

SyzygyCon Pre-Reading Materials

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SyzygyCon Prizes Conversation

Explore creating a uniquely designed prize that leverages our assets to address an issue that Reid cares about, such as entrepreneurship, public intellectualism, and human ecosystems.

PRIZES, PRIZES, PRIZES

Whether we're recognizing superior acting performances or the most significant contributions to economic theory, or attempting to spur innovation in the realm of robotic cars, prizes are an effective mechanism for capturing the public's attention, spurring innovation, and encouraging various kinds of behavior.

In its 2009 report on the prize sector, "And the Winner Is..." McKinsey & Co. notes that there are now more than 200 prizes with awards of \$100,000 or more each year. More than 60 of them, with a cumulative purse of more than \$250 million, have debuted since 2000. Since this report was published, several even larger prizes, including the now-largest prize in the world, the Fundamental Physics Prize, and a related prize, the Breakthrough Prize in Life Sciences, have debuted.

In addition to all this activity in the private sector, the Obama Administration officially endorsed prizes in 2009/2010 as a way of solving problems and increasing government agency efficiency.

Awards, Honors, and Prizes, the main annual directory of prizes, now lists more than 30,000 different prizes each year. Here's a few reasons they're so popular, especially as a form of philanthropy:

- Prizes are extremely efficient forms of investment as they reward only outcomes, not efforts.
- For a prize purse of X dollars, you generate substantially more than X dollars in terms of output. In other words, when you establish a prize to invent some new kind of technology, the individuals and companies who pursue the prize may collectively invest more time and money into *pursuit* of the prize than that total amount of the prize offered.

- Innovation and incentive prizes motivate everyone who participates to develop and improve skills, not just those who end up winning.
- You generate more interest from more possible innovators thanks to the competitive nature of the “grant” and because of the status boost afforded to the winner.

While the popularity of prizes is a testimony to their efficacy and appeal, the increasingly crowded prize sector also means it's harder to stand out and easy to duplicate coverage. As the McKinsey report notes, the burden is on the philanthropist to explain why the world needs another recognition prize!

Still, the positive results that many prizes produce suggest that this is a powerful mechanism to leverage, with the potential to create substantial social impact.

PRIZE TYPES

Prizes tend to fall into two major categories: Recognition and incentive.

Recognition prizes are present for specific achievement involving effort initiated independently of the prize competition. Some popular examples include:

- Nobel Prize
- Pulitzer Prize
- PEN Award
- MacArthur Genius Prize

Incentive prizes encourage participants to pursue a specific goal that the prize-offerer has set. Some examples include:

- DARPA driverless car challenge

- Netflix algorithm challenge (improve Netflix's recommendation engine performance by 10 percent)
- Google Lunar X Prize (\$30 million prize to first privately funded team to send a robot to the moon and have it conduct a specific series of tasks)
- Ansari XPRIZE (competition to build a spacecraft capable of carrying three people to 100 kilometers above the earth's surface twice within two weeks)

In the case of incentive prizes, there are also at least two ways to structure them to achieve different ends:

- You may ask participants to engage in some specific quest that will ultimately lead to an innovation (usually product-based) that has some societal benefit. ("Invent a \$200 robot!")
- You could ask participants to engage in some kind of behavior that promotes social good. (Imagine a contest that gives a prize to the town that achieves the greatest reduction in energy usage over a given period.)

Either a recognition or an incentive prize can potentially be the right choice.

INNOVATE IN PRIZE REWARD

One reason prizes are popular is because they give such clear-cut rewards – most often a large sum of money. As large-purse prizes grow increasingly common, however, the ability to attract attention and interest simply by offering a million dollars diminishes some.

In addition, McKinsey's research shows that the size of the purse is generally not the greatest motivating factor – the chance to *compete* and win is. All of this suggests that one way to appear distinct in the prize sector would be to offer some kind of twist or innovation in terms of the reward, instead of just relying on the sheer brute impact of money.

Other potential creative rewards include:

- Equity in a start-up
- Bitcoins
- Highly desirable job (similar to The Apprentice, but would have obvious synergy with LinkedIn)
- Experiential reward, such as a future trip on a commercial space flight, coaching from elite mentors, etc.
- Unique work of art created by some acclaimed artist to your own specifications
- Other rewards that would allow the prize-winner to essentially capitalize on their own ingenuity to increase the value of the prize through their own entrepreneurship or public intellectualism. (In other words, if the prize is that some famous artist or super-smart coder is at my service for X number of hours, I can theoretically determine the value of my prize depending on how imaginatively/shrewdly I direct them to work on my behalf.)

INNOVATE IN PRIZE FREQUENCY

Most prizes have the worst "publishing" frequency in today's current media climate -- i.e., they happen once a year. That's one reason for the huge increase in prize sized. To get attention for your once-a-year media op, you have to make the reward huge.

Another strategy is simply to increase prize frequency. For example, it may be more effective to create a prize that happens on a monthly or even weekly basis than one that happens once a year, even if the greater frequency results in smaller rewards.

American Idol, which is arguably the most popular "prize" created in the last few decades, works on this principle. While it doesn't actually award a final prize every week, each person who makes it through a given week is essentially winning a prize of sorts (the invitation to continue competing for the prize).

Thus, it becomes an event that happens for months on end, rather than just a single evening or span of a few days, and as a result, huge numbers of people eventually become aware of it.

INNOVATE IN USE OF TECHNOLOGY / MOBILE / SOCIAL

INNOVATIVE IN HOW YOU ENGAGE THE MEDIA, RUN EVENTS, OR OTHERWISE GENERATE BUZZ

INNOVATE IN PRIZE JUDGING (IF RECOGNITION PRIZE)

With many incentive prizes, there are relatively clear-cut guidelines for determining a winner. With recognition and some incentive prizes, judges are usually called on to determine a winner. In the realm of entertainment-oriented prizes, the public sometimes serves as the judge (People's Choice Awards, American Idol, etc.)

Since raising awareness and creating engagement is often a key goal of creating a prize, asking the public to serve as judge is perhaps an underutilized aspect of the prize landscape.

This is especially true for realms like science or humanitarianism, where in large part the purpose of the prize is to engage the public, model specific kinds of behavior, raise awareness about various issues, etc.

Asking the public to make determinations about the most significant scientific breakthroughs of a given year might undermine the prize's authority if the public ends up honoring individuals or innovations of dubious value. But such a prize would also transfer responsibility and authority to the public in ways that Nobels, Pulitzers, and other similar prizes have never done, and thus could result in unprecedented engagement as well.

SOME SPECIFIC POTENTIAL PRIZE IDEAS TO DISCUSS

- Prize that rewards elected official for an act of political courage. Essentially, the prize would be designed to reward acting on principal

- and in the interest of the public instead of acting on behalf of political expediency, party loyalty, etc.
- Engage a broad group of journalists to be the curators and promoters of the prize, to help with subsequent media buzz.
 - Have the event on the 4th or 5th of July to reinforce themes of 5th of July Speech by Frederick Douglass
- Prize that rewards micro-entrepreneurship. The goal would be to encourage best practices that would increase the productivity of all participating in the contest, so that even those who don't win would see positive results because of their engagement. The prize would also ultimately showcase services/products/processes that others would then be likely to emulate, and provide capital to those micro-entrepreneurs who are best positioned to expand their businesses.
 - Prizes that rewards intellectual discourse
 - High school student version
 - Prize for best essay from high school students.
 - The top essays are all assembled into a book, which is donated to libraries.
 - Prize that rewards corporate ethical behavior
 - Prize for the immigrant who creates the most U.S. jobs in one year
 - Prize that rewards the organization that can upskill a cohort of people most effectively in a 6 – 12 month period. This prize would attempt to spur innovation and activity in addressing the skills gap that has left us with both high unemployment numbers and lots of unfilled jobs. While there are a number of organizations, including the Department of Defense and a national non-profit called Year Up that have had strong success creating accelerated learning programs that aim to imbue participants with high-value skills within a year or less, these programs aren't as wide-spread or as well-known as they could be. Creating a competition that encouraged these and other organizations would help publicize the fact to potential participants and potential employers that suggest programs exist, and it would also encourage new organizations to enter the field. (This prize suggested by Andrew

McAfee and Erik Brynjolfsson, co-authors of the book *The Second Machine Age*, and principals at the MIT Center for Digital Business.)

