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SEVEN

HYBRID ECONOMIES

Commercial economies build value with money at their core. Sharing economies build value, ignoring money. Both are critical to life both online and offline. Both will flourish more as Internet technology develops.

But between these two economies, there is an increasingly important third economy: one that builds upon both the sharing and commercial economies, one that adds value to each. This third type—the hybrid—will dominate the architecture for commerce on the Web. It will also radically change the way sharing economies function.

The hybrid is either a commercial entity that aims to leverage value from a sharing economy, or it is a sharing economy that builds a commercial entity to better support its sharing aims. Either way, the hybrid links two simpler, or purer, economies, and produces something from the link.

That link is sustained, however, only if the distinction between the two economies is preserved. If those within the sharing economy begin to think of themselves as tools of a commercial economy, they will be less willing to play. If those within a commercial

economy begin to think of it as a sharing economy, that may reduce their focus on economic reward. Maintaining a conceptual separation is a key to sustaining the value of the hybrid. But how that separation is maintained cannot be answered in the abstract.

The Internet is the age of the hybrid.¹ Every interesting Internet business is now, or is becoming, a hybrid. The reasons are not hard to see. As Yochai Benkler describes,

A billion people in advanced economies may have between two billion and six billion spare hours among them, every day. In order to harness these billions of hours, it would take the whole workforce of almost 340,000 workers employed by the entire motion picture and recording industries in the United States put together, assuming each worker worked forty-hour weeks without taking a single vacation, for between three and eight and a half years!²

If sharing economies promise value, it is the commercial economy that is tuned to exploit that. But as those in the commercial economy are coming to see, you can't leverage value from a sharing economy with a hostile buyout or a simple acquisition of assets. You have to keep those participating in the sharing economy happy, and for the reasons they were happy before. For here too money can't buy you love, even if love could produce lots of money.

Yet there are differences among these hybrids. In this chapter, I hope first to hide these differences enough to show a common pattern. I then focus on the differences in order to learn a bit more about how and why some hybrids succeed while others fail. As with Wikipedia among sharing economies, there is a paradigm here too. This is the theme upon which everything else is a variation. I start with this theme and then turn to the growing variations.

The Paradigm Case: Free Software

In the early 1990s, Robert Young was in the computer-leasing business. As a way to bring in customers, he wrote a newsletter called *New York Unix*. The newsletter covered whatever subjects his (potential) customers might be interested in. He was therefore keen to understand precisely what his customers would read. “I would ask all the members of the user groups, ‘What do you want to read about that isn’t already being covered in the major computer publications?’ The only thing they could think about at the time was free software.”

So Young decided to learn something about free software. He took a train to Boston to sit down with Richard Stallman to “ask him where this stuff was coming from.” Young was astounded by what he found. “[Stallman] was using lines [like] ‘from engineers according to their skill to engineers according to their need.’”

“I’m a capitalist,” Young recalls thinking, “and the Berlin wall had just fallen. I thought, I’m not sure this model is going to keep going.” Young decided to forget about free software. “Given there was no economic support [for this] free software stuff,” Young believed it all “was a blip.” He reasoned, “It was only going to get worse over time as the communist system only ever got worse over time.”

Yet Young quickly saw that like many of the parallels that Marx saw, his own historical parallel didn’t quite work. The free-software system didn’t get worse. “Over the course of the twenty-four months that I was watching it, the stuff kept getting better. The kernel got better. More drivers came out for this stuff. More people were using it.”

This surprise prompted Young to talk with some key free-software users to find out why the system was such a success. One of his research subjects was Dr. Thomas Sterling, who worked at the Goddard Space Flight Center, just outside of Washington, D.C. In his conversation with Sterling, Young first glimpsed the wide variety of reasons for the success of free software. One of Sterling's employees, Don Becker, was writing Ethernet drivers that he licensed freely. Becker thought free software was "altruism" and thought himself part of the "altruism economy." But Sterling had a different view. As Young recounted the conversation to me, "Sterling said, 'Well, yeah, Don likes to think that way. But the reality is he's writing these drivers on Goddard time, and I'm the one who's writing his paycheck.'" In Sterling's view, the story was simple: this was part of a barter economy. "He was giving away something of relatively small value, and receiving back something of much greater value."

