression. Those are two very different theories of change.

[00:14:13] Eric: So Anarcho libertarianism and sort of more left anarchism that did those two schools.

[00:14:22] Nathan: Yeah. And, and I think there is certainly anything in crypto is going to have some kind of property theory.

but one, one dividing line that you see is that people who are more kind of aligned with Bitcoin, for instance, more attracted to it might be tend to be more of the kind of anarcho capitalists. They're interested in in a, in a, in a kind of fixed and secure money arrangement.

Whereas those who are more drawn to Ethereum in some cases and, and projects built on, it might be more interested that there's still a property idea, but there's more of a focus on [00:15:00] structuring organizations. How do we structure organizations in more creative and appropriate ways?

And that is a bit more aligned with that, with that left view.

[00:15:09] Eric: Interesting. So and, and going back to the occupy wall street, do you think that occupy wall street was reflective, reflective of an underlying sentiment? Like you, you noted that there were like democratic movements, radical democracy all around the world, or do you think it was more isolated pockets?

[00:15:34] Nathan: Well, we live in a world of subcultures in pockets now and I think occupy was part of that. What it did suggest was that those pockets had spread around the world that, that there was a kind of networked communication among these movements where they were transmitting and sharing certain features and ideologies.

it wasn't that everybody who came in talk [00:16:00] UPI was, for instance, an anarchist, but when they got there, they w they acted in some ways as, as if they were, because that was the culture that had been transmitted through, through the networks about what this, how this movement functioned at least.

and so and so I don't think it's in any way, right. To claim that this is, this was a necessary zeitgeist, but it was an option put forward, right. This option that was. This kind of outpouring that was obsessed with democracy where people representing these movements in I remember one speaker from Eastern Europe speaking before the European Commission and he makes the speech about how he's not a leader.

Introducing it as saying, I'm not a leader. we don't need leaders anymore. This ambition for a new and deeper kind of political arrangement the way in which occupied kind of refuse to make demands of the state and of, of government, because it, it kind of [00:17:00] questioned the premise and legitimacy of those institutions to begin with.

that was, that was certainly one current, but in the years, since actually what we've seen is actually globally a rollback of democratic institutions globally, and a decline in people's according to opinion, polls people's trust and faith in democracy as a way of efficiently organizing a society.

So so you absolutely can't say that this was a that this was a deterministic, you know expression of the popular will. It was one option. It was one direction. and actually I would argue the counter direction has been with.

[00:17:45] Eric: Yeah, I think you definitely see elements of that irrespective of political party.

so has the I was going to ask you about the cypherpunk anarchist [00:18:00] movement. Whats become of it?

[00:18:04] Nathan: I'm not sure exactly how, you know this is a, a movement that has been many things to many people and and in some ways has been folded into what has become the the broader crypto world.

but it's not entirely included in it, not entirely encompassed by him. This is a network of people who are inspired by not just the technical features of the internet. but kind of turn some of those features into a social ideology into a kind of form of libertarianism in which, in which.

What we don't need is the government. What we need is the right technical systems. and you can hear this when, when for instance, even someone like Edward Snowden talks he, he [00:19:00] is very interested in, in how to build the right technical systems to solve social problems.

and this movement as contributed a lot in the sense of enabling and pushing for certain kinds of, of civil liberties and rights to privacy and encryption technologies. but at the same time, I think this, this movement runs into a real danger in which it, it, um searches for a kind of technological fix to problems that I think are are better thought of as, as political.

Uh and, and often this movement has sought to actually. eclipse political problems, so do away with politics and to simply turn our social questions into technological ones. I I think that's a a troubling turn and and it's one that has become in many

respects, very mainstream in, you [00:20:00] know, in, in cultures, surrounding technology and, and even business.

[00:20:04] Eric: And so before we get into it, cause we're going to talk more about politics and crypto economics on this podcast. define what you mean by politics.