- Art prize. A prize that rewards outstanding painting, sculpture, photography.

Yet more ideas...

- A weekly prize that promotes news readership. (I.E., a quiz that asks questions based on news stories that happens that week. If you get all the answers right, you earn an entry into a drawing for the prize, which is \$10,000.)
- A prize that awards the top student, or students, in a set of MOOCs. Ideally, this prize would be co-sponsored by a specific company. The goal is to promote MOOCs as a viable alternative to college as a means of giving people the skills that employers are actively looking for. So, Company X might select six MOOCs that could reasonably prepare a person to fill a job at the company. The person who gets the highest cumulative score on the final exams of these six courses would win the prize – a large sum of money \$50,000 to \$100,000 -- and an internship at the company who co-sponsored it.
- Prize that rewards personal networks/mentorships: If you are the winner, you have to distribute a majority percentage of the purse to *others* who have been extremely helpful/influential in your life. [This could also be a twist on any other themed prize: the winner must give a portion of it to their network.]

Prize / Journalism Hybrid Idea: Silicon Valley Review of Books.

Silicon Valley is the most important place on Earth now. It has the world's greatest concentration of brainpower. It *needs* an explicit, vibrant intellectual life, people thinking in incisive, entertaining, and illuminating fashion about all the issues technology is bringing to the fore (income polarization,

individualism, privacy, automation, etc.) and a venue in which to think about them.

An ideal way to do this is through the lens of books, which have always been the medium most associated with intellectual thinking. Pairing Silicon Valley, land of the iPhone and Twitter, with old-fashioned books will grab people's attention via the intentional irony. But more than that, thinking about books through the lens of Silicon Valley will create a unique outlet in the realm of book reviews: one that is devoted primarily to books *about* technology, entrepreneurship, privacy, hacking, and innovation, topics which traditional book review sections have usually given short shrift.

How It Would Work

Silicon Valley Review of Books is a digital publication. Every Sunday, it publishes five book reviews on five different books, from contributors who've been assigned the review from an editor. The reviews are approximately 1000 – 2000 words long. Each contributor is paid \$500 for his/her review, and is also competing for a \$5000 weekly prize. Determining the winner is a matter of metrics. Page views, social media mentions, user comments about the review, and Amazon.com purchases of the book, through an affiliate link attached to the review, all have different point values and all contribute to the review's overall score. The review with the highest score at the end of the week is the winner. Its author gets paid \$5000 instead of \$500.

Why It Would Work

These days, the chance of earning \$500 for a book review is relatively rare. Getting paid \$5000 for a book review is unheard of. Since there are only five reviews each week, each contributor has a 20 percent chance of getting a very generous return on their efforts. This will compel them to do their very best work. In essence, this format generates 5000 – 10,000 words of content for \$7000 – or 50 cent to 70 percent words. Overall, that's below-market rates for what the *New York Times* pays for book reviews -- \$1 a word. And yet because contributors would be paid something for their efforts, and have a reasonably good shot at being paid as much as \$5 per word, which is a rate few writers will ever earn for any kind of freelance assignment, much less a book review, they will deliver their very best work.

In addition to writing at their highest levels, contributors (and their fans) are likely to try to promote their efforts as much as possible. So that \$7000 isn't just a payment for content. It's a payment for marketing and promotion as well.

Because of this unique facet, the *Silicon Valley Review of Books* isn't just a publication. It's a contest too. It generates interest through the spectacle of paying \$5000 for a book review -- something no one has ever done -- and creates drama through the weekly suspense of seeing who is going to win that week. All of this will lead to more buzz and more readers, which in turns leads to more exposure for interesting new books and facilitate intellectual discourse in the realm of Silicon Valley.

Over the course of a year, this venture would cost between \$400,000 and \$500,000 -- i.e., substantially less than the prize amount of many of today's top-level prizes. And yet it would likely attract more attention overall than many \$1 million prizes, because of its frequency, ongoing competition, and uniqueness. It would also help restore an aspect of culture that has been lost with the decline of newspapers: The superbly written book review.

SyzygyCon Journalism Conversation

If the organizations that once provided the newsgathering that is considered vital to the proper functioning of democracy are no longer economically viable, what can be done to ensure that citizens continue to have the ability to obtain accurate, contextualized, and comprehensive knowledge about the issues, institutions, and events that impact them?

NEWSPAPERS ARE DYING. SO WHAT?

Democracy works best when there is an informed citizenry. Throughout U.S. history, the news media has been the primary producer and distributor of content about issues, institutions, and events that shape American life.

While TV, radio, and now the Internet are all part of the overall news media ecosystem, printed newspapers are the institutions that have traditionally invested the most resources in reporting on government, business, schools, and other cultural institutions on a systematic and daily basis. Daily newspapers produce around 85 percent of all serious public affairs reporting. At their best, newspapers have held the rich, powerful, and famous accountable while simultaneously contained the “madness of the masses.”

They've been able to do this primarily because they maintained much larger staffs than magazines and local TV and radio station news departments. Traditionally, these staffs were largely supported by advertising. By the late 1980s, circulation accounted for only around 16 percent of the average large daily's revenue. Most of the nation's 1500 or so dailies operated as advertising monopolies/duopolies within their specific regions thanks to the high barriers to entry to the industry (printing plants, truck fleets, etc.). In their heyday, because they could charge their advertisers such high prices, they could simultaneously support editorial staffs that numbered in the hundreds and sometimes 1000s and still enjoy annual profit margins between 25 and 40 percent.

In just a little over a decade, however, the internet destroyed this model. The ability to transmit information digitally, without the need for printing presses, truck fleets, newsstands, or paperboys led to the end of the advertising monopolies that once funded reporting in America.

Suddenly, newspapers found themselves with insufficient revenue to support their substantial physical infrastructure and huge staffs. That has led to layoffs and sometimes even shutdowns. Over the last decade, the newspaper industry has shed approximately 28 percent of its editorial jobs, and around 100 daily newspapers have folded. Hundreds of papers publishing on less frequent schedules have folded as well.

While thousands of professional news outlets have emerged on the web during this time, relatively few of them cover local governments, state governments, Congress, and other important business and cultural institutions in the systematic way that daily newspapers have done throughout the 20th century.

WHAT KIND OF COVERAGE IS DISAPPEARING

In their heydays, large local dailies used to maintain city hall bureaus, statehouse bureaus, Washington bureaus, investigative bureaus, and foreign bureaus – i.e., separate units with dedicated staffers reporting on these specific beats.

Typically, the national and international coverage these bureaus provided was filtered through a local lens. The Washington bureau of the *Omaha World-Herald* would pay particular attention to Congressional matters related to the agriculture industry, the *Detroit Free Press's* Washington bureau would be focused on transportation policy legislation, etc.

In any given city, a local daily was most likely the greatest producer of local coverage pertaining to all of the following areas:

- Local and state government administration, legislation, and services including coverage of courts, state and local agencies, school boards, local commissions, funding debates, corruption, incompetence, waste
- Public health and healthcare
- Industrial developments
- Labor relations
- K-12/Higher education administration
- Energy issues

- Environmental issues

Over the last decade especially, newspapers have been eliminating foreign bureaus, Washington, and even state-level coverage. According to the *American Journalism Review*, for example, the total number of full-time statehouse reporters declined from 524 in 2003 to 355 in 2009.

