Opportunities at the Intersection of Web3 and Social Change

By Banks Benitez

TABLE OF CONTENTS

01.
Introduction
+ Summary

One of my biggest critiques of the social sector is that it's a few steps behind emerging technologies and trends.

There is a culture of reactivity baked into the fabric of the sector: a focus on trying to fix the known instead of anticipating and positioning around the emergent. Sometimes it feels like we're obsessed about the past and missing the future.

The social sector loves to read the damning "Atlantic" article on all the ways the system is broken but spends less time reading the "TechCrunch" article on how the newest technologies might — just might — shape the future system.

We're living in an age of technological revolution with the mainstreaming of blockchain technology, cryptocurrencies, and the decentralized web where the power, ownership, and wealth-building doesn't accrue to the biggest corporations, but lies in the hands of everyday people (this decentralized web will be henceforth summarized as "Web3").

We are in the earliest days of this transformation, which is why it's critical that we both understand how we can leverage this technology for social change and that we infuse principles of equity, justice, and environmental impact into the early DNA of the technology and culture of the Web3 movement.

Overview

The purpose of this white paper is to outline a few of the ways that the social sector (nonprofits, philanthropists, activists, social enterprises, impact investors, etc.) might be able to leverage Web3 technologies.

I start with the most straightforward: social sector organizations accepting crypto donations. Most nonprofits don't have infrastructure to accept cryptocurrencies, but crypto is the fastest growing asset class in the US, and it will be strategic for nonprofits (and others) to have a crypto-giving plan.

Next, I explore digital assets (like NFTs) and ways that social sector organizations can capture and retain value by issuing and transacting digital assets. Much of this exploration is still conceptual, drawing on the ways NFTs and other digital assets are being minted and transacted. Social impact organizations struggle to capture and retain value, and the argument advanced in this section is that digital assets on blockchain represent a fundamental innovation in how value is captured and retained.

Then I explore participatory fundraising models through decentralized autonomous organizations (DAOs). There have been some stunning examples of rapid fundraising through DAOs, and while t's still unclear how DAO-based, participatory funding campaigns can be applied to the social sector, they do represent a new era of crowdfunding.

After DAO-based fundraising, I dive into new models of organizing, ownership, and activism through DAOs and other on-chain communities. I touch on the ways that the "Crypto Bro" and the "Social Justice Warrior" are actually aligned on the values that underpin web3 technology: power and code to the people! I feature a few examples of how DAOs can be leveraged to support workers rights, to push for decarbonization, and how a community-based DAO might shift the power dynamics in philanthropy and create models of shared governance for leaderless movements.

Next, I explore how web3 technologies are democratizing wealth building and helping people build wealth through the ownership of assets. Organizations like Black Bitcoin Billionaires and others are using crypto to try to close the wealth gap in the US. In this section, I also explore ways where play-to-earn video games present income-generating opportunities for communities in the global south and how digital-first economies in the metaverse need to be designed with principles of equity.

Finally, I touch on a few other conceptual opportunities (DeFi, the economic self, and the power of pseudonymous identities), identify some cautions and concerns about the intersection of web3 and the social sector, and conclude with a list of ventures, solutions, and other things that maybe should be built in the future.

Notes + Requests

I must confess at the outset that I am not an indoctrinated web3 optimist, nor do I wholeheartedly believe that everything I am about to outline should be implemented, or even is a good idea. The purpose of this white paper is to share possible use-cases, some crazy ideas, and a few practical opportunities.

I am not here to suggest that web3 technologies should be implemented in every corner of the social sector (big questions about equity, justice, and access remain), but I am here to suggest that we should understand these new technologies and be conscious of their sweeping power and possible applications.

I am trying a new publishing approach with this white paper, and I fear that the formality and polish of this document suggest its contents and ideas are finished products. They are not. This is as much a draft and work-in-progress as anything I have written, and as anyone knows who spends time in web3, things move quickly. If there is one thing I am confident about, it is that these ideas will be out of date as soon as they are published.

One of the best ways to learn is to be slightly wrong in public, and I hope that people will do me the favor of pointing out errors, mistakes, or opportunities that I've missed. I'll make revisions along the way and give credit generously for those who take the time to make this better, more comprehensive, and more accurate.

02. Accepting Crypto Donations

Let's start with the most straightforward (and instantly practical) use-case: nonprofits accepting cryptocurrencies.

Cryptocurrencies are the fastest-growing asset class in the United States, with the majority of crypto holders between the ages of 25-44. As millennials and Gen Z (the primary demographic holding cryptocurrencies) come into or create wealth, it's strategic both for nonprofits to target these audiences and to create ways where donors can donate cryptocurrencies.

Donating cryptocurrency is not a taxable event in the eyes of the IRS, so if a nonprofit has a crypto donor on the line, the non-profit should encourage the donor not to cash out their crypto into fiat currency first before donating because the donor will have to pay capital gains tax before the remaining balance (in fiat) gets donated to the nonprofit, ultimately translating into a smaller donation.

There are two ways nonprofits can accept crypto while avoiding the scenario mentioned here:

- Crypto is donated to a non-profit intermediary, and then that intermediary grants out the US dollars to the non-profit. In this scenario, the non-profit grantee doesn't hold cryptocurrencies on their balance sheet, but instead works with another nonprofit intermediary (like a DAF or other fiscal sponsor. One example I've come across is Every) that ensures the liquidation of crypto is not a taxable event. This intermediary then exchanges crypto for US dollars and regrants those dollars to the grantee.

- The nonprofit itself has the capability of holding crypto assets on its balance sheet. In this scenario, the nonprofit accepts crypto directly, either through a crypto wallet, a crypto exchange, or a crypto-donation processor like The Giving Block. This is more complicated, but it also enables the nonprofit to participate in the upside (or downside) of the currencies themselves. Bitcoin is one of the top-performing financial investments in the last 10 years (no promises in the next 10), but if you were a nonprofit who retained crypto on your balance sheet since 2013, you probably have no need for a Director of Development ever again.