[00:20:16] Nathan: So for the purposes of the argument I've been developing here I think of politics as as, as speech and debate and decision-making around some sense of the common good.

and in some sense of, of how our particular good fits into that. Um here I draw from the philosopher Hannah Arendt in her account of kind of classical Athens. and, and and, and she paints a picture of this world in which, in which politics was thought of as apart from the economy. If you entered politics in a state of need, if you weren't a landholder with slaves and all these sorts of things you were maybe suspect [00:21:00] because you might be pursuing your, your private good.

And the, the political is the space for us to talk about what really matters what, what matters to us in, in, in ways that aren't, capturable in economics. And I, I use this kind of straw man version of, of politics to contrast it to a vision that I think is becoming precinct increasingly common particularly around the disease.

Of crypto systems in which, in which economics becomes the means by which most social life and, and, and decision-making occurs.

[00:21:37] Eric: Right. And, and, and by a common good or, or the, the, the greater good I I'm I read your paper and I wanted to tease this one out. Cause it occurred to me there is the, the charitable

Or the societal component writ large, but that's not even what you're necessarily talking about. It can [00:22:00] encompass that, but not necessarily meaning in the context of any group that forms that common good could be anything that elevates the group as a whole, that could theoretically be economic, but it actually extends beyond economics to things like your, your, your, your ability to be heard, your ability to influence outcomes that better all the participants in the group is that, is that the appropriate differentiation?

When you talk about sort of the.

[00:22:29] Nathan: Well, the our understanding of what we mean by the common good is always shifting and it is it's incredibly complex and it has to do with being able to negotiate multiple multiple value systems simultaneously, right? So the what we might mean by the common good should have to do with know environmental stewardship, it should have to do with a sense of dignity.

a lot of people, for instance, complained that other people are quote unquote voting against their interests. but often what. [00:23:00] You know that that's a certain kind of economic logic, usually you're you, people would be getting a lot more welfare checks or something if you voted for the other party.

But often what people are in fact voting for is a sense of dignity, a sense of they're voting for someone who they think respects them. that sense of respect is something that people care about. And that is part of political deliberations, a respect for culture a respect for for immaterial things that people feel are important.

these are all. These kinds of things that fit into the common good. And the, and the, the issue with the common good is it requires that kind of meta thinking. It's not something that is just a metric that you're trying to maximize. It's it is the, that question of what metrics do we care about and how do we want to measure them.

And and, and what kind of, how, how are we going to adjudicate the potential conflicts among the different things we care about? [00:24:00] and, you know so it's an intentionally fuzzy term because it's an, it's a fuzzy process. And yet I, I argue it's a very important one that we would whereas a more kind of cipher punk logic and, and kind of.

in Anarcho capitalist logic might be inclined to say, oh, that's just private. Let's not worry about that. Let's focus on the economic metrics. I would argue that no, actually these things really matter. And I would argue that the economic should be subsidiary to our ability to reason about the company.

[00:24:37] Eric: Right. And certainly it would be dependent on the project as well. So it goes to the fundamental mission statement or the mission of the project and the values of that project.

[00:24:49] Nathan: Sure. And for instance I wouldn't say that you need this kind of political reasoning to occur at every area of society.

Right. You could have part of the logic of that old, [00:25:00] kind of liberal democratic project is you have a political system so that the economy doesn't have the, the level of each individual business can just pursue its business goals. and the political system is supposed to take care of adjudicating the common good and enables business to focus on being business.

I think what, in terms of the ways of bringing this kind of politics into, into crypto systems it doesn't have to happen at every level. The question for me is how can we make sure it happens where it needs to happen? Agreed,

[00:25:35] Eric: it's, it's funny. my, my son is, is older than your kids that he's their D his artwork doesn't resemble those anymore.

but we do have discussions about about these things. And when we talk about game systems or like metaverse without using the term, metaverse, cause metaverse can mean a number of different things. we talk about, you [00:26:00] know, purchasing NFTs or, or the economics that is, that is infusing its way into some of these gaming universes.