While online publications and citizen journalists can actually expand coverage in many ways (think of Yelp), few new Internet news outlets give reporters the time and resources it takes to produce substantive investigative reporting and comprehensive and well-contextualized coverage of local government institutions, large corporations, etc.

BUILD A BETTER BUSINESS MODEL? OR BUILD BETTER KINDS OF REPORTING?

Much of the discussion around "saving journalism" has centered on the broken business model described above. I.E., if we could just find a way to pay reporters to do the work they've always done, that will suffice. For example, a common hope is to save money on print and delivery by distributing content online and then use the extra money to pay journalists.

But some observers believe news media companies should take this opportunity to more substantially re-imagine how we define, produce, pay for, and distribute investigative reporting, to better engage and inform the public. (Currently, Internet users spend just 2.7 percent of their time on news sites according to Nielsen Media.)

After all, today's reporters are equipped with word processors and other content management tools, phones that can record audio and video and take photos, send email, access Google, etc. In theory, any single reporter from 2013 should be far more productive than a reporter from 2003, and virtually an entirely new species than a reporter from 1993.

While changes in technology have boosted productivity, and news organizations have begun to produce new kinds of content (slide shows, podcasts, data-driven infographics, etc.), most still function very traditionally. For example:

Their standard unit of content is the story (i.e. they present content in discrete chunks that are usually chronologically driven)

- They emphasize urgency/immediacy over context. While a site like Wikipedia draws huge traffic in part because of its emphasis on context, virtually all digital news site continue to employ interfaces that give 99 percent of space to what happened yesterday.
- They largely depend on their staff to assign and initiate reporting (No news site of any note asks their readers to determine the bulk of what they should cover)

Could we rethink any of these component parts?

WITH THE RISE OF SPECIALIZED NEWS SITES, WHO WILL READ THE IMPORTANT BUT NON-SEXY STORIES?

The demand for substantive civic journalism could and should be higher. How do we get more people interested in consuming important journalism?

Historically, newspapers exposed the otherwise uninitiated to stories about local mayoral corruption or D.C. budget discussions by bundling celebrity gossip, horoscopes, comics, and Dear Abbey stories in the same product. They did this in part in a bid to attract the widest possible audience and taking advantage of economies of scale (and thus obtain a broad set of advertisers). The cash cow content like classifieds or lifestyle puff pieces subsidized the “serious journalism” that was bundled in to serve the public good.

Online news publications don’t have the same incentive to bundle disparate types of information together. Instead, publishers tend to focus on specific verticals, delivering finely segmented audiences to potential online advertisers. Many (most?) of the other specialized content sites do *not* focus on substantive original journalism. Consider juggernauts like TMZ, Gizmodo, or SBNation.

Some new content verticals *are* devoted to public affairs and investigative journalism and do away with lifestyle reporting or other fluff. Two notable examples are *Pro Publica* and *The Texas Tribune*, both of which forsake profits. They distribute their original investigative reporting in local editions of

publications like the *New York Times*. On the for-profit side, there's Politico. In the modern media landscape, the hypermotivated read Politico; the masses read TMZ.

To be sure, there are general news sites which defy this trend of specialization: Huffington Post, BuzzFeed, Yahoo News, to name a few. Each contains photos of crazy cats *and* important reporting on civic issues. And some people's Facebook newsfeed is a similar bundle of cats and serious news.

Is bundling cats with corruption the only way to expose Americans to important stories?

Or are there other ways you can increase demand for substantive journalism? (Gamification, interactive video options, etc.)

CHANGE CREATES CHALLENGES AS WELL AS OPPORTUNITIES

While journalism is in flux at the moment, journalism has been in flux throughout the history of this country. And new technologies have always demanded the development of new news media business models. In addition, these new technologies have also determined what constitutes news, how we value news, etc.

Thus, just because certain types of newsgathering institutions are dying doesn't mean that journalism itself is dying. Instead, it simply means that journalism is changing, just as it always has. These changes are creating opportunities along with challenges.

SPECIFIC IDEAS

There are three pieces of the supply chain that an idea can address: the production/creation of content; the funding of that content; and the distribution of that content. Next to each idea

CREATE A CROWD-FUNDING PLATFORM FOR JOURNALISM (All three)

See standalone document for more comprehensive coverage of crowd-funding's potential.

BROKER SPONSORED, OBJECTIVE JOURNALISM (Funding)

Keeping editorial separate from business concerns has always been a foundational concept in the newspaper industry. As a result, newspapers have never used their editorial talent to directly serve advertisers.

Instead, newspapers paid journalists to create content, that content was used to aggregate eyeballs, and access to those eyeballs was rented to advertisers. But while advertisers paid newspapers billions of dollars for this privilege throughout the 20th century, they also paid ad agencies billions of dollars to create display advertising for them to run in the newspapers.

In part, advertisers pay for display advertising because they want visually oriented ads. At the same time, many marketers believe editorial coverage is far more valuable than advertising, because of the perceived trustworthiness and objectivity of that coverage. Currently, professional PR people outnumber daily newspaper editorial staff by about 4 to 1, a ratio that attests to how much marketers do covet editorial coverage.

Advertising that mimics the look and feel of editorial exists, but this kind of advertising, known as "advertorial," gives the advertiser complete control over the finished content. Most readers know this, and thus don't value it as highly as they might. (And yet some do value it, or are at least fooled by it. Otherwise it would not persist.)

The advertorial approach don't truly take advantage of the perceived value of editorial, however. Newspapers and other news outlets could take more advantage of this perceived value by offering a new kind of content: Sponsored *objective* journalism.

In such a piece, an advertiser would pay a news outlet to report on its products and/or services. But the advertiser would have no control over the finished product. Instead, it would simply pay the news outlet a fee to *initiate* coverage, and the news outlet would then proceed as if it were doing a story it had initiated itself: Assign a reporter to the piece; conduct interviews and perform research; write, edit, and fact-check the piece; publish the piece.

The resulting story would be labeled differently than traditional editorial, so that readers would know the party that had paid for its coverage.

Thus, it would exist as a new form of content, and more importantly, a new form of revenue. Instead of simply existing as a cost area that needed to be subsidized by some other source of revenue, journalists would actually generate revenue through their work, and that revenue could then be used to subsidize public affairs reporting that the news outlet itself initiated.

DEVELOPING BETTER NETWORKED TIPS SUBMISSION SYSTEMS (Production)

Traditionally, newspapers have paid reporters to go out into the world and look for news. Essentially, they function like low-tech web crawlers, regularly scanning local institutions (courts, city hall, sports teams, local businesses) for new information.

In recent decades, as communication technologies have changed, reporters have spent less and less time physically going out into the world, and more time reporting from their desks, whether by phone, email, chatroom, or Twitter.

A large percentage of news stories are no longer initiated by reporters going out into the world and looking for leads, but rather by PR people pitching stories to reporters. Some stories are initiated from without as well, by whistleblowers, eyewitnesses, and other non-PR sources who have information that serves as the basis for important coverage.

But while this inward-bound information can be the basis for the most important and relevant stories – see Edward Snowden's revelations about the NSA – very few news outlets do much to encourage it. This is true of both digital natives and traditional newspapers.

At most news outlets, any interest in obtaining information from outside sources typically manifests itself as a tips@newssite.com email address buried somewhere on the main page.

Instead of simply adding a tips@newssite.com address to their main page, news outlets should be devoting substantial resources and website real estate to systems designed to orchestrate and automate information collection from sources (both anonymous and on-the-record).

Every news site, for example, could theoretically feature a submission system that essentially mirrors its editorial architecture. There'd be a page that looked a lot like its front page, with sections for Business, Politics, Sports, etc. Thus, sources would

be guided from the start to start inputting information in a methodical and ultimately comprehensive, with no interaction with live journalists necessary. At each level, the source would be guided with questions designed to get all the relevant who-what-where-when-why context regarding the information they were submitting.