If you want to learn more about donating and receiving crypto, check out this article.
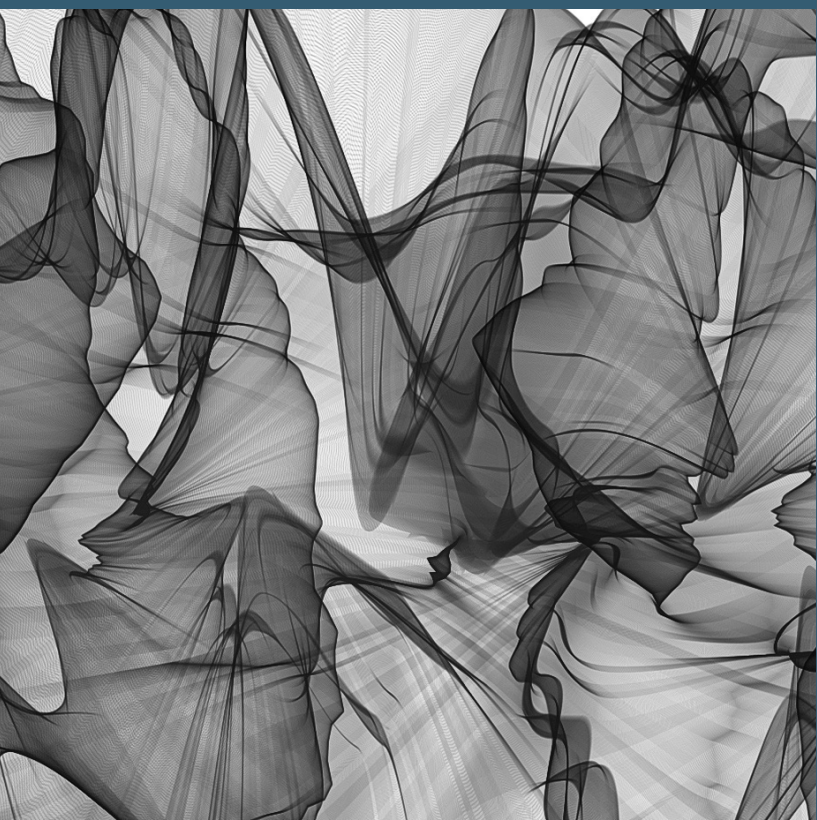
CRYPTO HOLDERS WERE 50% MORE LIKELY TO DONATE AT LEAST $1,000 TO CHARITY IN 2020, COMPARED TO ALL INVESTORS

Source: Fidelity Charitable

03. Capturing Value via NFTs

One limitation to the nonprofit model is how bad that model is at capturing and retaining value. Nonprofits historically haven't been able to sell shares or create opportunities for people to own a portion of their work. It's not like a nonprofit's programs or initiatives appreciate over time where they're more valuable today than they were when they were first started. In the nonprofit world, the closest we've come to democratizing ownership is by hustling to get hundreds of monthly donors, who, if we're lucky, feel some small sense of ownership. But I don't need to tell you that donating is very different than owning. A nonprofit's work is more likely to grow in cost than grow in value, which translates into a cycle where the need for philanthropic funding often begets only a greater need for philanthropic funding.

One of the current ways that nonprofits (or foundations) capture financial value is by endowing themselves where they invest 95% of their assets in the financial markets, live off the other 5%, and plan for the 95% invested to outperform the 5% outlay that is spent each year. But this flywheel requires significant capital; it takes a lot of money to pay every bill with only 5% of your total assets.

New blockchain technology (and applications built on that technology) has the potential to change the ways that the social sector creates, captures, and retains value.

One of the biggest innovations of blockchain technology is the ability for everyday people (and potentially social sector orgs) to accrue wealth via digital assets. Digital assets can be anything from cryptocurrencies to digital art, music, and even digital real estate (digitally-unique goods are known as non-fungible tokens or NFTs).

No matter if the digital asset is a cryptocurrency or a piece of digital art, it still has the same underlying property of being a piece of code that has the ability to accrue and transmit economic value. As these digital assets are bought and sold, they can accrue value and build wealth for those who create and own them. From a perspective of equitable access, it's quite accessible for many to participate (far more accessible than, say, homeownership).

Because these digital assets are pieces of code, they can be encoded to pay out royalties to the original creator every time that piece of digital art is sold. This allows the original creator to retain an economic relationship to their original piece of art, even after they sold it the first time. The royalty embedded in the code of a digital asset allows creators to get paid every time it sells, forever.

An alternative to the old-school endowment approach referenced to the left, an upstart social justice activist or a grassroots organization or an established nonprofit could create an NFT (or a series of NFTs) and sell them to their network of supporters. These digital goods could then be exchanged or sold, and the original creator would receive a royalty every time that digital asset is traded. Of course, this scenario presumes there is demand for the NFTs, that they retain their economic value, and that economic value is substantial (all major assumptions).

Consider this digital-asset-royalty approach as a speculative way to build an endowment and continue to generate revenue for years. If you like unrestricted funding from a donor, you'll love a 10% royalty on a sale of your digital art five years after you first created it.

For example, Black Lives Matter was the most successful social movement in US history. Consider the wealth-building opportunities if Black Lives Matter minted NFTs of authenticated yard-signs and authenticated t-shirts and then sold them? Imagine how a BLM-authenticated series of NFTs could finance the movement.
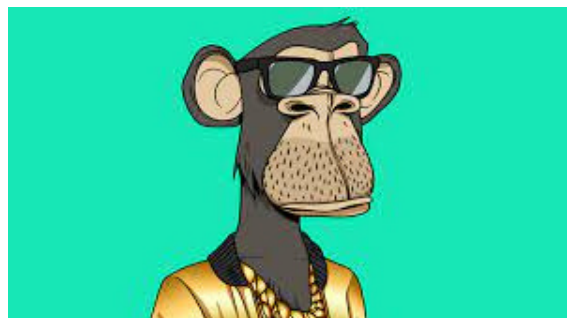
Bored Ape Yacht Club Is a popular series of NFTs selling for hundreds of thousands of dollars each (in Ethereum). It Is owned by celebrities and NBA stars.