And his point is And he says on some of the channels I'm talking to, people don't necessarily want it to be economically driven. They, they kind of and sort of comes out and talking to him, and he's just, he obviously doesn't represent the entire universe of gamers, but it's a different vision of what a gaming environment should be.

And arguably, if you think about it a gaming metaverse, if we would, and I'm using it for lack of a better term, that would be an area where values and mission are really important because everybody knows that Vitalik's opposition to centralization started when he was playing World of Warcraft and something that he thought [00:27:00] was inequitable.

And, and so very fundamental people are investing their time. People are investing a lot into these, these gaming systems and we can say, oh, there that's just entertainment, but for, for many of them, it's, it's a part of their life. It's something that they it's their social interaction. It's, it's a development tool.

as parents, we can say, not too much time on it, but it still has that level of importance. And it's it's and it's, it's, I wouldn't say it's a. You know to minimize, I don't think it minimizes the importance of this common good. It is, it is a forum for interaction. And in, in that environment, just as a way of example mission and values are really important to all the people who are participating in this ecosystem or the system.

[00:27:47] Nathan:

And it's striking that the thing that makes NFTs take off right, is, is that most kind of incomprehensible human activity of art, right? the stuff that it's the stuff [00:28:00] that is not just another financial product that. Brings new people into this ecosystem. And, and this is all over the place.

I mean, for instance it goes back to that the old anthropology of the gift, Marcel Mauss that is this old idea that, that if you give me a gift and I pay you back the market value of that gift it's not a gift anymore. You, you, you take that as an insult, you know?

Whereas of course if, if I don't send you a thank you note it feels like something has been, has been, is missing there's there is of course reciprocity, there is of course an economy. but there is also the sense in which we value things in a way that. You know that is not reducible to the economy per se, that is not reducible to a number of tokens or a market value per se.

and that some of those things are really, [00:29:00] really important games, art, all sorts of aspects of our lives, including the questions that are kind of unpredictable are, are the kinds of things that we need to be able to adjudicate without simply being kind of slave to economic metrics.

And again, this is, this is, goes back to the impulse of, at least in the United States, that uprising in 2011, which was this feeling that the economic system acting as this robot in, in the housing crisis of that year in 2008 had had decimated the lives of many thousands of people, even millions and it had done that because it, we were just following the rules and just by, and, and we couldn't, and the political system was unwilling, unable to kind of put a break on that and to, [00:30:00] and, and, and it was, it was more attached to protecting the system of value than it was to protecting the lives and livelihoods of, of people.

And I think that's kind of what motivated that 2011 outpouring of kind of demand for deeper democracy. And again, when that was frustrated I think it kind of, it was a deeply demoralizing moment. And I guess I'm still kind of stuck on that. I'm still kind of stuck on the fact that if we care about democracy in some form or another, we need to keep advancing this.

We need to keep use these, the opportunities of new tools to advance the democratic project, advanced that project of, of healthy politics rather than kind of give up on it.

[00:30:48] Eric: I'm going to refer to a paper that you're in the process of writing. It's actually, I know that you published a draft online or not published, but you [00:31:00] are sharing the draft online *Cryptoeconomics Limitation on Governance*.

and in that paper, you, you had a quote, it said "following tech designers of blockchain systems, based on cryptoeconomics, assume economics as a sufficient basis for organizing much of society, as opposed to the account of Karl Polanyi."

[00:31:25] Nathan: that's a kind of famous debate right.

