

TL;DR

MEV Auctions enshrine the right of the richest to extract money from the poorest at a protocol level, and when people realize that, it will kill the network.

Here is an explanation of MEV Auctions in case you haven't come across the idea before:

MEV Auction: Auctioning transaction ordering rights as a solution to Miner Extractable Value Economics

Special thanks to Vitalik for much of this, Phil Daian as well (& his amazing research on MEV), Barry Whitehat for also coming up with this idea, and Ben Jones for the rest!

Blockchain miners (also known as validators, block producers, or aggregators) are nominally rewarded for their services by some combination of block rewards and transaction fees. However, being a block producer tasked with producing a particular block gives you a lot of power within the span of that block, letting you arbit...

OK, so now for the long version...

Have a look at this spreadsheet: <https://drive.google.com/file/d/1xYpZ1MI6ZH3u4lgrgsiHwkEUW2Bh9byA/view?usp=sharing>

It's a simple model of a Uniswap pool. It shows the relative cost/benefit of bidding in an auction for average users vs whales. It shows that whales can extract value from everyone else continuously under an MEV auction system and that it is impossible to protect yourself from it.

Rather than fixing the problem of MEV, auctions worsen it and then attempt to whitewash the fact with promises of virtuous spending.

It's like trying to fix the problem of organized crime by giving mafia bosses jobs in the civil service and letting them run the country.

Consider what may happen if we go down this path...

Optimism will be released to mainnet shortly. Users will enjoy massive speed improvement and cost reduction. Yay! Assuming the centralized sequencers are honest and do not attempt to run MEV auctions, users will also enjoy slippage free transactions on Defi. Triple yay! They are going to notice how much better off they are than when MEV was a problem, and they'll love it.

Then the distributed MEV auction sequencer comes out and it's like a bomb going off...

The slippage returns, but not just that, it is far worse than it was before. Users start to hear something about how their orders are now being exploited not just by a few naughty miners, but by design in the new protocol.

The press picks up on it. The right to rip you off is now being sold to the most wealthy in the Ethereum network. Furthermore, the spoils are going to the developers and advocates- the very people that engineered the crime! They're not going to see this as a virtuous funding of the commons. It's going to look like corruption. Who do you think is Gamestop and who is Citadel in this narrative?

This will create a crisis that the developers will be forced to react to. If MEV Auctions are the only plan, then at this point failure is the only option. Either Optimism returns to centralized sequencers for good and Ethereum becomes Binance Coin, or it sticks with MEV Auctions and the user base enters terminal decline.

The Flashboys 2.0 MEV analysis paper and MEV-Inspect are brilliant. So valuable. MEV-Geth not so much. We need to drop the idea of MEV ever being virtuous and drop MEV auctions as a solution.

There are much better ways of doing this stuff.

UPDATES: Where Ethereum is headed with MEV left unfixed.

In response to Phil Daian's post "Mev... wat do?", I have published this Medium article "Mev... do this."