Or imagine that you're a small community-based organization in Akron, Ohio (the home of Lebron James) and you have a distant relationship with Lebron where you're able to team up with him to mint a series of Akron/Lebron NFTs that are owned by your organization. Lebron then advertises this series of NFTs to his 107 million Instagram followers. Odds are that your NFTs would be sold out quickly and transacted again and again, with your organization accruing royalties every time those NFTs sell into perpetuity.

Maybe you aren't Black Lives Matter and maybe you don't have a personal relationship with Lebron James, but perhaps you have 10,000 people on your newsletter, and of those, there are 500 that are true ambassadors and champions for your work. You decide you want to commission a series of NFTs to sell to your existing network of supporters, and you work with a local artist to create desirable pieces of digital art that both serve as an actual asset that your supporters can resell while also as a fundraising tool for you to generate revenue from the initial sales (and then any sale thereafter).

One of the biggest assets that any non-profit has is its existing network of relationships. If you have a network, you have a prospective audience and built-in distribution for digital goods, and if you partner with other networks (like in the Lebron example above), you can multiply your reach.

I imagine that releasing NFTs will be part of future fundraising campaigns for digitally-savvy nonprofits, and there will be two separate groups of nonprofit supporters of 1) those who want a tax-deductible donation (meaning they receive nothing in exchange for their $100) and 2) those who will forgo the tax deduction because with their $100, they will receive a digital asset that could appreciate over time and is re-sellable.

Not every NFT sale will be a blockbuster windfall for the organization that minted it (it's hard to overstate how speculative and volatile the NFT markets are), but simply the practice of learning how this new ownership model works might be worth the time invested, and could spark new ideas for how to build organizational wealth, leverage digital assets, and activate a community.

You can learn how to mint NFTs here.
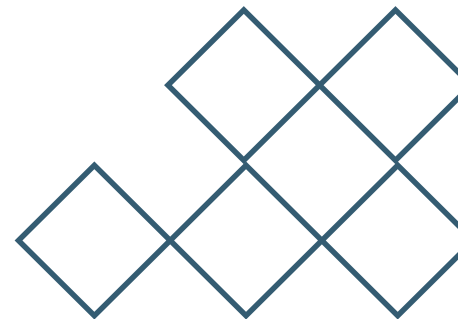
04. Participatory Fundraising Models

Participatory crowdfunding models are not new, and they have served as a precursor to a decentralized web where strangers unite to finance and vote for something they believe should exist in the world (Kickstarter and GoFundMe being two examples of centralized crowdfunding platforms).

But blockchain technology is even leading Kickstarter to disrupt itself. It announced last month that it is shifting its underlying technology to blockchain while creating a new organization that will open-source Kickstarter's key functionality and code so anyone can build similar crowdfunding platforms.

It's unclear if shifting to an open-source protocol will lead to more access or more successfully-funded projects, but Kickstarter has a new crowdfunding competitor: Decentralized Autonomous Organizations (DAOs).

DAOs are online communities with shared ownership where decisions are made not by a centralized authority but through a decentralized governance structure written into the code of the DAO.

The governance structure of the DAO is a "smart contract" or piece of code that disburses funds or takes other actions based on the approvals and decisions of members who hold ownership "tokens." One way to think about DAOs is as "a group-chat with a shared bank account." I'll dive further into the applications of DAOs for the social sector in the next section, but DAOs have been used to crowdfund vast sums of money in stunningly short periods of time.

You might have heard about ConstitutionDAO that raised US$47 million in donations in one week to buy one of the 13 remaining copies of the US constitution. They were ultimately outbid at Sothebys, but their ability to go from idea to a bank account of $47 million within an extremely short period of time (a few weeks) caught the attention of museums, institutions, and nonprofits that spend decades raising a fraction of that amount.

The process worked like this:

- People who wanted to participate in ConstitutionDAO donated a sum of money (denominated in the Ethereum currency) to the DAO
- In exchange for their donation, they were issued voting tokens
- Those voting tokens enabled them to cast votes via democratic decisions about how to spend money, what would happen if the copy of the US Constitution was actually acquired, etc.

DAO-based fundraising could be adapted to the social sector through participatory grant-making or participatory fundraising. DAOs might provide more value for crowdfunding (like ConstitutionDAO), where a group of strangers - disconnected by geography and unknown to each other in the physical world - come together to raise capital. Syndications of impact angel investors might also use a DAO to source, screen, and ultimately make investing decisions in impact investments.

Participatory grant-making is being done successfully without DAOs or any blockchain technology, and it is not entirely necessary to have blockchain-based DAOs underpin such an operation, especially if community members know each other, operate in a high-trust environment, etc.

Whether it is traditional fundraising, Kickstarter crowdfunding, or DAO fundraising, the fundamentals are the same: mobilizing a community is pre-requisite. Activating and engaging a network is upstream of any new technology being applied.

You can learn more about DAO-based fundraising here and can listen to a podcast about ConstitutionDAO here.
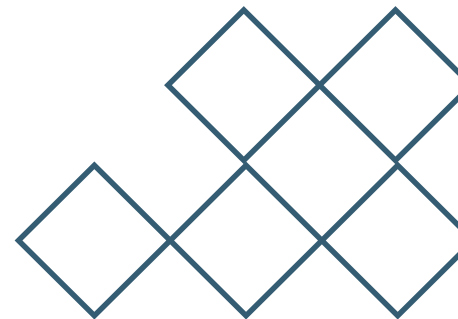
05. New Ownership, Organizing, and Activism Models

If you spend enough time on web3 Twitter, you'll pick up on a theme of populism and economic redistribution that is quite similar to the trend in the social sector of redistributing power and wealth back in the hands of communities.

