

A Review of Read, Write, Own - Building the Next Era of the Internet

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Abstract

Read, Write, Own - Building the Next Era of the Internet by Chris Dixon (Cornerstone, 2024) provides a compelling intellectual foundation that helps a skeptical reader understand the potential social, commercial and technological relevance of blockchain, cryptocurrencies, and related decentralized internet (“Web3”) technologies.

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Read, Write, Own: Building the Next Era of the Internet by Chris Dixon (Cornerstone, 2024) provides a compelling intellectual foundation that helps a skeptical reader understand the potential social, commercial and technological relevance of blockchain, cryptocurrencies, and related decentralized internet (“Web3”) technologies.

While the author is clearly a proponent of blockchain and the decentralized internet, and the book is not intended as a balanced examination of these phenomena, its persuasiveness lies in the deep context that it provides. Even if the reader remains unconvinced, they can at least appreciate why Silicon Valley elite like Mr Dickson, a successful entrepreneur and venture capitalist, view these technologies in a positive light, and not just as a gimmick for making a quick buck. The book offers a carefully weighed argument.

Setting aside the book’s aims, its greatest contribution probably lies in describing a range of technology economics and business strategy insights. These stratagems have come to shape the sector and explain many of its peculiarities, but may not be widely recognized outside of it. The book provides a useful crash course.

Every New Technology Needs a Bubble

Mr Dickson almost immediately strives to make a distinction between the “good” builders of a new technology and the “bad” pirates who are just in it to make a quick bitcoin (he sides with the builders, obviously). Whenever one talks about cryptocurrency it is almost inevitable to not talk about Sam Bankman-Fried and the collapse of FTX, Do Kwon and the spectacular implosion of Luna and TerraUSD, or going back a bit further to 2010, and how Mt. Gox, the largest bitcoin exchange in the world at that time, had most of its reserves stolen.

The argument the author tries to make is that these kinds of bubbles are part of any new technology, and that they often lay the foundation for future growth. The construction of railroads in the US laid the foundation for its industrialization. The Dot-Com bubble in the early 2000s led to heavy investments in broadband infrastructure, which laid the foundation for the current ecosystem of highly profitable internet businesses, including video streaming.

Viewed within this light, it is simply too early to recognize the eventual economic value of blockchain, cryptocurrency or the decentralized internet. What the various cryptocurrency booms have shown us, claims the author, is that there is great economic potential – we just need to wait for the stable long-term business models to emerge from the dust of these implosions. It is a hopeful thought, and one undoubtedly shared by Dutch tulip growers following the spectacular collapse of the tulip market in 1637.

It's the Network

Another key insight is the importance of network effects, which explain why platforms like Facebook, Amazon or YouTube, are able to extract enormous wealth from their users. Because of their strong lock-in effects, which essentially involves providing access to other platform users (be they friends, followers, buyers or viewers), creators have to surrender all or most of the value they create to these platforms. The platforms are essentially the landlords who, once artists and other creatives have moved to a low-rent neighborhood, benefit from higher rents and property values due to gentrification. Eventually the same artists and creatives who caused the neighborhood to become popular, are forced to move out because of high rents.

Mr Dixon has no kind words for these “centrally planned” platforms. They stifle innovation, they abuse their market power to harm their own users (society at large), and once clear network effects have been created, they are near-impossible to replace. His argument is strengthened by the fact that internet services with weaker network effects, such as web hosting, payments or ride hailing, have far lower profit margins than the big social media platforms.

Platforms that are decentralized in their control, according to Dixon, offer an antidote to the centralized platforms, which are essentially corporate dictatorships. Decentralized platforms can be managed using digital management contracts on the blockchain, creating Decentralized Autonomous Organizations (DAOs) that replace corporate management. On the decentralized internet, the artists and creatives who make a neighbourhood more popular can be given a larger stake in that neighborhood, letting them keep their rents low, or capture some of the surplus that they are generating. That is the clearly Marxist appeal of Web3: to ensure that the workers control more of the means of production, so that they can capture more of the surplus value from their labor.

Commoditize the Complement

One of the most interesting parts of the book is the discussion of open source software, software that is freely published for use and editing on the internet. Much of the internet's backbone is built on open source software: e-mail protocols, the Linux operating system that runs most servers, even Wikipedia.

However, the author notes that most open source projects have some large corporate backers who actively contribute to the codebase, and who are not necessarily in it for purely altruistic reasons. One example from the book is Oracle Corporations, which provides server hardware. Initially, Microsoft provided the operating software for many internet servers, imposing an additional cost for Oracle's customers. Hence, Oracle supported the open source Linux operating system, which made its product cheaper for customers and weakened the pricing power of Microsoft.

More recent efforts by technology companies to provide open source Artificial Intelligence (AI) models are likely based on a similar business strategy. By making the AI models open source, they can keep costs low, while capturing value from their applications.

Although the aim of commoditize-the-complement is to show some of the limitations of open source software, it also directs attention to the future drivers of open-source blockchain-based decentralized technologies. Firms are likely to invest in decentralized technologies only if it lowers their costs or weakens the pricing power of a competitor or buyer.

Incentivize What?

The idea behind blockchain technologies, as the author sees it, is that they can provide the right rules and incentive structure that can make a technology project thrive, and give all stakeholders their fair share. The author goes to great length to explain why an informal structure, or a federation of collaborative projects, are unlikely to succeed, and will often lead to tyranny and domination by a small group. While the sociological and psychological background for these observations are quite weak, the author does make his point persuasively, by essentially observing that if a lot of money gets involved, people stop playing nice.

So while the need for fair and transparent rules is clear, what those rules should be is a more difficult topic. In quoting Steve Jobs, Mr Dickson notes “incentive structures work, so you have to be very careful of what you incent people to do.” In all fairness, the author does provide some clues: the rewards to project contributors should come slowly, giving them a long-term stake in the projects. There should be faucets releasing incentives (tokens) to developers, and sinks which collect tokens as a tax, and ensure the stability of the system. Essentially the DAO which manages the project is a mini-government cum economic system that governs the relations between project stakeholders. It all sounds wonderful, but how do you do it?

This is perhaps the greatest shortcoming of the book. While the author outlines the potential of a “new social contract” for internet platforms, and highlights the potential benefits that it brings, there is no clear pathway towards execution. The author also recognizes the risk that large corporations will spoil the broth before it can be served.

Perhaps the scepticism about blockchain exists because the technology is still too young? Or rather, society has not yet figured out how to use the technology. Or maybe, the blockchain revolution is all a mirage, something that sounds so promising, but will never deliver? The author clearly believes that the time has not yet come, but in the final chapter he sounds like a true believer, and the thoughtful analysis of earlier chapters falls away, as he confidently rallies his followers.

It reminds this reviewer of the old curse: “Blockchain is the technology of the future. And always will be.” Then again, not all curses will come to pass.