Eventually, editors and rewrite staffers would vet the information, do whatever additional reporting was required, and turn it into stories. Over time, trusted sources would emerge, their submissions would move through the system faster, etc.

The same motives that compel sources to cooperate with reporters now (both anonymous and on-the-record) –the prospect of mild fame, a relationship with a reporter, a sense of justice around the topic, and a status boost – would continue to compel them even though they would be initiating the information exchange process.

But newspapers could also experiment with paying sources for their contributions through these automated systems, albeit at lower rates than it would cost to employ full-time reporters.

In general, paying sources for information is considered journalistically unethical. But some news outlets (TMZ, the National Enquirer) do so regularly and others (the New York Times, ABC News, Gawker) have done so when the information they were able to obtain seemed especially compelling. While there are some situations where paying a source would turn the exchange into a crime, or rather, an additional crime (such as when selling classified government information), there are many instances where it is perfectly legal to pay for information.

Doing so might erode the news media's cherished ability to obtain information for free, in the current climate, but it may be that paying for sources is more cost-effective than paying for reporters.

Anonymity is an important variable. You could imagine a scenario where the source stays anonymous, even if he's paid, and even if he avails himself to on-going back-and-forth with the journalist through some online message system. This would facilitate whistleblowing.

AD NETWORK MARKUP LANGUAGE (Funding)

Create a system whereby publications can tag stories with certain advertising attributes that make it easier for relevant and appropriate ads to appear next to the stories. E.g. “This is a positive story on Cisco” or “This is a negative story on Cisco” to better ensure that a Cisco ad doesn’t appear alongside a huge negative story (thought it might incent Juniper to buy an ad!). This has some corruptive effective, of course, but it’s limited because the advertisers don’t influence the actual story.

HELP EXISTING JOURNALISM ORGS WITH TECHNOLOGY, CONTENT MANAGEMENT, AND BIG DATA (Production)

For example: “Knight-Mozilla Fellows spend 10 months embedded with our partner newsrooms. Our Fellows are developers, technologists, civic hackers, and data crunchers who are [paid](#) to work with the community inside and outside of their newsroom to develop open-source projects. Fellows work in the open by sharing their code and their discoveries, helping to strengthen and build journalism's toolbox.”

Another focus area could be Big Data.

FOCUSING ON WAYS TO INCREASE READER CONSUMPTION OF EXISTING NEWS/INFORMATION (Distribution)

Because job cuts, shrinking news holes, and disappearing publications are the most tangible effects of the changes occurring in the news industry now, solutions to the journalism crisis typically focus on creating new publications to replace those that have been lost, figuring out ways to automate the production of journalism, etc.

While steps like these may be necessary, it's also important to remember that a huge amount of substantive public affairs reporting is published every day, and the public has easier and cheaper access to it than ever before. But much of the reporting that gets produced is not read as widely as it might be.

Instead of focusing on producing new publications and better news creation tools, it may make sense to focus on new sharing tools, a la Upworthy.com, which uses viral techniques to promote content (not always hard news) with progressive themes, or Longreads.com, which curates outstanding examples of lengthy, well-written feature articles, or other social platforms like Reddit, Fb, and LI.

Currently, there are countless opportunities to better filter and package information that could help individuals become better informed citizens if they just had easier, more contextualized access to this information. A few ideas:

- A site/service like Longreads that showcases reporting that emphasizes the best examples of investigative/public affairs reporting rather than simply elegantly told features.
- A Wikipedia-like site for infographics. I.E., instead of organizing a news/information site by chronology ("what happened today?"), this site would organize itself by subject matter. And the contents under each subject would consist of curated infographics. So there'd be one site where it'd be easy to find dozens of infographics about the federal budget, for example.
- A system for rewarding people who drive traffic of news stories through social sharing. People who post links to news stories on Twitter are effectively the newsboys of the 21st century. Those who have a knack for consistently driving traffic to news stories through social sharing should be rewarded. The potential to obtain rewards would increase sharing on everyone's part.

SUPPORT OTHER KNIGHT FOUNDATION PROJECTS

The best way to leverage energies/investment may simply involve collaborating with someone like the Knight Foundation, which has been issuing grants to a wide range of journalism start-ups over the last half-decade, or offering support to a specific publication that could potentially benefit from more resources. A few examples that fall into this category:

- Open Data Institute builds economies and businesses around open government data. With for-profit businesses depending on this data flow, it becomes harder for anyone to "turn off" the data for political reasons.
- Mapbox is creating an open-source mapping system that will provide a strategic alternate platform to Google Maps for building journalism/information apps that people will come to rely on more and more on mobile platforms.

- Measures for Justice is developing an index of standardized performance metrics with which to monitor and assess the nation's court systems on a systematic basis.

THE DISCUSSION...

- Commentary on these ideas, either in challenges or potential for improvement or elaboration?
- Other ideas that should be on this list?
- References to important projects, writings, or people working on these sorts of ideas?

KICKSTARTING CROWDFUNDED JOURNALISM

Build a new economic platform for journalism that supports democracy and promotes public intellectual culture

By Ben Casnocha and Greg Beato

Premise #1: Substantive journalism is critical to democracy. It's the most reliable way to move the needle in Washington D.C. and one of the best levers to improve public intellectual culture at large.

Premise #2: The market for substantive journalism, whether it's investigative or just in-depth/literary, has always been a niche market with passionate advocates rather than a mass market. It has rarely been profitable for news organizations.

Premise #3: The old revenue models that allowed the subsidy of this kind of journalism (classifieds, etc.) have disappeared. With the indirect subsidies gone, media companies are producing less long form journalism because it's hard for them to directly monetize this content via attracting more advertising or by luring new paid subscribers or newsstand buyers. Tens of thousand of freelancers are having a harder time being hired to report serious, in-depth pieces.

Premise #4: New funding models of journalism are needed. A common solution is a philanthropist buys a media organization or subsidizes entirely a brand new news gathering organization (Bezos, Omidyar, Hughes). A more innovative approach is a hybrid philanthropist-crowdfunding model, where the audience that consumes the content bears more of its costs alongside the philanthropist.

Premise #5: ReidCo possess unusual expertise in thinking through marketplace dynamics, crowdfunding, web sites and social media, and building new economic models.

Elevator Pitch: Create a Kickstarter for journalism that enables freelance journalists and public intellectuals to raise money to produce writing on important civic issues. Journalists pitch ideas; the crowd funds; the organization partners with publications who can distribute the stories. Crowdfunding sites largely rely on the ability of project creators to bring funders to the site. Therefore, we seed the marketplace with big-name journalists who have loyal followings by offering them annual fellowships on the condition they use the marketplace to raise funds for

their stories.

SAMPLE SCENARIOS

Scenario 1: Steve Silberman, a freelance journalist in San Francisco, wants to write a piece about corruption in the U.S. Patent Office. It would require significant travel and research time, so he posts a pitch to raise \$20,000 for the piece. After reaching the funding goal, he takes a close-to-complete draft to the *New York Times* magazine, which publishes it with light edits. Those members of the crowd who contributed more than \$500 to the campaign receive all the content on the “editing floor” that couldn’t fit in the final piece, and an invitation to a conference call where they can ask questions of the author.

Scenario 2: Robert Wright wants to write a 10,000 word piece on friendship in the networked age. The Atlantic is interested but cannot pay his market rate for that long of a piece, and without getting his market rate, Wright can’t do it. Because he is a Fellow in our organization, he raises \$15,000 from the crowd and \$15,000 in matching funds from us. After finishing the piece, the *New York Review of Books* publishes the essay, and 24 hours later it is published on our own web site as well.

Scenario 3: Steven Johnson wants to write a piece about privacy in Japan. His goal is to raise \$25,000. As the crowd begins to fund the piece (Johnson’s 1 million twitter followers are regularly encouraged to donate!) *Wired* magazine notices the activity. *Wired* decides to contribute \$7,000 in exchange for the right to publish the story first and to be more involved in the editing process.