About whether politics or economics is kind of prior. Right. And, and Hyack who is a kind of source of inspiration for these are both kind of mid 20th century economic thinkers, right. Who both come out of the experience of World War II with particular conclusions. Right, and Hayek comes out saying look, we can't trust these systems of

states and, and this top-down control the decentralized market is the is the solution you [00:32:00] know, we have to stop giving up or we have to give up on this conception of the common good, make the state as minimal as possible and let the market take care of things.

and this is a theory that you see pretty rampant and among enthusiasts of, of cryptocurrency for some obvious reasons. Polanyi's argument rather is that no, the economy has always, and will always be predicated on political structures. you need a law in order to have property and how you write that.

determines how that property works and how those markets work. and so you can't sidestep the question of how you do that. If you do you're going to get, you're going to wind up with something worse and I guess I'm siding with belonging in these debates unpopular early in the, in the crypto world

[00:32:50] Eric: and, and, and what does it, and I agree that, that in the crypto world the Hayak you hear more about Hayak than you hear about Polanyi.

how do you draw that interest, [00:33:00] particularly in a very noisy cryptosystem that is based on this notion of politics first. I mean, some people might argue that, Hey, don't we kind of have this in some of our centralized social media companies today, where.

I mean, we don't, obviously, you all have a vote, but we all we are able to express our views publicly and engage in debate. so what's on, on how does it look in a decentralized Polanyi system?

[00:33:33] Nathan: Well, there are a few different levels, right? And, and kind of in some ways the kind of easiest go to answers to say, oh, maybe you need just state regulation.

Right. And I think one example that has been quite successful has been the securities and exchange commission, introducing this idea of sufficient decentralization, kind of pushing lots of projects toward More [00:34:00] decentralized ownership just by saying you're going to have a real regulatory headache if you don't.

and so that's one approach, but I'm personally as much as I kind of am not a kind of detractor of the state in general. I am I think it's kind of a failure of imagination and I think that that. Reasoning about what is in the kind of a collective interest is something that we can actually explore in the design of these networks themselves.

And that we should for instance, what if a rule like requiring sufficient decentralization were obligatory to use the Ethereum network? What if it kind of self-enforced a rule like that to push projects, tokens running on it toward certain

kinds of behaviors? What if it had a regulatory role or maybe it would be something across networks we're starting to see more [00:35:00] interchain activity happening.

Maybe there are certain kind of agreements that chains need to make or processes by which they, um decide those agreements. Another approach to is to build it into the layer of, into the processes of governance. And, and here we see this stuff happening particularly at kind of medium-sized scales, right?

Where you see projects like the cooperative movement, which was all about trying to find a balance between the economic and the human interests. Uh we're seeing people employing voting systems like quadratic voting or like conviction voting where. yes, those with more tokens have potentially more power, but it can be counteracted by large numbers or high commitment votes from people with fewer tokens.

Right? So there's a balance, an attempt at balance, that we're seeing projects work toward. another [00:36:00] example is in a DAO called 1Hive. which is which is also spinning off like its model as a kind of replicable thing called gardens. and here they have a kind of constitution layer where they embed in the constitution, certain values that they want to hold.

and then the the judicial system, which is an economically incentivized judicial system enforces that constitution. So people can actually get paid to catch others in the act of violating the collective values. these are sorts of, these are things that create space in which the economy becomes accountable to something other than just the maximization of token X where instead you have space, even fundamental space at the base layer of the project, um in which you can, um attest to to non-material.[00:37:00]

Ambitions and shared values that then the economy becomes responsible too. It's that kind of opening that I think we need to create and I'm in this, I'm not alone. what I found in the process of working on that, that paper is what began as just a critique of of crypto economics thinking actually turned into a, a recognition that, that people are finding the need to insert these kinds of mechanisms into their systems already.

and that this is a space of tremendous creativity and I find very exciting to see the clever ways in which people are devising systems that in some ways the world has never seen in some ways they're very familiar. We've had constitutions before, but doing it quite this way is very new.

And that to me is it's thrilling to be a part of. And again, to me is, is a kind of sign of hope for [00:38:00] the democratic imagination to say that, that we are able to not

only, you know defend centuries old democratic institutions, but actually we are creative enough to build new kinds of systems that really reflect the kind of accountability we feel we need.

That kind of activity right now is, is, is what has me so excited.

[00:38:24] Eric: And, and even on protocols or in systems that are based on cryptoeconomics, you're also seeing with these donor grant pools in fee-funded treasuries where there's people are, are, are making proposals for things that are not purely based on cryptoeconomics and being granted them.