If the battle-cry of the activist is "power to the people!" then the battle-cry of the web3 developer is "code to the people!" The objective for web3 enthusiasts is to disintermediate the biggest tech platforms and place decision-making and wealth-building opportunities in the hands of many.

Much of the decentralized web (web 3.0) built on blockchain technology is a response to the centralized web (web 2.0) where all the power, wealth, and data accrued to massive platforms like Google, Facebook, Spotify, and Amazon.

In this specific area, the Crypto Bro and the Social Justice Activist share similar philosophical underpinnings rooted in redistributing power and wealth.

Which leads me to explore some of the most emergent, messy, and fascinating applications of web3 technologies: how the blockchain can create new governance structures where decision-making is shared and wealth is distributed. This stuff is messy because it's new, decentralized, and participatory. So far the technology itself hasn't solved our species' fundamental challenge: humans figuring out how to organize themselves towards shared goals.

As a reminder, DAOs are online communities where everyone is an owner and a voter; decentralized power through shared ownership.

Every DAO is different, as designed in the smart contracts that contemplate how decisions work, how votes are collected, etc. DAOs can be conceived in an infinite number of ways for an infinite number of online communities. But underneath all the permutations are some fundamentals that can be applied to social movements, advocacy work, and those in the business of building political, economic, and social power.

Building Worker Power

Union membership in the US has been in the decline since the 1940s, and while there is nothing to suggest that DAOs will turn this trend around, DAOs have the potential to mobilize and activate online worker communities to advocate for policies, benefits, and other worker protections, thereby serving as a type of 21st-century union. Crypto VC Li Jin has a thread on Twitter about the potential for DAOs to be a force for economic justice, and she uses the example of YieldGuild, which is an online community of 102,000 play-to-earn gamers globally who make a living playing online games with NFTs.

As the metaverse (and the entire digital-first economy) grows in popularity, more and more people will have jobs or gigs in digital-first spaces, which means it's conceivable that YieldGuild will grow into a powerful lobbying force for equitable and fair game development policies and practices that center the best interests of its members. It's also possible that in-real-life workers like those at Amazon or Starbucks could form new DAO-based unions and issue ownership tokens, make decisions, and lobby their employers for better working conditions and pay.

DAOs and Shifting Power Dynamics

Spend enough time in the nonprofit industrial complex, and you begin to realize how much money leeches out through the process of foundations giving dollars to nonprofits and nonprofits providing services to communities. In many cases, everyone is getting paid (foundation staff, consultants, nonprofits, contractors, etc.) except for the ultimate beneficiary whom this whole industry has pledged to center and prioritize. I could rant about this for a while, but I'll spare you my pontifications on the nonprofit industrial complex by highlighting one way that DAOs could disrupt this.

Imagine you're a community who has been targeted by nonprofits and foundations because they believe you need help (despite you not being brought into that decision-making process). Instead of being a benefit-taker, where wealthy people and nonprofits come up with the strategy, programs, resources, and support that they think you need, you decide to become a benefit-maker by forming a DAO with other members of your community (possibly through the crypto-philanthropy platform Endaoment). Then you reach out to the foundations who believe you need help, and you tell them that you'd prefer for them to transfer all the money they've ear-marked for your community into a DAO of community-members who then make the decisions on how to spend it. Instead of a fraction of the dollars making it to you, you get 100% of it upfront, and then your community is in a position of power to vote on the best ways those dollars should be spent. If you find it valuable, maybe you hire a nonprofit to help convert those dollars into impact in your community, but the point is that it's now your decision and that nonprofit is accountable to you, not to the foundation.

If you've been following along with similar sentiments in the social sector for a while, this idea isn't new. But what is new is how the DAO model attaches a bank account to a decentralized community and how that bank account is governed through a participatory governance and voting structure. Critics will point out many issues with this; from the digital divide to educating members on DAO-based governance to equitable voting to the claim that experts are better positioned to make decisions for community-members than they are themselves. Maybe this concept struggles in practice, but I like the way a community-powered DAO can flip the power dynamics.

DAOs and Leaderless Movements

DAOs can be useful governing and decision-making mechanisms for movements that are decentralized without traditional hierarchies. Numerous social justice organizations have flat leadership structures or are decentralized into a mosaic of local chapters across the country (ex. Black Lives Matter), and DAOs might provide value for local chapters or nationwide organizations to make decisions, allocate capital, and self-govern.

DAOs and Climate Change

KlimaDAO is a DAO with 42,000 members focused on accelerating the price appreciation of carbon. The logic is that a high price of carbon spurs innovation from companies and economies to switch over to lower-carbon technologies and energy sources, so they're focused on more fully integrating a carbon market into our economy. Each Klima Token is backed by a carbon credit amounting to one ton of carbon, and the DAO serves to buy and trade carbon credits, which are then translated into tokens.

DAOs and 501c3s

We will likely see more social change organizations choosing to form a DAO before they form a 501c3, or not choose to form a 501c3 at all. If members of the DAO would prefer ownership tokens over tax deductions, then perhaps the tax benefits of a 501c3 are less valuable and the DAO can operate without the 501c3 designation. Because DAOs are self-governing based on their specific set of smart contracts, there is no need for a non-profit board or other artifacts of traditional non-profits (until, of course, you intend to offer tax deductions for donations.

It's important to remember that web3 technologies are not the first time organizing, activism, and lobbying are brought into digital spaces. There are many ways that communities have been using online tools to build worker and community power. DAOs simply introduce a decentralized governance structure and the opportunity for members to have economic ownership of the DAO's assets.