CROWDFUNDED JOURNALISM ON KICKSTARTER AND INDIEGOGO TODAY

There are journalism projects that find success on Kickstarter, where one of the categories is “Publishing,” and one of “Publishing’s” sub-categories is “Journalism.” The Journalism sub-category has launched a number of successful projects, but it is not a hugely active part of Kickstarter. As of June 2012, Kickstarter users had posted approximately 45,000 campaigns in all areas of the site. Out of those 45,000, only 431 were posted in the Publishing/Journalism sub-category.

While journalism-focused publishing projects are not a major facet of Kickstarter, a number have been fairly successful. The most striking example is a campaign from earlier this year: *Planet Money*, an NPR show affiliated with *This American*

Life, pitched a project that consisted of them having a T-shirt made in an Asian factory and reporting on the entire process. The “reward” for pledging is the shirt, which will include a QR code on it. Scan the code, and you'll get access to *Planet Money's* story and various other materials documenting the production of the shirt. The requested pledge was \$25, and the project attracted 20,000-plus backers, overfunding by more than \$540,000. I.E., they were hoping for \$50,000 to complete the project, and they got \$590,000.

Indiegogo, for its part, hosts dozens of submissions in its writing category, primarily ideas for complete books or fundraising attempts from independent book publishers.

SEED THE MARKETPLACE WITH FELLOWS AND GUARANTEED MATCHING FUNDS

All marketplaces rely on seeding to gain initial traction.

So a journalism-oriented crowdfunding site should partner with name-brand journalists who can bring their followers to the platform. The primary reason for Planet Money's success on Kickstarter was that Planet Money is a well known brand with a devoted audience. Planet Money directed its audience to Kickstarter to back a topic with strong appeal.

In the early days of the platform, there should always be campaigns on it being run by A list journalists/thinkers who can bring their own fans/supporters to the site. “Here's a platform where you can help Michael Pollan, Michael Lewis, Robert Wright, Tyler Cowen, Steven Johnson, etc. pursue their dream assignment, exactly how they want to write it (as opposed to conforming to specific lengths, budgets, etc.)”

To do this, we create year-long fellowships for a dozen name-brand journalists. They'd get \$X amount for a year, and during the course of that year, they'd pitch Y number of stories/projects on the crowd-funding platform. The fellowship funds would match the crowd's funding. For example, a Fellow pitches a story that's budgeted to cost \$10,000 –the crowd would have to come up with \$5000, and the organization running the platform (us) would put up the other \$5000.

To be clear, the majority of writers who use the platform would be mid-tier freelancers (i.e. most journalists) and independent public intellectuals and academics. But the famous people help drive attention to the platform.

Don't the big name journalists already have a good economic basis? Yes. George Packer is getting paid several dollars a word to report very long word pieces. He would participate in the Fellowship program to be able to write the piece *he* wants to write. He may have a pet project that is not timely or seen as having wide appeal. Or perhaps he or she wants to go long on a given piece – but not long enough for a book. Very few magazines these days publish pieces longer than 10,000 words; even a 5000-word feature is a relatively hard sell for all but the most notable writers. Finally, there is the lure of more comprehensive editorial control over a piece.

PARTNERING WITH NEWS OUTLETS FOR DISTRIBUTION AND FUNDING

Currently, magazines like The New York Times Magazine and Vanity Fair serve at least three key purposes in the traditional journalism process: they pay reporters, they pay editors to edit the reporters' work, and they establish a distribution platform to get the reporters' stories in front of a large audience via print and online.

If the crowd funds an article, the traditional news outlets still play an important role in *distribution*. Early in the funding process – or perhaps before a pitch is even posted -- someone in our organization goes to a relevant media outlet to see if they're interested in publishing the piece...for free!...if it reaches its funding goal. Being able to advertise “this piece is on track to run in the New York Times Magazine” will increase the crowd's interest in funding.

It's an open question how involved the outlet would have to be in *editing* the pieces. If they have the opportunity to publish Steven Johnson for free (instead of paying potentially tens of thousands of dollars), they'd probably be more lenient with their normal process. Brand-name journalists would want to maintain flexibility and control, too—it's one of the appeals of using the platform instead of fundraising directly from the publications. Ideally, though, the publication doing the distribution would have some role, if a more limited one than normal, in editing.

Instead of simply handing publications fully baked pieces for free, we could also ask publications to contribute partial funding in return for exclusive rights to publish the piece. For example, a journalist wants to raise \$15,000 to report a piece about pollution in the ocean. If a publication commits \$5,000 or more in the effort,

they gain exclusive publication rights. In this scenario, the publication would be involved in editing from the outset.

SHOULD WE ALSO PUBLISH CONTENT ON THE PLATFORM AS OPPOSED TO DISTRIBUTE ELSEWHERE?

Partnering with other publications will always be a key way to reach potential funders and readers, especially in the early stages of the site. At the very least, our site should link to all the work that was funded by the platform and published elsewhere. Eventually, it may even make sense to publish some funded material on the platform before publishing it anywhere else. For example, if we realize that a story has the potential to be a scoop of Snowdenesque proportions, it would make sense to publish it on the platform, because the millions of people coming to read the story could then be exposed to other stories we were funding.

Another option is that for stories where a partner publication is *not* contributing part of the funds, we would reserve the right to publish the story in multiple outlets at once, or first on our own Huffington Post style site and only later on a partner publication, etc.

FUND THE LONG TAIL TOPICS THAT ELEVATE THE DISCOURSE

If there were huge pent up demand for investigative journalism and public intellectual writings, there wouldn't need to be this platform.

There are important topics for our society that don't have mass market appeal (e.g. the corrupt local mayor or PTSD in Iraq war veterans) but that should nevertheless be written about.

This platform will serve the long tail of "civically or morally important but not mass market" better than the traditional publishing industry. A monthly magazine can publish only two or three features per issue. Newspapers have more space to fill, but as their budgets grow tighter, there's more and more pressure to invest resources where they will deliver the greatest return. If a newspaper can wring, say, 50 cents in advertising out of each reader, and another \$1 for the price of the paper, it doesn't make sense for it to invest \$5000 in a story that only 500 people have an interest in. But if a writer has 500 loyal fans who would pay \$10 each to help him write a given feature, that story can be successfully underwritten through a crowdfunding platform.

In short, the crowdfunding mechanism ensures the economic viability of every story – if there isn't demand for a given story, it won't get funded. (Granted, if a large majority of the pitches that get posted to the platform have so little appeal they don't get funded, the platform won't survive.)

While our thematic emphasis with the Fellowships would likely be on public intellectual and serious investigative themes, you could imagine broadening it to promote high brow writing on low brow topics, like sports and celebrity culture.

ENGAGING THE SUPER FUNDERS WITH PERKS AND SUBSCRIPTIONS

Just as on Kickstarter, you could imagine more generous funders receiving tiered perks such as “dinner with the writer of the article” or “access to journalist’s notes and transcripts.” Or you could imagine engaged funders becoming “subscribers” to the platform via a monthly contribution that went to fund the most popular stories of the month or a specific beat (e.g. “all stories about immigration”) without them having to pick

A VARIANT OF THIS IDEA HAS BEEN TRIED BEFORE – WHY SPOT.US FAILED

Spot.Us, founded in 2008 by David Cohn, functioned much like a modern Kickstarter or Kiva Zip. A reporter/writer proposed a story idea, asked for a certain amount, and the site's users chose to support it or not. The Knight Foundation provided a \$340,000 grant at launch.

Over the course of its existence, it had raised only \$200,000 from contributors by mid-2011, i.e., less than the original grant from Knight. And it's been pretty inactive for the last couple years.