So clearly even within the crypto economic folk focused communities, there is a there's an acknowledgment that a desire to actually do more to actually benefit the world or to benefit [00:39:00] its the common good than simply filling people's bags

[00:39:06] Nathan: now I think that's exactly right.

And when I was discussing this with a crypto-economic designer who I know I, I said there are some respects in which you may be in some ways, transcending the economic with the economic, right? Where you, you, you figure out something clever enough to do with, with economics that you're, that you're actually getting us into a space where we're no longer kind of slave to economics.

And he said that is, if I'm doing that, that's the greatest compliment I could hear. And, and that to me was a really reflected something I heard in a lot of these systems as well, where also I would go I mentioned one hive earlier I, in my first version of this, of this ongoing evolving paper I looked at their material, their website, their hung around their forums for awhile.

And it felt to me like this is a [00:40:00] community totally obsessed with it's tokens and with like financial stuff. And then kind of shared a draft with that kind of made that assessment and the reaction to that from people in that community was really visceral. No, we're all about values and common common goals and like social goods.

We don't actually don't care about the token price at all. And I don't know if that's true or what it would mean if it were true, whatever, but it was striking to me that they that they, their understanding of what they're doing was different from my perception of the kind of token charts and prices and everything that was presented front and center.

And, and that to me is, again, another indication of the sense in which people are. we can't get away from being human beings and people are recognized, are

already recognizing these systems built out of economics that that, that it's not just about that economics. And it's that kind of impulse that [00:41:00] I feel the urge to protect because I think there really is a danger in a lot of these system designs of eclipsing, every part of us that is not an economically incentivized.

[00:41:13] Eric: Yeah. And I think you do see that. I mean, if you hang around discord channels and telegram groups long enough, and you read what people are commenting on. Those who are engaging a lot, are quickly moving away from a purely crypto-economic discussion. if they live and breathe, it, they're thinking much more expansively.

Generally, they have political views, they have views on power structures and much, much broader and common good too. So it's I think for those who participate in it less, that maybe spend five minutes on crypto a day, they're probably more focused on cryptoeconomics. Cause they're what trade do I have to make?

You know what what's popping? What's not, but those who are making crypto and [00:42:00] digital assets, more of a focal point for their across their day. They're actually thinking more broadly because this may be their, their sole outlet to do so. And they may not want to view themselves as purely an economic creature.

[00:42:10] Nathan:

Yeah. And I've seen this transition happen over time. Right. Where, when I first got into it in the about. Seven years ago or something like that, it was striking to see like a bunch of computer programmers, suddenly learning monetary theory. Right. And, and that was striking because like usually before that computer programmers didn't learn monetary theory.

It was a different discipline. Suddenly because of this Bitcoin thing, there were all like obsessed with inflation and whatever. And and that was really interesting to see. And then in the 2017 boom, it was like more like all these computer programmers are interested in like financial instruments and suddenly

you saw more of this before because you [00:43:00] know, programmers are getting hired by banks, but but suddenly like all the discussions on hacker news or about derivatives or whatever, and, and, um and, and, and because the tool is there and it becomes this thing to play with. and in some respects what I'm excited about, what I'm hopeful w these, these, this community is turning toward is is this interest in politics, not in the sense of like Democrats and Republicans or whatever, but politics in the sense of how do we order a good society because that, that is what they're doing.

And that's I hope it is. And it's what these tools are now getting to the point of, of enabling. You mentioned earlier the kind of failures of web 2 and, and I think one of those deep failures one that has been claimed by the Mark Zuckerberg of the world increasingly over the years is that they really it was a [00:44:00] governance failure that has produced such kind of misery and failures of all kinds in these businesses.

It's still not really a business failure. Facebook's doing great from an economic point of view, but there's this growing recognition that it is incapable of being responsive to to the the kind of intangible values that we would expect of a media media utility of its sort.