06. Democratizing Wealth Building

Web3 technology decentralizes the opportunities for owning digital assets, which means wealth is not just built by Facebook and Google (in Web2), but instead people and organizations anywhere in the world have the opportunity to own assets (which, of course, might go up or down). For those who are interested in democratizing the building of wealth, Web3 technologies present potential (and volatility).

This section will explore two topics: 1) Web3 and the racial wealth gap in the US and 2) the ways that web3 technology is creating digital-first economies where entirely new communities can build wealth around the world.

The Racial Wealth Gap

The stunning and devastating book "The Color of Law" by Richard Rothstein chronicles the history of racist housing policy in the last 100 years in the US. What makes racist housing policy so pernicious is that its racist outcomes are exacerbated by the power of compound interest over time. When Black people were denied the right to buy a home in the 1950s, they were also denied the right for that asset to accrue and compound appreciation over the next 70 years. This is what's so upsetting about racist housing policy; it's extremely hard to undo. Our Fair Housing Laws today prevent future discrimination, but they don't fix the historical disparity in wealth that has been created and compounded.

It is justifiable for everyone to be upset about how these racist policies have compounded into a reality where median White household wealth is $134,000 whereas median Black household wealth is only $11,000. We need to shape the future wealth building opportunities (beyond housing) and ensure that we don't repeat the last 100 years of racist housing policy in the next 100 years with different assets.

Investing in crypto currencies is extremely risky, and there are many differences between buying a house in the 1950s and buying crypto today. But web3 technologies present new (speculative) wealth building opportunities for communities historically cut out of other opportunities like affordable home ownership, and because we're in the early days of these currencies, NFTs, and other digital assets, it's worth exploring ways to ensure we apply principles of equity, access, and inclusion into these wealth-building opportunities.

2X AS MANY MEN INVEST IN CRYPTO AS WOMEN

👨👨 VS 👩

16% OF THE US POPULATION HAS INVESTED IN CRYPTO
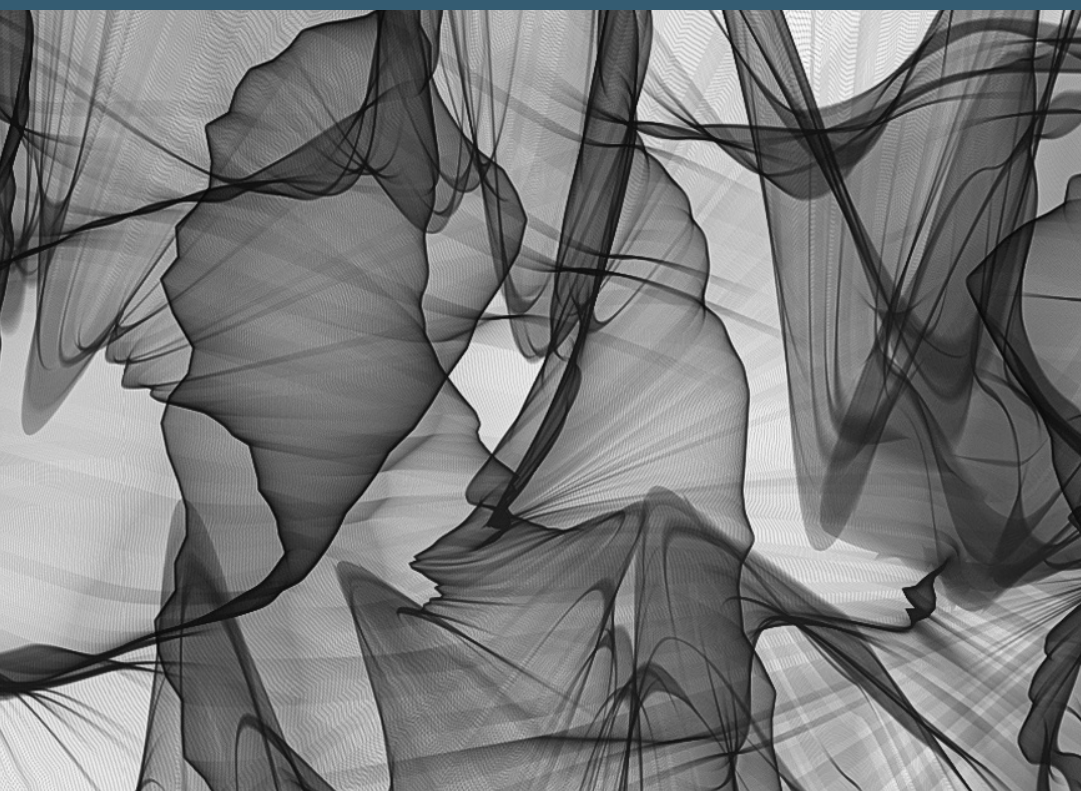
Investing crypto Is not inherently different than invesing in public equities like stocks and mutual funds (if anything, investing in crypto a riskier proposition). But to the extent that investing is a means to wealth-building, the social sector would do well to consider ways it can leverage web3 to build wealth for the communities it cares about.

There are groups like Black Bitcoin Billionaires doing just this. BBB is an online community supporting Black people to build generational wealth through crypto. Only one year old with 138,000 members, BBB is an example of a number of Black communities that are focused on making up for the lost time and lost wealth after years of systemic racism by focusing on cryptocurrencies and other stocks. According to Nasdaq, 23% of African-American investors and 44% of investors of color own cryptocurrency.

Cryptocurrencies like Bitcoin and Ethereum have performed extremely well in the last 10 years, but investing professionals will advocate for a balanced, diversified portfolio that is not over-indexed in cryptocurrencies or other speculative asset classes (like NFTs). Whether it's crypto or other asset classes, expanding access to ownership is one approach to closing the wealth gap.