Young's a pragmatist. He's skeptical of accounts that rely upon a mysterious spirit. Free software came, he told me, not from a "community." "As far as I'm concerned, there's no such thing as a community. It's simply a bunch of people with a common interest." That "bunch of people" represented the "full range of humanity." But it had one thing in common: "a desire to see open-source software succeed." And that desire led members of this "bunch" to accept the idea of a commercial entity leveraging this sharing economy.

As Young became convinced that free software wasn't just a fad and, more important, that its success didn't depend upon reviving Lenin, he began to look for a way to build a Linux business. "I was looking for a product because I knew that given the growth of interest in Linux, it was going to end up in CompUSA. . . . I didn't want CompUSA as a competitor. I'd rather have them as a customer. So I was looking for products that I could get an exclusive on."

Young found a young entrepreneur to partner with named Marc Ewing. Ewing had for a time been developing a software tool to run on Linux. But after months of frustrating development, he concluded that what the world really needed was a better version of Linux. He therefore started to build that better version, which he would eventually name Red Hat Linux. Young heard about Ewing's software and contacted him. He offered to buy ninety days' supply of his beta, about three hundred copies. "There was dead silence at the other end of the phone," Young recounted to me. "I finally got out of Marc that he was only thinking of manufacturing three hundred copies. It was a match made in heaven." Red Hat Inc., was born, a paradigmatic example of what I call the hybrid.

Red Hat's success, in Young's view at least, came from something that seems so obvious in retrospect that it's puzzling more didn't try the same thing: that this free-software company actually made its software open-source. Other Linux distributions tried to mix open-source components with proprietary components. That was, for example, Caldera's strategy. But Young understood that the only way Red Hat could compete with Microsoft or Sun Microsystems was by giving its customers something more than what Microsoft or Sun could give them—namely, complete access to the code.

Young saw this point early on. He described a conversation with some engineers from Southwestern Bell at a conference at Duke. Young was surprised to learn that they were using Linux to run the central switching station for Southwestern Bell. He asked why. Their response, as Young recounts it, is quite revealing:

Our problem is we have no choice. If we use Sun OS or NT and something goes wrong, we have to wait around for months for Sun or Microsoft to get around to fixing it for us. If we use Linux,

we get to fix it ourselves if it's truly urgent. And so we can fix it on our schedule, not the schedule of some arbitrary supplier.

The key was to sell “benefits” and not “features.” And here the benefit was a kind of access that no other dominant software company could provide.

Red Hat is thus a “hybrid.” Young was not in it to make the world a better place, though knowing the man, I know he's quite happy to make the world a better place. Young was in it for the money. But the only way Red Hat was going to succeed was if thousands continued to contribute—for free—to the development of the GNU/Linux operating system. He and his company were going to leverage value out of that system. But they would succeed only if those voluntarily contributing to the underlying code continued to contribute.

One might well imagine that when a for-profit company like Red Hat comes along and tries to leverage great value out of the free work of the free-software movement, some might raise “the justice question.” Putting aside Marc Ewing (who had great coder cred), who was Robert Young to make money out of Linux? Why should the free-software coders continue to work for him (even if only indirectly, since anyone else was free to take the work as well)? What did the (in Young's mind at least) proto-Marxist Stallman think about the exploitation of this work? “What about,” one might imagine the question being asked, “the ~~worker~~ coder?”