And I hope that kind of failure. It was a reminder to people building the next wave of systems that we need to get obsessed with with, with questions of governance and power and, and and, and understand how we're going to capture and, and enable those, that essential kind of decision-making processes and debates and, and actions about the common good and these emerging [00:45:00] technologies.

[00:45:03] Eric: so does, does politics and crypto projects mean I spoke before about the mission statement and the values, does it mean the establishment of those, those fundamentals or, or is that. is this something that evolves over time? How does that actually develop? And I think it, it sort of goes it goes back to that, that distinction between Hyack and Polly PolyOne I'll, I'll get it right as I but, but that, that distinction as to when it occurs in, in the life cycle of, of one of these projects, is it, is it something that you, you would anticipate that could be, that could develop over time?

Like even if it doesn't have that focus initially, or do you think in order for, or do you think it really needs to be the underlying basis for organizing the big. Well, I,

[00:45:56] Nathan: I think both in some respects I think there's one respect in [00:46:00] which maybe individual projects don't have to worry about this too much, but maybe it's something at the infrastructure layers that we really want to focus on.

Right. as we're seeing like a bunch of different chains emerging around doing smart contracts, Ethereum, Solana sorts of things they're largely aiming. They're playing a game of efficiency right now. They're trying to. They're worried about throughput and, and stuff like that. But I think at some point those kinds of those level those types of, of projects might need to worry about kind of something closer to legislation.

And maybe they're competing on those things. Maybe you have different regimes that you can move among and you have some competition around governance in

another, um in another context you could see it happening temporarily. So maybe a project begins as something that's closely held.

And this is along the lines of this concept I've been [00:47:00] using of exit to community which is a kind of narrative in which projects might begin closely held. And then they gradually it's also called progressive decentralization and crypto land. Um they gradually become more accountable to stakeholders.

And maybe in that process, they develop. more political capacities, if that seems like the appropriate thing to be doing for that kind of project. so I th I I think there's a lot of ways to, to do this. my call is mainly for the for us to turn from that level of experimentation and

weird financial instruments and, and really embrace what's already beginning to happen, which is a kind of historic civilizational level of experimentation in governance and in political systems that [00:48:00] that we'll need to make these systems accountable the way we need them to be.

And again when I compare this to to stuff going on and in a lot of our governments around the world or to even cooperative business which is supposed to be doing kind of democratic business, right. People in the crypto world are are, are doing much more creative experiment, at least at the level of mechanism design, not so much at the level of, you know diversity and inclusion, for instance, but certainly in the design of technical mechanisms that might capture a sense of the political, um environment better than what we've ever used in history.

So,

[00:48:51] Eric: Right. I was going to say on diversity and inclusion, I think that's a [00:49:00] whole different question because certainly from its, from its design it certainly doesn't make any distinction in its effect like how I, I'm not even sure how you, how you scale that one, but maybe that's, that's another podcast at a different day.

I think we first get the politics. I mean, it certainly is blind. Um in terms of outreach you definitely see pockets developing that are actually trying to be more inclusive by just in, in, in the outreach and thinking about how the community is built.

[00:49:34] Nathan: I think these things are connected right. In the sense that. That you know I, I think of diversity inclusion here, not just in the sense of are are we we, we, white guys who are involved in this world, like being welcoming or something, but really is the system, does this, is the system set up to care about, for instance, poverty is it set up to care about, [00:50:00] workers' rights or human rights.

And, and I've been in the scene long enough to have seen cycle after cycle of people saying, this is all about liberating, the unbanked, this is all about like all these kinds of ambitious social goals, but when it comes down to it it's, it's often about. People with considerable privilege accessing markets that enable them to get even more wealth and power and they don't have a tremendous incentive the way these systems are designed to actually follow through on those, on those claims.

And so one of the things that I think comes in when you start exploring the political side, when you're not just accountable to how you measure money is, is what would it look like to create systems that are forced to be accountable to, to people who who don't have economic power that's something these systems really have not done yet.