And the good news is that asset ownership is being democratized. Retail investing platforms like Robinhood could be some of the biggest drivers of wealth-building amongst populations who have traditionally not participated in the financial markets: 63% of Black Americans under the age of 40 are now participating in the stock market, and 29% of young Black Americans became first-time investors in 2020, compared to 16% of White Americans. In 2020, 50% of all new wealth came from rising stock prices.

50%
of all new wealth created in 2020 came from rising stock prices

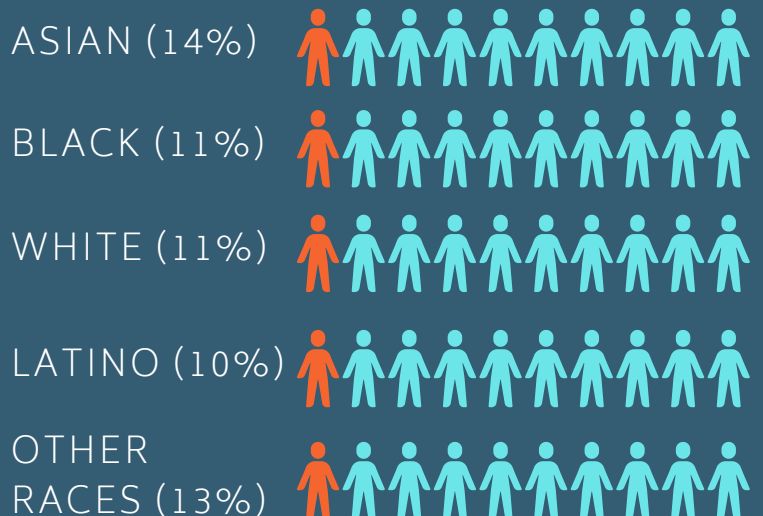## 2 IN 5 INVESTORS OF COLOR OWN CRYPTOCURRENCY

3 IN 5 BLACK AMERICANS UNDER 40 ARE PARTICIPATING IN THE STOCK MARKET

YOUNG BLACK AMERICANS WERE 2X AS LIKELY TO BECOME FIRST-TIME INVESTORS IN 2020 AS WHITE AMERICANS

PEOPLE OF ALL RACES ARE EQUALLY LIKELY TO OWN CRYPTOCURRENCY

ASIAN (14%)

BLACK (11%)

WHITE (11%)

LATINO (10%)

OTHER RACES (13%)

The Wealth In Digital-First Economies

The power of an ownership layer on the internet where a piece of code now has economic value means a range of wealth-building opportunities and jobs in new digital-first economies.

- Cryptocurrencies = the currencies of digital-first economies
- Digital-first economies = the economic system of digital worlds (i.e. the metaverse)

YieldGuild (referenced above) is a guild of 100k+ play-to-earn gamers who make money by playing online games, creating NFTs, spawning and selling new avatars, and transacting other business within metaverse-like online worlds. More and more people are making a living (and making vast sums of money) by conducting business in cryptocurrencies and other digital assets in these digital-first economies. If inequitable economic systems (whether online or in real life) exacerbate wealth gaps and lead to crippling economic inequality, then those committed to equitable, inclusive economic systems need to be involved in shaping how the metaverse's digital economies can be inclusive and participatory.

Axie-Infinity

Axie Infinity is an online, blockchain-based video game where gamers "play-to-earn." Axie has 2.8 million daily gamers and the average gamer makes US$60 per day. Collectively, US$3.6 billion has been exchanged on their online NFT marketplace. Unlike traditional video games, Axie is a game designed and owned by its gamers. Gamers get issued Axie tokens by playing the game, which they can then use, spend, and sell in this digital world.

Axie represents a new way for people to earn a living, especially for those in developing markets. 40% of the play-to-earn Axie gamers are based in the Philippines, making it the country with the most Axie gamers, followed by Venezuela, the US, Thailand, and Brazil. In Thailand, the minimum wage per day is approximately US$10.50, compared to the US$60 that the average Axie gamer takes home, making Axie Infinity, along with other digital-first economies, an opportunity for income generation in the global south (Axie Infinity is a game of its parent company, Sky Mavis, based in Vietnam). Many of these gamers onboard to the game via a guild that sponsors them to get started and then takes a cut of their earnings. I can envision guild-based social enterprises that work to onboard new gamers in remote areas, helping them with everything from hardware to wireless plans to saving and investing.

Artists and Wealth Building

Musicians only capture 12% of all music revenue; the rest goes to platforms like Spotify and record labels. For every 1,000,000 streams of a song on Spotify, an artist only makes $3,500-4,000. 80% of a musician's income comes from touring, but with the pandemic limiting or canceling tours, artists can't rely on this revenue stream.

But Web3 technologies allow artists to own their music and control their distribution, which means they can capture far more than 12% of their music's revenue. Platforms like Audius allow musicians to price the streaming of their music in ways that allow them to capture up to 90% of the revenue. Musicians have more control over their music, its distribution, and their community of fans in ways that centralized platforms have historically prevented.

For nonprofits and social change organizations that support underrepresented artists (not just musicians), the new platforms and business models of web3 digital economies will enable expanded wealth-building opportunities for many artists who are forced to take second and third jobs to support their creative pursuits. They can reach more fans, build an online community of them, and generate more royalties. For creatives (especially those who are underrepresented), web3 has immense potential.

Musicians only capture 12% of all music revenue.

This is like working an entire year, but only starting to get paid around Thanksgiving (when 88% of the year is over).