Yet what's most interesting about this period in the early life of the hybrid is that there were bigger issues confronting the movement than whether a Canadian should be allowed to risk an investment on a Linux start-up. The bigger issue was a general recognition that free software would go nowhere unless companies

began to support it. Thus, while there was whining on the sidelines, there was no campaign by the founders of key free software to stop these emerging hybrids. So long as the work was not turned proprietary—so long as the code remained “‘free’ in the sense of freedom”³—neither Stallman nor Linus Torvalds was going to object. This was the only way to make sure an ecology of free software could be supported. It was an effective way to spread free software everywhere. And indeed, the freedom to make money using the code was as much a “freedom” as anything was. If there were people who objected strongly to this form of “exploitation,” then, as Apache cofounder Brian Behlendorf described to me, they “probably were disinclined from contributing to open source in the first place. They might have kept themselves out of the market and not spent their volunteer time or their hobbyist time writing code.”⁴

And thus Red Hat (and then LinuxForce [1995], CodeWeavers [1996], TimeSys Corp. [1996], Linuxcare [1998], Mandriva [1998], LinuxOne [1998], Bluepoint Linux Software Corp. [1999], Progeny Linux Systems Inc. [1999], MontaVista Software [1999], Win4Lin [2000], Linspire [2001], and Xandros [2001], to name a few) was born. An ecology of commercial entities designed to leverage value out of a sharing economy. The birth of the most important Internet hybrids.

Now, as Red Hat demonstrates, there is a delicate balance to be struck between the commercial entity and the sharing economy. Red Hat succeeded in maintaining the loyalty of the community because of how it behaved. It respected the terms of the license; it supported development that others could build upon; indeed, as Young estimates, at one point more than 50 percent of the core kernel development team worked for Red Hat,⁵ and both Red Hat and

VA Linux Systems gave stock options to Linus Torvalds.⁶ Many from the GNU/Linux community helped Red Hat understand what appropriate behavior was, and the company took great steps to make sure its behavior was appropriate. A key element to a successful hybrid is understanding the community and its norms. And the most successful in this class will be those that best leverage those norms by translating fidelity to the norms into hard work.

Perhaps the most interesting recent example of this model is a company called Canonical Ltd., a commercial entity supporting another brand of GNU/Linux called Ubuntu Linux. Launched in 2004 by the entrepreneur Mark Shuttleworth, Ubuntu aims to become “the most widely used Linux system.” Its focus initially has been really really easy desktop distributions. (I’ve experimented with a number of Linux installations. This one was by far the easiest.) The company hopes that the ease and quality of its distribution (not to mention its price) will drive many more individual computer users to use Ubuntu Linux.

Canonical aims to profit from the community-driven and community-developed Ubuntu. Its vision is inspired by Shuttleworth, who says he has been “fascinated by this phenomenon of collaboration around a common digital good with strong revision control.”⁷ That collaboration is done through a community. Canonical intends to “differentiate ourselves by having the best community. Being the easiest to work with, being the group where sensible things happen first and happen fastest.” “Community,” Shuttleworth said to me, “is the absolute essence of what we do.” “Thousands” now collaborate in the Canonical project.

To make this collaboration work, as Shuttleworth describes, at least three things must be true about the community. First, you must give the community “respect.” Second, you must give

“responsibility”—actually give the community the authority you claim it has. “If you’re not willing to respect the fact that you’ve offered people the opportunity to get invested, and take a leadership position . . . there’s no way that’s going to grow a strong team.”

Third, and maybe ultimately the most important: you have to “give people a sense of being part of something that has meaning.” This the free-software community can give away easily. Contributors to this community “feel they’re being part of something that’s big and important and beautiful. . . . They feel like they get to focus on the things that they really want to focus on. And that’s satisfying.”

This is a common feature, Shuttleworth believes, across successful community-based projects. If you “look at Wikipedia,” for example, “people genuinely feel like they’re part of something: they’re helping to build a repository of human knowledge, and that’s an amazing thing. It’s a full spectrum of motivation, just like you get the full spectrum of motivation in free software.”

Shuttleworth’s vision is different from Red Hat’s. Remember, Young didn’t believe in the “community” thing. Community is central to Ubuntu. But in this range of motivations, some tied to believing in something and some not, we can begin to get a sense of the interesting mix that the hybrid economy will produce. Diversity is its strength; it flourishes from the obscurity such diversity produces.