Based on our own research and from talking to David, the site didn't work for the following reasons:

- It was too early to crowdfunding, launching before most mainstream people knew what it was or how it worked.
- It didn't have the resources or expertise to build a world-class site (visit www.spot.us -- it's pretty clunky compared to Kickstarter or Kiva)
- The marketplace wasn't seeded. It never attracted enough traffic to truly turn

it into a vital marketplace on either side of the equation. I.E., not only weren't there enough funders; there weren't actually that many reporters/writers pitching there.

- They focused on local news/local stories, which limited the broad appeal.
- They did not secure distribution deals with media outlets. The New York Times and others were brought into the process at the very end of the article-writing instead of being integrated earlier.
- They were acquired by American Public Media (APM), a large journalistic non-profit, and soon afterwards the internal champion was fired and Spot.us died on the vine.

OTHER OPEN QUESTIONS

Can a platform like this support investigative journalism?

Investigative journalism, as opposed to general long-form feature pieces, are tricky for two reasons. First, the investigation doesn't always pan out into a real story. Sometimes writers spend a year researching something and it turns out there's no there there. Second, most investigative journalists depend upon their institution for support (including legal and physical security) when they dig into controversial topics.

How do you deal with potential reluctance of journalists sharing their story ideas in public?

To convince funders to back an idea, there needs to be a detailed pitch. But the piece won't have been written yet, and posting a story idea on a public platform could allow a different journalist to take the idea and run with it themselves off-platform.

NPR already raises money from “the crowd” as all-purpose donations. Will asking for money in a way that participatory and specific increase overall engagement? The thesis is yes. But if so, why isn't NPR doing this already?

Are we okay with the site being home to strong opinion pieces? E.g. A journalist pitches a piece that will show global warming is a scam. And then Charles Koch and his ilk fund it. One way to manage this would simply be to have

an editorial board, comprised of in-house staffers and/or outside parties, review pitches before they appear on the site. With such a mechanism in place, we could not only curtail crackpot pitches but also make sure there aren't pitches that duplicate other pitches too closely. The goal would be to create a well-curated stream of pitches without imposing too much bureaucracy or too much editorial discretion. After all, the goal is to utilize the wisdom of the crowd in picking stories, rather than the wisdom of a small number of editors.

Will top tier publications want to publish fully baked pieces? The NYT likes to be involved from Day 1, to be in control of the editing process all the way. This platform could largely accommodate that – i.e., once a site funds, the writer proceeds just as he would on any assignment. He talks with the editor about the expectations for a piece, a deadline is set, the story is filed, revisions are made, etc. At the same time, if an outlet is no longer paying for the piece, or only paying a part of it, and the journalist is essentially raising the rest of the money (through the support of his funders), the journalist may feel as a greater sense of ownership over the piece. This is one reason it may make sense to publish pieces directly on the platform.

Why wouldn't this just live on Kickstarter? Why do we need a vertical on this? First, this would be a non-profit, so the incentive structure and governance would be different. Second, it would allow for much finer segmentation of potential stories/subjects as they are being pitched/funded. Right now, Kickstarter just lists everything under Publishing/Journalism. A more robust implementation would have a layout that's a lot more like a typical newspaper, so lenders would find it easier to discover the types of stories they want to fund.

How vertical should this vertical be? There are many ways we might limit the scope of a platform for crowdfunding journalism. For example, we could follow the model of a daily newspaper, and create a site designed to serve a specific city. We could limit stories to serious public affairs reporting, or stories that are primarily investigative in nature. We could limit stories to serious intellectual essays and substantive policy pieces, I.E., the kinds of stuff that can traditionally only find a home in small-circulation journals like the Baffler, Dissent, and The Wilson Quarterly that pay little or nothing to contributors.

Would journalists with substantial personal brands want to publish stuff on their own site if it gets funded on the platform?

It may be that some writers would not even want to partner with a big outlet on a piece, but would prefer to publish their pieces on their own websites. For our

purposes, this could be counterproductive if we think publishing on a partner site would bring more traffic to the piece.

Do enough public intellectuals/writers maintain a large personal following (mailing list, Twitter followers, etc.) that they could direct to a funding platform?

Our bet is that citizen-funders would find out about the site via a journalist who posted a pitch and then asks his followers to contribute. How many journalists really have the ability to drive their followers to a URL? On average, probably more so than a Kickstarter or Indiegogo project owner, but...

SyzygyCon: Morality of Capitalism and LinkedIn for Good

What level of corporate philanthropy is morally expected of companies like LinkedIn?

What should LinkedIn for Good do?

1. **Capitalism.** See the enclosed essay on the Moral Nature of Capitalism, which we drafted earlier this year. It will serve as a basis for discussion.

2. **LinkedIn for Good.**

If the company leverages its core assets, such as profile or search, to drive for-good initiatives like non-profit board member matching or facilitating pro bono volunteering, it creates a "flywheel" effect whereby investment in these for-good initiatives also helps the main for-profit business. For example, the Skills & Volunteering field can increase member engagement generally, which has positive ripple effects throughout the rest of the business, which makes it more likely that the for-good programs will be sustainably funded. It's a long-run perspective. The challenge is, in the short run, "leveraging its core assets" to build a for-good feature means competing for the most precious resource at the company: engineers.

Aside from the flywheel opportunity, there are several things LinkedIn for Good can do off-platform. These activities are classic corporate philanthropic projects – they require dollars and some manpower but exist fairly independently of the main for-profit business. One idea here is launching "Careerapedia," a Wikipedia-like site about different professions and career tracks that draws upon LinkedIn data but doesn't actually live on the platform.

Factoids related to LIFG

- The Volunteer and Causes field on the profile was launched in Sept, '11. To date, over 2.5mm members have added information in the field.

- Profile signals were added in Aug, '13. To date over 500k members have signaled that they either want to do pro bono consulting or serve on a nonprofit board
- Over 1700 nonprofit customers currently use Board Member Connect to search for the right quality professional to join their board. We have numerous success stories.
 - According to research, over 2mm nonprofit board seats need to be filled each year; 78% of LI professional stated in a survey that they are interested in serving on a nonprofit board
- We have been piloting placing "social impact" opportunities into our jobs ecosystem. To date, we have tested over 500 pro bono (or skill based volunteer) opportunities.
- Increasing amount of research ties volunteer work with skill acquisition, networking and ability to find a job (therefore highly relevant to high school students, long-term unemployed and boomers)

The Moral Nature of Capitalism

(Summer 2013 draft)

Browse Amazon for book titles like *Creative Communism*, *Conscious Socialism*, and *Philanthrofascism* and you will come up empty-handed. Look for books that presume to upgrade capitalism by making it moral and just, however, and you will find a thriving market. In *Creative Capitalism*, published in 2008, Bill Gates proposes that systemic improvements to capitalism can help it better serve the world's poorest people and mitigate global inequity. In the recently published *Conscious Capitalism*, Whole Foods CEO John Mackey argues that companies should be “galvanized by higher purposes” and accountable to more than just shareholders.

At first glance, these new flavors of capitalism may seem like the economic equivalent of New Coke. Why is there so much effort to improve the economic system that has propelled the world's most prosperous, democratic, and free countries? Isn't Capitalism Classic working just fine?

If you think about it, though, it makes sense. These days, only products or services that are functional enough to attain traction in an extremely competitive marketplace get upgraded. Upgrades, in turn, make products and services stronger, expanding their capabilities and inspiring further innovations. In an age of rapid technological innovation, upgrades are a hallmark of utility and user passion, not deficiency. Capitalism, like lithium batteries or X, is in Permanent Beta.

Not everyone agrees with this perspective, of course.

In *The Wealth of Nations*, economist Adam Smith theorized that even when a businessman “intends only his own gain,” he is “led by an invisible hand to promote an end which was no part of his intention.”

In other words, free enterprise can't help but produce positive effects.