07.
Additional Concepts + Opportunities

In this section, I'll touch on a few other Web3 opportunities that are relevant to social change.
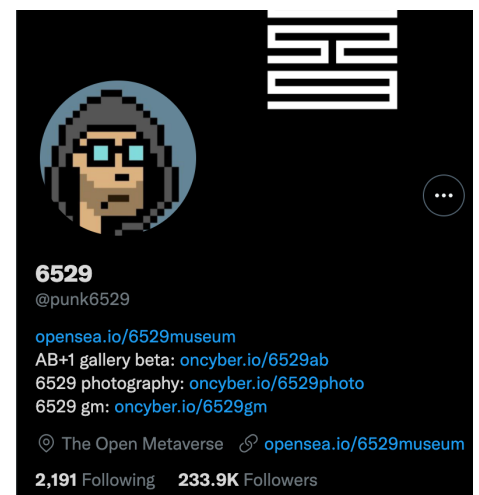
Increasing Access Through Decentralized Finance

Decentralized Finance (DeFi) is the term used for the set of financial applications built on blockchain technology that remove third-parties and intermediaries (like banks) from transactions, enabling people to transact their financial affairs peer-to-peer. Decentralizing finance by removing intermediaries has the potential to reduce cost, reduce bias, and increase financial access and inclusion. Take Goldfinch, a blockchain protocol that allows anyone (not just banks) to issue loans in emerging markets without any collateral. Goldfinch is one of hundreds of DeFi applications that have the potential to create more equitable access to capital.

The promise of DeFi is to put the power in the hands of the end-consumer where people aren't beholden to centralized financial institutions, some of which have become racialized and biased in their lending, in their fees, in their investing. DeFi is still clunky and has issues of both privacy and security, and while it is still early in its formation as a set of tools and applications, the overlap of DeFi and social change is significant. One note: DeFi and social change probably deserves its own entire white paper.

Pseudonymous Identities

Many people investing in crypto and engaging in DAOs are showing up online under pseudonyms where their real identities are concealed. For many who collect NFTs, an NFT avatar has replaced the thumbnail photo of themselves on Twitter, Discord, and other platforms. This mainstreaming of pseudonymous identities and avatars originated from the video gaming community, where people use digital avatars and pseudonyms on gaming platforms.

Pseudononymous profile on Twitter.

This might feel like a minor point, but pseudonymous identities allow people to escape identity politics and build relationships based on online and on-chain merits, as opposed to racial, gender, or other biases that have stood in the way of people having a platform to exercise their voice and demonstrate their credibility. Pseudonymous identities provide a way for people's work to speak for itself without getting entangled with identity-based prejudices.

Economic Self

The concept of Income Share Agreements (ISAs) have been around for sometime where students (or anyone) agree to pay out a share of their future income in exchange for a student loan today. But the digital tokenization inherent in the blockchain is taking ISAs to a new level where people are selling tokens of themselves.

One French entrepreneur sold tokens of himself ($ALEX tokens...his name is Alex) where people who buy his tokens can then vote on the life decisions they want him to make in his life. In essence, he has granted the people who have "bought him" the power to tell him what to do.

Dystopian and problematic on many levels (don't take this example as an endorsement), but perhaps people will be tokenizing their careers in ways that give their fans and supporters the chance to participate in the upside if they do well. One can imagine activists exploring a similar arrangement. This article talks about the financialization of everything, including ourselves.
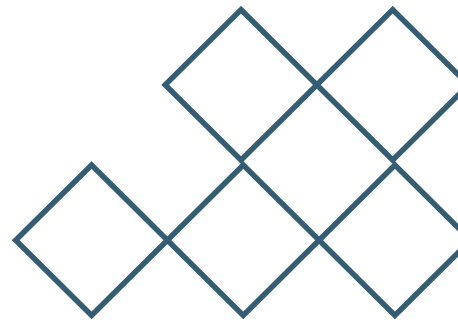
08. Cautions + Concerns

Web3 technologies are in their infancy, and there are as many problems and risks as there are opportunities. Not every process or asset or technology should be put on-chain. Blockchain brings specific advantages, but it also has drawbacks and ways it adds further complexity and cost. Many Web3 maximalists make the mistake of wielding their crypto hammer and believing that everything looks like a nail.

Incorporating ethics and equity-lenses into the ways that Web3 technologies are applied to the social sector will be critical so there is consciousness about both the risks and the potential.

Volatility

For those who are investing in cryptocurrencies, they're extremely volatile and are not a guaranteed wealth-builder. Vast sums of money can be wiped out in a matter of hours, which means investing in crypto is not for the uninitiated who don't fully appreciate the risks, the time horizons, and the transaction costs. As of the time of writing, crypto markets are down significantly from their highs in q4 2021. This is probably a good time to mention that nothing in this white paper should be considered investing advice.

Transaction Costs

Exchanging cryptocurrencies and selling digital assets comes with notoriously high transaction costs. This is particularly true on the Ethereum network where transaction fees (called "gas fees") can be astronomical. For those who contributed to ConstitutionDAO, the median contribution was US$217, but it cost approximately US$50 in transaction fees to deposit the $217 in ConstitutionDAO, and because the campaign to buy the constitution was unsuccessful, donors will need to pay another $50 to get their original $217 back. For people buying cryptocurrencies on retail investing platforms like Coinbase, they should expect fees of 1.5%-2% to buy and sell cryptocurrencies. You can find cheaper fees on other platforms, but these fees can be 5x-20x the fees of buying a low-cost index fund from Fidelity or Schwab. From a wealth building perspective, 1-2% fees can compound into $300,000 of fees over the lifetime of investing, which means any equity-centered wealth-building strategy needs to understand how these fees eat into generational wealth-building.

Digital Divide

Web3 technology is hard to understand and hard to use. There is a substantial digital divide even between those familiar with the internet of the last decade and those who consider themselves web3 super-users. For those who haven't yet been onboarded even into the internet age, web3 applications, currencies, assets, and applications can be overwhelming and time-intensive. This is, perhaps, one of the biggest challenges of web3 being applied to the realm of social change. For communities (either in the Global South or here in the US) to tap into the economies, wealth, and opportunities that web3 can offer, major investments in access, onboarding, and training will be needed.