Beyond Free Software

Free software is the paradigm hybrid, in which commercial entities (Red Hat is just one) leverage value from a sharing economy.

But as with Wikipedia and the sharing economy, free software is obviously not the only hybrid. In this section, we will consider some other examples, and other flavors of this mix.

I've kept this list long because my aim ultimately is to convince you of the diversity and significance of this category of enterprise. But I've divided the examples into categories. Some hybrids build community spaces, some hybrids build collaborations, and some hybrids build communities. Consider each in turn.

TYPE 1: COMMUNITY SPACES

From the very beginning of the Internet, its technologies have been used to build community spaces—virtual places where people interact, sharing information or interests. The people interacting do so for sharing-economy reasons: the terms under which they interact are commerce free, though the motivations for interacting may or may not tie to commerce.

Few have been able to translate these spaces into successful commercial ventures. Many are trying. The effort and the successes are examples of one kind of hybrid.

Dogster

Let's begin modestly with a hybrid that doesn't try to change the world, but has changed substantially how easily people can connect about their intense relationships (not to say "obsessions") with dogs. Dogster, as the Web site explains, is built by "dog freaks and computer geeks who wanted a canine sharing application that's truly gone to the dogs." Since its launch in January 2004, it has become the fastest-growing pet destination on the Internet, in 2007 "serving over 1.5 million photos for over 300,000 uploaded pets by 260,000

members; Dogster and Catster serve more than 17 million pages a month to over half a million visitors.” The site offers “forums, classifieds, diaries, treats, private messaging, Gimme Some Paw, DogsterPlus, photo tagging, themed strolls, pet-friendly travel and pet-personality matrix.” The site is designed to make this community space the dominant pet center on the Net.

Dogster doesn’t do this for free. The community space supports itself through advertisement. Given the size of the community, the revenue is likely to be close to \$275,000 a year.⁸ But that revenue means “a couple of handfuls of people can be employed by that site.” And because it can fund itself like this, the site “will touch a lot more people.”⁹ The site thus leverages the community of passion and conversation that surrounds pets to produce revenue that supports the site. A hybrid.

craigslist: “Like, Peace, Man”

The bread and butter of most local newspapers is advertising. The most lucrative of this advertising are classifieds. According to one estimate, “U.S. newspapers derive 37% of their total advertising income from classifieds.”¹⁰ For major papers, the number is even higher: “Revenues from classified ads account for around 43% of total advertising revenues from major papers and over a third of total revenues.”¹¹

In 1995, Craig Newmark launched a service that would change all that. craigslist was offered first as a community site just in San Francisco, enabling people to post free ads for everything from home rentals to offers for the erotic. The site grew. Fast. It incorporated in 1999 and then expanded into nine U.S. cities in 2000, four more in 2001 and 2002, another fourteen in 2003. By the end of 2006, there was a craigslist in more than four hundred cities around

the world,¹² and overall page view growth was 195 percent that year. Today, it is the ninth-most-visited site in the United States and managed largely by Jim Buckmaster.¹³

But though the site has spread broadly, in critical ways the site has never really changed. Its design is extremely simple, almost retro now. There are no fancy graphics, no Flash introduction. When you navigate to craigslist, you're presented with a screen of blue text, each a link to a category holding the stuff that you might want. On the URL bar in your browser, the icon for the site is a peace sign.

Newmark originally launched his site "as a community service." Its success, at least so he believes, comes from the fact that "people can see that we actually do [provide a community service] and follow up on that."¹⁴ The follow-up is in form as well as substance. Again, the simplicity of the site speaks volumes. Users are reminded of an earlier, noncommercial Internet. That simplicity stands in sharp contrast to the molasseslike sophistication of most of the rest of the commercial Web.

Second, "99 percent of the site's content is free."¹⁵ This "free" reinforces the sense that people are exchanging information, or "bartering" information, in something other than a commercial economy. craigslist enables them to "share" information—wants or needs—as members of the craigslist community.