[00:50:57] Eric: Interesting. I'm going to circle back to [00:51:00] web 2.0 and web 3.0 for a moment. I think we all have a vision of how web 3 does facilitate decentralization, but, but let's just sort of walk through how do you envision web actually decentralizing, concentrated power structures?

[00:51:26] Nathan: I think this is a really important question and it, it to me, it goes back to the it's a cycle that we've seen repeated a few times in the history of the internet.

I've a article on this called de-centralization and incomplete ambition. Um if you're into downloading paywall academic articles but the, the it's something we've seen over and over that the ambition for decentralization started in an internet land as a cold war [00:52:00] ambition to make networks funded by the Pentagon, more resilient to nuclear attack, right.

It was purely a technical means to an end. And then it becomes a kind of end in itself as people start designing systems in this sort of way. and then with the rise of the web the kind of web 1.0, Tim Berners-Lee as this idea that still by 1999 and his, his memoir at the time that, that the w the technical design of the web is so decentralized that no company can capture it.

of course, 20 years later, he is completely consumed with trying to challenge the capture of his invention by a few powerful companies. And, and of course, web 2.0, does this with a kind of kind of power that not only centralization of corporate power, but actually the production of companies with centralized power that the world has never seen before.

not not only have, has [00:53:00] this decentralized network failed to prevent centralization is actually enabled more centralization than was ever possible before.

And I actually think we face a similar danger with web three. I am under no impression that decentralized technology produces decently.

Political economic, et cetera outcomes. it's perfectly possible that Facebook could use this technology by making it much more user-friendly and leverage this into a market play that expands its market and, and its power, or that the Chinese government could use this kind of technology to create a kind of surveilled economy of a sort the world has never seen.

Um so the. The it seems to me very likely that if we continue having faith, that decentralized technology is going to produce de-centralized outcomes. We are going to end up with something worse than what we presently have, which is why I [00:54:00] argue in that, in that piece that we need to think about what, what I call accountable centralization to actually plan if you really want decentralization plan for centralization and accountable centralization, where you need it.

And an example of that, of that, that that I think is worth considering is, is antitrust law. Antitrust law is a system designed to protect a decentralized market by ensuring that you have a centralized authority powerful enough, at least in theory, to to, to constrain the ability of other centralized actors to, to emerge.

And and, and, and so I think the pursuit of decentralization and nothing else is going to risks that danger. And if you are going to build those intentional centralized authorities that again is a political challenge. How do you make sure that that thing is really accountable?

The way you need it to be economics [00:55:00] alone, won't do it. you need it to be accountable to something other than just whoever has the most tokens.

[00:55:06] Eric: So what would be best positioned to actually be that central authority to ensure centralization?

[00:55:16] Nathan: I mean, I hope that it's not any one thing I hope that we are building topologies right where we have decentralization, where we need it. And we have certain centralized entities where we need it. But for instance you could imagine one example of this is the role that SEC is playing in the in the in the, in the crypto world right now, it is carrying this big stick and saying you better actually be decentralizing control of your systems.

And that is a very meaningful role, but I don't want it to be the only role but maybe in the context of of networks that are forming of layer one networks, maybe it's something that [00:56:00] maybe it's actually a kind of governance as a service that, that different projects are subscribing to.

I think it can take a lot of different forms. But some kind of authority structure that is able to counteract emergent, centralized power that could be dangerous to the system is, is going to be necessary. So if you're developing, you know a layer one protocol, it might be something we're thinking about.

And it's something that projects that have, have thought about you think of something like the Ethereum foundation or other foundations. It's not like these are dictatorial bodies with the ability to control the whole system, but they have a certain amount of central power.

To me, the question is how can we make sure that those are accountable to the right people in the right kinds of ways? So, so how do you make sure [00:57:00] that when you do create a kind of centralized authority that can help counteract emergent threats that it is that it has the, the systems shared in the sense of the systems, common good at heart rather than being captured.