Lack of Representation

Twice as many men invest in crypto as women, which exceeds the gender gap in traditional investing. Racial and gender gaps in financial access are not exclusive to cryptocurrencies, but they're pronounced in all things Web3 (from investing in cryptocurrencies to NFTs, etc.). Beyond expanding access to specific communities to invest in cryptocurrencies and mint NFTs and other digital assets, one of the best steps we can take is to place people who are centering these communities and prioritizing values in places of leadership at the organizations, protocols, and DAOs that are shaping the movement.

Financialization of Everything

The example above of Alex selling tokens of himself and empowering people who buy them to determine how he lives his life is a startling dystopian reality. The financialization of everything did not start with Web3; late-stage capitalism has a way and a reputation of finding its way into every nook and cranny of our existence, but the ability to tokenize shares of a human life and sell those shares to partial owners who then govern that human is a remarkable invasion of corporate legal structures into the life of a heart-beating human, who also has to answer to a family, and, of course, to themselves.

The fundamental innovation of web3 is the creation of an "ownership layer" on the web where code is connected to financial value, but that doesn't mean that everything should be financialized. It doesn't mean that every piece of digital art should be bought or sold, that every artist should commercialize themselves, that every newsletter from a non-profit should be minted as 1 of 50 rare copies of that specific edition, and so on. Without thoughtful design, policy, and regulation, web3 innovations and markets have the potential to exacerbate racial and gender inequities. As Web3 financializes what was once not financialized, leaders in this space must find ways to integrate an equity-lens into decision-making and strategy.

08. Cautions + Concerns

## Financialization of Everything (cont...)

For those in the social sector who are looking to build a more inclusive capitalistic system, the suite of web3 technologies and applications is not a set of panaceas right out-of-the-box. They will require shaping, regulating, and governing to ensure an equitable distribution of wealth in an increasingly financialized world. They will also require the hard decisions about what parts of our society should not be financialized even to begin with.

Digital Selves vs. Physical Selves

Web3 technologies point to a world where more of our commerce, interaction, and social lives take place in digital-first spaces. These digital-first spaces will have their own economies, their own governance structures, their own currencies, and their own artwork. This is a world lived in the metaverse, and while much of today's coverage of the metaverse paints it as a future state, I believe the metaverse is already here in fragments (social media, video-gaming, etc.).

The cost of being addicted to social media is already well documented, but what is the cost of having our digital-selves overtake our physical ones in importance and primacy? What is the cost to social cohesion when we only operate in digital spaces? And what happens for those who are cut out of such spaces due to the digital divide?

The anthropological, political, and social impact implications of living more of our lives in digital-first spaces is not the purpose of this white paper, but Web3 technologies are critical technology infrastructure to the metaverse, and we need to be conscious of the ways that digital currency, digital art, digital economies, and digital, pseudonymous identities will pull us away from our physical lives. We might not be able to comprehend the implications of this transition, but we should be conscious of it.
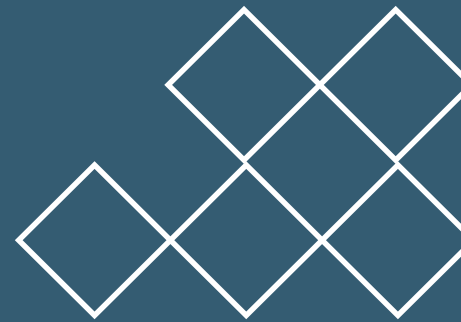
09. Things to Build

Finally, I'll wrap up with a few concepts of ventures and solutions that could have potential at the intersection of Web3 and social change. I welcome more ideas here (I've just thrown out a few), and I'll add them in as people point out additional opportunities.

- Supporting underrepresented artists get onboarded into NFTs so they can sell their work
- Transitioning existing community-based organizations or community members into DAOs
- Talent company placing equity-focused talent into Web3 companies so there is greater representation in the Web3 space
- Onboarding underrepresented folks to responsibly invest in cryptocurrencies and alternative web3 asset classes
- Coding schools that train underrepresented folks in blockchain technologies as developers, builders, gamers, etc.
- Equipping small main-street businesses with the knowledge of how to take advantage of digital-verse economies (selling digital assets, buying digital real estate, etc.)
- Agency that works with celebrities to mint NFTs in partnership with nonprofits where NFTs are owned by the nonprofit
- Global-south-focused guild onboarding play-to-earn gamers for metaverse games and other opportunities to identify global-south talent
- Impact investing syndicate for angel investors run through a DAO
- Labor organizers finding ways to leverage DAOs to advance digital-economy workers or real-life economy workers rights and benefits
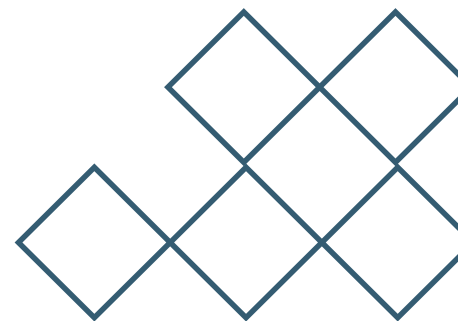
Let's Connect

I'd love to hear from you.

What is the one thing that can make this white paper better?
What's missing? What additional opportunities are there at the
intersection of web3 and social change?

Email: banks@uncharted.org
Twitter: @banksbenitez
Writing: banksbenitez.ghost.io

BANKS BENITEZ

Co-Founder & CEO, Uncharted

Banks Benitez is the Co-Founder and CEO of Uncharted, a social
impact accelerator that supports early-stage ventures tackling
economic inequality in America.

Since becoming CEO in 2017, he and the Uncharted team
together have doubled the size of the organization by building
major partnerships with brands like Chipotle, Facebook, Visible,
and NBC Universal, moved the organization to a 4-day workweek
where people get 100% compensation to work 32-hours a week,
and built a values-driven, culture-forward business that was
recognized in 2019 as one of Outside Magazine's best places to
work in the US. When he's not working, Banks is learning to cook
and spending time in the Colorado backcountry.