Third, craigslist reinforces that sense of community by shifting to the users a certain responsibility. The power to judge what content survives on craigslist is vested first in the community. As Newmark described it to me, "We're saying, 'Hey, if you see something that's wrong, you can flag it, and if other people agree with you, it's removed automatically.' People respond real positively to being trusted."

But fourth, and most interesting for understanding this hybrid, not everything on craigslist is free. While the site has clearly signaled—and said, again and again—that, as Craig Newmark told me, “we’re not out to make lots of money,” two classes of ads—ads for jobs in eleven cities and apartments in New York City—are not offered for free.¹⁶ From this income, the balance of the site is supported, and its founders profit.

The community thus does not demand a commerce-free zone. It does not require that its founders remain poor. At least so long as the demand remains modest, the community stays. And it stays even though the revenue to craigslist is quite substantial—“estimated at more than \$20 million per year, with very healthy margins for this tiny private company.”¹⁷

Whether this “community site” really feels like a community is partially revealed by the sorts of things people think it is appropriate to do, or talk about, on craigslist. Some of those things I can’t repeat in a book like this. But some plainly do signal something important about the sense people have of the craigslist community.

Take for example the site’s response to the Katrina disaster. Immediately after Katrina hit, the users of the New Orleans craigslist took it over, in effect, and directed its attention to helping victims of Katrina cope with the disaster. As Newmark told me, “Survivors announced where they relocated to. Friends and family asked people, ‘Hey, have you seen so and so?’ And then later, well actually, pretty soon, people started offering housing to survivors. A couple days later, people started offering jobs to survivors.” Three days after Katrina hit New Orleans,

craigslist’s New Orleans page featured more than 2,500 offers from around the country for free housing for hurricane victims,

ranging from “Start a new life in South Carolina” to “Comfy couch in spacious NYC apartment.” ... Never before has the Internet played such a vital role in filling the information void following a natural disaster.¹⁸

As the *San Francisco Chronicle* recounted:

The message is short. So short it would fit on a postcard. It lingers in cyberspace waiting for a response. “Family of 4 willing, wanting to help. Can drive to get you. Stay as long as you need to here in Albuquerque. God bless you. We care. Howard and Lisa Neil.” It is one of more than 2,000 classified advertisements—and counting—posted on craigslist, a network of online urban communities, offering free, temporary housing to people who have lost their homes to Hurricane Katrina.... The listing can be found under a new category on the Web site—Katrina Relief—that also includes listings for relief resources, missing people, temporary jobs, missing pets, transportation and volunteers.¹⁹

The point in recounting this story is not so much to praise craigslist (as if it needed more praise). It is instead to highlight what may already be obvious: craigslist’s standing as a “sharing economy” was reflected in the fact that it was clear to everyone that that was the place to go to help survivors from Katrina. There were no doubt sites with a bigger presence. Wikipedia has more hits each day than craigslist. But the meaning of Wikipedia is not activism, it is knowledge. Yahoo! and Google both have a presence much bigger than craigslist or Wikipedia. But it would have been hard to generate the feeling that this was a community response by tying the activity to those commercial giants. And there’s no need to waste

time explaining why people didn't use the government's Web sites to work this good, so pathetic is the government as an inspiration for community. We see how the community understands craigslist by watching how the community uses craigslist. And when emergency help was needed, the obvious response was this simple site of community messages.

Of course, craigslist was not the only Internet response to Katrina. Neither was it the most important. David Geilhufe's PeopleFinder Project probably earns that title; it was built exclusively by volunteers in an extraordinary demonstration of a sharing economy that ultimately hosted more than 1 million Katrina-related searches in the "immediate aftermath of the hurricane."²⁰ But Geilhufe's success is not a complaint about craigslist. The significance of craigslist was that it was the place to start. Its karma made this commercial entity enough of a community site so that it made sense to use it to help the victims of America's most devastating natural (and then governmental) disaster.

It's impossible to say how long craigslist can keep this karma. Knowing Newmark, I'd bet forever. But institutions change. And sometimes, institutions change people. The importance for our purposes, however, is simply to suss out what makes the sharing salient in this commercial entity. Newmark's is the hybrid to envy. His intuition of how best to maintain this community is pure gold.