[00:57:22] Eric: I can't help, but think about the metaverse as being an area where this all plays out. And again, I'm sorry to use the term metaverse I actually hate the metaverse now more because I don't like using the term meta anymore because I feel like it's I have to dock my cat to Facebook. So people call it the hypiverse or anything, but the metaverse, but this, this, this concept of of a more immersive experience that I guess that's facilitated by web three and the ability to bring wallets and, and identification and [00:58:00] even potentially digital assets.

participants in these communities will probably look to some, to understand the value system is, is, is, do you see like that as being a primary area where politics really starts to play out more? I talked about in the context of gaming before, and that's just sort of one aspect of it, but do you see that as um sometimes you hear about the creation of crypto nation states, right?

Like it's sort of aspirational can we create a, a a common people that is sort of organized along the that's not organized within the conventional traditional power structures, but organized. Interests and such in order to do so. I mean, you have it economically, but an economic interest alone, isn't really going to draw.

Isn't, isn't going to really capture people's to your point, their value [00:59:00] systems, what they want to believe in. you could find, you could have people with the economics alone won't provide that sort of unity or that common goal. And to me that, again, I'm not even advocating for a nation-state, cause I don't even know like what, what do you do you say, Hey, I'm a nation like nobody's United nations

"no, you're not nation state. You're like a crypto community." Right. But is that, is this going to play out in, in the metaverse or the hypiverse or the forget that

whatever the next iteration is of these, these common more immersive communities?

[00:59:35] Nathan: Yeah. I mean, I'm with you on the anxiety of using the language and, you know adopting Zuckerberg prognostication says, should we assess?

[00:59:44] Eric: We just change. We should. Every single time they, he changes the name of his company. To pick up on a new trend. We should just wait until he changes all his trademarks and gets completely invested and then just change it again. [01:00:00] Nobody uses Meta, like who uses Meta? That's crazy. What does that mean?

Metadata? I don't know.

[01:00:07] Nathan: Anyway. Yeah, he, he changes his mind every few years it was private groups and then it became private chat and then, then it became metaverse. but I mean, I, I think one way or another, we're seeing a phenomenon where the possibility of power structures emerging that. that, that in some ways replace some of the some of the functions of the nation-state are coming.

You know they're already there in the sense that corporations do that in a lot of ways and with internet technologies, we have the option to create alternatives to that. We have the ability to create transnational trans territorial entities. I think states are territorial states are still going to be important in terms of the things that matter in [01:01:00] territorial places like the local library and the roads and bridges and maybe some, some version of defense and other sorts of stuff. But if you're into that sort of thing. But I do think that there is another layer that's that's forming. And, and I do think this is an opportunity to say, do we want this layer to be better or worse than the last one?

do we want it to be this kind of, this kind of sci-fi dystopia, or do we want it to be a kind of nice improvement in which we have to worry about less horrible stuff. and where, where more people get to live in, in a way that that where they get to focus on things that actually matter in their lives.

I think there is really that opportunity. but it requires systems that are able to listen to what people actually think matters in their lives. [01:02:00] so I hope we see this as a kind of constitution-making event potentially, right? Not to say that it is total removal of all systems that have proceeded it.

but in some respects, what we're involved in is the making of a new kind of constitution of the the kind of political and social life that is going to come and, and for better or worse, the way human beings tend to work is a lot of the rules of the

new game get made real quickly and they stick. A lot of things about internet culture formed in the early nineties when there were 20 people on BBSs, right.

And they just stuck the emoji all sorts of practices LOL and I think we're in a moment of making those and the kinds of things we're worried about and the kinds of things we're excited about right now are going to have effects that, [01:03:00] I think could be potentially enormous.

And we we should take that responsibility seriously.

[01:03:08] Eric: Oh, great. I don't know a better way to end the episode with that, that message of import.

[01:03:13] Nathan: Oh, thank you very much.

This has been a fun conversation. I appreciate your generous questions and comments and it's been really fun.

[01:03:23] Eric: Awesome. Thank you.