In the centuries that followed Smith's contention – *The Wealth of Nations* was published in 1776 – many observers have insisted that free enterprise works best when the “invisible hand” is its only form of governance. In this estimation, capitalism is inherently virtuous or moral, or at least it consistently produces outputs with widespread benefits to society. Meanwhile, attempts to proactively constrain it – whether through government regulation or through less formal means, such as industry codes of conduct--only undermine or inhibit its natural virtue.

But if this is really the case – if capitalism is inherently moral -- then the positive effects of capitalism should substantially outweigh its negative ones. And if capitalism isn't inherently moral, what is it then? Inherently immoral? Inherently amoral?

Let's consider its balance sheet a little more closely.

BALANCE SHEET CAPITALISM: IS IT MORAL OR IMMORAL*	
ASSETS (the case for capitalism)	LIABILITIES (the case against capitalism)
Creates widespread prosperity through voluntary exchange	Distributes wealth in massively disproportionate ways and creates increasingly intensive inequality
Incredibly generative and innovative	Incredibly wasteful, creating unnecessary products, polluting the environment, and squandering finite resources
Distributes rewards justly, based on market valuations of one's contributions to society	Distributes many rewards arbitrarily, based on luck, timing, location and other random factors
Uses and distributes resources efficiently	Displays a natural tendency toward monopoly, and unfairly favors large corporations that can exert greater influence on government than smaller ones can
<small>*Alternatively, capitalism may be amoral, nothing more than an ingenious technology for extracting value from resources and labor in systematic ways. Any moral or ethical dimension attributed to it is inevitably imposed by exterior forces.</small>	

ASSETS: THE CASE FOR CAPITALISM

Thanks to the principle of enlightened self-interest, in which individuals prosper under capitalism only to the degree in which they do something others find valuable or useful, capitalism is all but guaranteed to increase virtuous behavior, social utility, and other positive effects. Here's why:

Creates widespread prosperity through voluntary exchange: Above all else, capitalism is a system of human relations characterized by voluntary exchange rather than coercion. The ideal transaction leaves all parties so satisfied they are disposed to repeat the

exchange, over and over. While capitalism can reward greed, deceit, and other bad behavior, long-term commercial relationships are more effectively catalyzed through honesty, transparency, reliability, and goodwill.

As economies grow through the generative power, efficiency, and widely distributed abundance that capitalism creates, so too does security, individual autonomy, average life-spans, and the range of products and services that can make life more fulfilling in a wide variety of ways.

Free market economies create environments where everyone benefits. Individuals blessed with great talent or resources obviously thrive in such environments. But even individuals with few resources and skills can find viable jobs because employers are always looking for newer, more economical sources of labor.

Incredibly generative and innovative: Because entrepreneurs are forever developing products, services, and practices that will distinguish them from their competitors and give them a competitive edge, capitalism is an incredibly generative and productive economic system. And while entrepreneurs often target affluent consumers first, the sheer abundance that capitalism produces benefits all sectors of the market. As Joseph Schumpeter noted, the “capitalist achievement” isn’t about providing silk stockings for the Queen. (The Queen always had silk stockings.) It’s about making them available to factory girls.

Here in the U.S., we see a similar phenomenon, where overall, we have easy and widespread access to a vast range of consumer goods. In fact, out of 115 million households in the U.S., 106 million shop at Walmart at least once a year. Meanwhile, virtually every household in the U.S. has a refrigerator, a microwave oven, and at least one TV. Nearly 100 million U.S. homes have air conditioning. 86 million U.S. homes have at least one computer.

Distributes rewards justly: While capitalism bestows its bounty widely, it also distributes its rewards in a justly correlative manner. Over time, the free market is a fairer allocation mechanism than any system where a small number of elites, who tend to fall prey to nepotism and other corrupting factors, are in charge of deciding who gets what.

While capitalism’s inherent fairness is often questioned, allowing inventors and entrepreneurs to reap the full fruits of their efforts is inherently fair. Tying compensation to the value one creates for society, as determined by market prices, is inherently fair. (A country where cardiac surgeons earned exactly as much as, say, waiters, might be a great place to go for dinner, but it’d be an awful place to have a heart attack.)

Uses resources efficiently: Because competition is a key facet of capitalism, capitalism is also the most efficient way to develop and distribute goods and services. If Company A fails to address the needs of part of its target market, Company B will quickly try to

capitalize on this oversight. If Company C successfully brings a \$100 laptop to market, Company D will start trying to create a \$90 laptop. Then, Company C will need to respond, either by creating a laptop that costs \$90 or less or by adding new attributes to its \$100 version than make it worth the additional \$10.

In a capitalist system, greater profits are almost always the result of greater innovation, greater efficiency, and greater value being offered to consumers. The impulse to maximize profits is specifically what make capitalism so productive and virtuous. In the end, capitalism isn't the cause of inequity and injustice. It's the cure for it. As such, it doesn't need an upgrade. Instead, it simply needs to keep expanding its user base.

LIABILITIES: THE CASE AGAINST CAPITALISM

If capitalism is really so inherently virtuous, how could it consistently produce mortgage meltdowns, environmental devastation, and other negative outputs that massively impact our collective well-being? When the “invisible hand” exists as capitalism's only form of governance, capitalism doesn't just fail to produce positive effects; it actively generates negative effects that undermine society.

Distributes wealth in massively disproportionate ways: As capitalism's greatest advocates will tell you, capitalism's primary ostensible goal is to maximize profits. (At least from the shareholder's perspective. From the executive's perspective, maximizing profits isn't always paramount.) But what are profits exactly? They're the metric that shows how much value a business is able to extract from the world's resources, its employees, and customers. In a truly reciprocal economic system, all parties would benefit in relatively equal fashion when goods or services are exchanged. In a capitalist system, some companies and individuals benefit in massively disproportionate ways for their efforts, while others are barely compensated. And even in more equitable exchanges, companies must consistently benefit more than their employees and their customers or they won't survive. As a result, inequality and exploitation are baked into the system.

Practically everyone in the U.S. may have a refrigerator now, but that's hardly evidence of capitalism's just distribution of prosperity. Over the last 30 years, wage increases for the bottom 90 percent of all American workers have stagnated. In contrast, wage increases for CEOs and others in the top 1 percent of all earners have skyrocketed. In fact, it will now take the average Walmart employee 785 years of full-time work to earn what Walmart CEO Michael Duke earns in one year (\$20.7 million). And Duke's compensation compared to that of his employees is not that extraordinary. In his recent book *The Price of Inequality*, economist Joseph Stiglitz notes that the average CEO earns 200 times more than the average U.S. worker. Twenty-five years ago, the ratio was just 30 to 1.

Globally speaking, that average Walmart employee, pulling down a little over \$25,000 a year on a full-time basis, is a top earner, not quite in the world's top 1 percent, but near it. In comparison, the average Shenzhen factory worker, who earns approximately \$240 a month, would have to work 7187 years to equal Duke's annual salary. While Duke certainly creates more value within Walmart's ecosystem than the average Walmart sales clerk or Shenzhen factory worker, does he create 785 or 7187 times more value?

Incredibly wasteful: Capitalism is incredibly generative – so much so that we have entire department store chains that only sell stuff designed to organize and contain all the other stuff we already own and don't use. In 2010, we dumped 136 million tons of municipal solid waste into America's landfills. That's 896 lbs. of trash for every man, woman, and child in the country!

As a result of capitalism's powerful productivity, our environment grows increasingly fragile. In May 2013, the carbon dioxide level in our atmosphere topped 400 parts per million for the first time in human history – an additional 12.5 percent increase will push it to a point that many scientists predict will initiate highly disruptive climatic changes like the deglaciation of Western Antarctica.

Our health suffers as well. Currently more than 35 percent of U.S. adults have body-mass indexes that qualify them as obese, and 8.3 percent of the U.S. public suffers from diabetes.

