I (Optimism co-founder & CEO at OP Labs) wanted to put this post together to explain some context behind why OP Labs will be requesting Retro Funding for the Custom Gas Token feature in the OP Stack round, and explain how it relates to the vision for sustainable funding for open source and impact=profit. Would love any feedback on this first step towards achieving Retro Funding nirvana.

Let's dive in.

The Public Goods Funding Problem

Optimism's founding was spurred by the realization that in order to achieve the Ethereum vision we would need to solve the public goods funding problem. In our post announcing the transition from Plasma Group to Optimism we wrote:

Scalability is still a priority — but another critical issue has become clear to us: the problem of funding and sustaining public goods

.

As open source Ethereum developers, we could see the disproportionate investment in speculativeapplications and protocol security when compared to core development & the creation of Ethereum ecosystem public goods.

We need in-protocol mechanisms for sustaining open source to feel confident that we could create a decentralized internet that would stay decentralized and open source indefinitely. This meant scaling Ethereum wasn't enough, we would also have to create a mechanism for funding the public goods it is based upon.

Retro Funding Flywheel

We're making a bet that Retro Funding is the most credible mechanism to create an incentive loop that maintains decentralization of the protocol.

[

image

2000×1817 187 KB

](https://europe1.discourse-cdn.com/bc41dd/original/2X/1/15cb0a470611974feb8da02fbf87056c08492ef6.jpeg)

One goal of Retro Funding for Optimism is to make open source contributions to the OP Stack an economically rational strategy for everyone from individuals to large teams. It's not a replacement, but an alternative to closed source or extractive business models. Imagine the impact and velocity we could achieve if building open source was not just the most fun and impactful but also the most profitable!

Retro Funding OP Labs' Contributions

Now that the Collective is growing and becoming more self sufficient, it seems like a perfect time for Labs to put its money where its mouth is and prove Retro Funding really works. If OP Labs doesn't believe in Retro Funding enough to rely on it as a purely open source business model, then how can we expect others to take the plunge?

OP Labs is a Public Benefit Corporation (PBC) and has thus far been sustained by VC Funding. However, being a PBC means that while being for-profit, Labs is bound by its charter to "enshrine fair access to public goods with open source software." Today OP Labs receives grants from theOptimism Foundation to work on the core protocol, but the goal since OP Lab's inception has been to write OSS while being fully sustained by and reliant on decentralized governance. We now have an opportunity to realize this goal, show that Retro Funding works, that impact=profit, and that Ethers Phoenix is really a global attractor.

A Baby Step

We are taking a very small step towards this vision with applying to Retro Funding 5 for the Custom Gas Token feature. This feature was developed without a grant from the Foundation but we think it's still had a really positive impact on the Collective. Anyway, more specifics on that coming soon!

In the meantime, would love any and all community feedback on our first steps towards participating in Retro Funding and, in the process, addressing the problem we set out to solve years ago—the problem of funding and sustaining public goods

.

Oh and here's a lil' quote from Vitalik

this is not just another slight improvement to what exists. Rather, it's an initial foray into a fundamentally new class of social technology which, has the potential to overturn how we make many public decisions, large and small. The ultimate effect of

these schemes rolled out in their full form could be as deeply transformative as the industrial-era advent of mostly-free markets and constitutional democracy

.

You might think it but this wasn't Vitalik writing about the potential of AI