Distributes many rewards arbitrarily: While many of capitalism's advocates insist that capitalism primarily rewards talent, hard work, and other admirable traits, luck plays a huge role as well. Some people are fortunate enough to be born into wealth. Others benefit from accidents of timing and geography. If you bought a home in the San Francisco Bay Area in the 1960s or 1970s, then you probably made hundreds of thousands of dollars from the tech industry, even if you didn't actually work in tech. If you own hundreds of acres of Pennsylvania farmland, dense shale formations buried a mile deep under your soybean fields could turn you into a millionaire thanks to advances in fracking technology.

While fate can lead to fortune just as easily as fortitude, capitalism is a much easier game to play for those who start out wealthy compared to those who start out with little or nothing. If your parents can afford to send you to the right pre-school, then you have a better shot of getting into the right prep school. This, in turn, will give you a better shot at getting into Harvard. And unless you graduate from Harvard or one of four other "super-elite" schools, Northwestern University sociologist Lauren Rivera found in a 2011 study, America's top investment banks, consultancies, and law firms won't even interview you, much less hire you.

On a global level, the role of fate plays out even more explicitly. A baby born in Sudan will have a much different life than if it were born in America. Is that the natural justice of capitalism?

Displays a natural tendency toward monopoly, and unfairly favors large corporations that can exert much greater influence on government than smaller ones can: The outsized influence that wealthy individuals and companies can exert in market-based economies can also undermine the efficiency of capitalism. As corporations and industries mature, they generally seek to create monopolies that will entrench their market position and allow them to engage in rent-seeking. When they succeed, everyone else suffers: Monopolies eliminate almost every virtue of the free market.

As part of this tendency toward monopoly, powerful companies and industries inevitably lobby the government for preferential treatment through laws and regulations designed to block competition. Over the last three decades, for example, tariffs that protect the U.S. sugar industry from foreign competitors who can produce sugar more cheaply have cost American consumers more than \$90 billion. According to the National Confectioners Association, the artificially high prices that U.S. candy-makers must pay for sugar due to government price supports makes it hard for them to compete with foreign candy-makers. As a result, it estimates, the U.S. has lost nearly 90,000 confectionary and manufacturing jobs over the last ten years.

When it suits their interests, companies seek subsidies, bailouts, and other forms of government intervention. When it doesn't, their faith in the power of free markets expands exponentially. But where would be if it weren't for regulations and agencies that help temper the excesses of capitalism?

Until Congress passed child labor laws in the late 1930s, paying five-year-olds 45 cents a day to shuck oysters was business as usual. Until Congress passed the Cigarette Labeling and Advertising Act in 1965, cigarette ads with reassuring medical themes were business as usual. ("More doctors smoke Camels than any other cigarette!" exclaimed one long-running campaign.)

Today, we characterize oyster-shucking toddlers and ads touting healthy cigarettes as aberrations, instances where capitalism lost its way. But they're not. They're the logical consequence of a system where the quest for profits supersedes every other mandate. They're capitalism working as it's designed to work, capitalism in its natural state.

A THIRD ALTERNATIVE: CAPITALISM IS AMORAL

Every day, public safety personnel use the phone system to help save the lives of people in jeopardy. Every day, some unethical telemarketers use the phone system to separate octogenarians from their life savings, sometimes in ways that are perfectly legal. Still, no one asks if the phone system is intrinsically moral or immoral. It's a communications technology, a medium for the exchange of information. Some people use it in ways that benefit society. Others do the opposite.

Is capitalism so different? It too is a technology, a means of deploying capital and labor in ways that optimize productivity. Focusing on its intrinsic morality or immorality confuses and complicates the issue – capitalism works best when it's operating in amoral fashion.

In 1970, economist Milton Friedman published an influential essay in *The New York Times*, “The Social Responsibility of Business is to Increase its Profits,” that touched on this point. “What does it mean to say that ‘business’ has responsibilities?” he exclaimed. “Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but ‘business’ as a whole cannot be said to have responsibilities, even in this vague sense.”

In the Friedmanesque view of the world, capitalism is simply a means of producing and distributing goods and services via market preferences. To say that capitalism itself has a moral responsibility to produce better outputs on a systemic basis is akin to saying that the phone system, on the structural level of its lines and switches, has a moral responsibility to reduce or even eliminate the possibility of socially destructive misuse.

But who expects the phone system to assume this responsibility? Instead of trying to engineer morality into the phone system itself, we create laws that attempt to govern individual behavior without artificially limiting the system's overall capabilities.

And capitalism functions in essentially the same way. Just because the dynamics of supply and demand can create even stronger market incentives to sell heroin than, say, kale, that doesn't mean there's something intrinsically immoral about capitalism.

Instead, it means that capitalism is intrinsically amoral. It doesn't distinguish if a product or service is good for society or bad for society. That's a job for lawmakers and individuals and their consciences, not capitalism. And if lawmakers haven't expressly outlawed a product or service, then entrepreneurs will generally try to see if a viable market for it exists.

This is as it should be. As Friedman suggests in his essay, it's when companies start acting on behalf of the “general social interest” that things get morally murky. For example, if a CEO devotes some of his company's resources

toward “controlling pollution” beyond what the law demands, he is undermining capitalism’s central tenet of voluntary exchange and effectively imposing a “tax” on the entities his company deals with in unilateral fashion. “Insofar as his actions in accord with his ‘social responsibility’ reduce returns to stockholders, he is spending their money,” Friedman observes. “Insofar as his actions raise the price to customers, he is spending the customers’ money. Insofar as his actions lower the wages of some employees, he is spending their money.”

In other words, as companies try to act more morally, capitalism becomes more coercive. That’s why it’s so important to recognize, appreciate, and refrain from tampering with capitalism’s natural and advantageous amorality.

CAPITALISM’S ASSETS OUTWEIGHT ITS LIABILITIES....BUT THERE ARE LIABILITIES

What insights emerge from this comparison of capitalism’s assets and liabilities? One striking one is how often the former and the latter are essentially two sides of the same coin.

Capitalism is an unusually democratic medium of exchange, accommodating fringe tastes and markets in ways that would never occur in countries with more centrally planned economies. But it also creates severe inequality.

Capitalism is an extremely generative system that equips us with all sorts of liberating goods, but it also weighs us down with junk.

While society benefits substantially from capitalism’s productivity, capitalism, left unchecked, produces negative outputs just as reliably as it produces positive ones. There’s no reason why we shouldn’t try to introduce modifications that reduce or eliminate the liabilities of capitalism without subverting its assets.

In reality, this is exactly what we’ve been doing for hundreds of years now. While many free market evangelists put all their faith into the mysterious power of the invisible hand, history shows us that the modifications we make to capitalism are crucially important to our well-being too.

Two hundred years ago, however, slavery was a standard business practice in the United States. One hundred years ago, so was making sausage out of moldy pork and rat dung.

Neither slavery nor pork-and-rat sausage exist anymore, however, because throughout the history of American capitalism, we've repeatedly modified business practices in an effort to upgrade outputs. Along with the Thirteenth Amendment and the Federal Meat Inspection Act of 1906, think of child labor laws, truth-in-advertising laws, environmental regulations. Thanks to these and other modifications, the world is a better place. But does anyone believe additional upgrades are no longer possible?

A commitment to progress lies at the very heart of free enterprise. Colgate has been in business since 1807, and it still spends **STK** a year on research and development in its effort to invent a toothpaste that will get our teeth a little whiter than its current products can. We're more than four decades into the commercial PC era, and because relentlessly innovative companies like Apple and Google believe we have yet to make computing as powerfully personal as it can be, we've got smartphones that talk to us and computers we wear on our face.

But why limit this constant quest to perfect only products and services? We should continue to extend this attitude to capitalism itself. In fact, we must – at least as long as capitalism keeps facilitating mortgage meltdowns, environmental devastation, and other negative outputs that massively impact our collective well-being. Capitalism is in Permanent Beta.