Flickr

In the early 2000s, Stewart Butterfield and Caterina Fake decided they wanted to build a multiplayer game called Game Neverending. They failed. Flickr was the result of their failure (would that we all could "fail" so well). Realizing the code they had built would make a great photo-sharing site, they launched the site in February 2004.

By September the site had over sixty thousand registered users. Six months later, that number topped four hundred thousand. In December 2006, five million users were registered at Flickr.²¹

Theirs wasn't the first site to enable people to post pictures to the Internet. In 1999, Lisa Gansky and Kamran Mohsenin started Ofoto, an online photography service. Ofoto was acquired by Kodak in 2001. Kodak spent millions building Ofoto. But Kodak's site was crassly commercial. Everything was about buying photographs, or buying albums, or buying T-shirts with your photographs on them. The site encouraged community in just the sense that a Kodak store at the mall encouraged community.

This failure at Ofoto wasn't for a lack of trying. I knew some of the team at that Berkeley start-up. They got it. They worked hard to make Ofoto what it should be. But what it should be was resisted by the powers at Kodak. Kodak didn't get community, even if its marketing department was good at producing sappy commercials that celebrated it.

Flickr was different. From day one, the aim was not to facilitate commerce. The aim was instead to build a community. People could easily share their photographs and get feedback from other photographers and friends. This is what distinguished the site from others. As Stewart Butterfield told me, at the time Flickr launched, "there really wasn't a concept of public photos."²² Flickr changed that. In the beginning "80 percent of the photos [were] public." That meant that "there was a much bigger audience for the photos that were on Flickr."

One way Flickr signaled the freedom to share was by explicitly incorporating tags that enabled people to say, "You're free to share this work." Those tags came in the form of Creative Commons licenses. (We'll see more about Creative Commons in chapter 10.)

They signaled that Flickr's lack of control over intellectual property was explicit: the users owned the IP. They were free to license as they wished. Flickr was keen to encourage the idea that it licensed to enable people to share.

This focus on sharing helped build a certain kind of community. Flickr quickly became part of the identity of Flickr users. As Butterfield put it, "Netflix is an example of where I get the value out of other people's recommendations...but it's not part of my identity that I'm a Netflix user. [But] Flickr users actually have meet-ups in Tehran and Kuala Lumpur and Manchester." And community members do more than simply use the space that is provided for them. In a metaphorical sense, they pick up the trash. One of the keys to Flickr's success was the fact that its members constantly policed the site against porn. Members can flag a photo as inappropriate. Pornography is quickly moved off the site. The same with reviews. As Butterfield told me, "People aren't writing reviews just because they happen to like writing reviews." They do it instead because they feel part of a community.

In March 2005 Flickr was acquired by Yahoo!. Its founders continued to work for the company. Characterizing their job, Butterfield told me, "In some sense we're trustees or custodians...like a land trust that buys up wetlands." For obviously, Yahoo! didn't buy Flickr as a way to subsidize the sharing economy. Flickr instead was to be a model for the hybrid that Yahoo! intends to be. Yahoo! intends to profit from this community of photo collaboration. So far, however, the company has been modest in its aspirations. Most revenue to Flickr comes from Flickr memberships—which give users "unlimited storage, unlimited uploads, unlimited bandwidth, unlimited sets, personal archiving of high-resolution original images, ad-free browsing and sharing." Some revenue comes from partnerships with sites

that offer prints of Flickr photos. But so far the company leaves millions on the table. Butterfield recognizes this: “We have well over a billion page views a month now. That’s one of the biggest sites on the Internet. And if we just went for the maximum amount of graphical advertising...we’d make a lot more money.” But, as apparently Yahoo! also recognizes, “it just wouldn’t last for very long.” Respecting the norms it understands its community to carry, Yahoo! thus continues to let the community live like a sharing economy, with small but increasingly significant efforts to leverage something on top.

YouTube

In 2005, three early PayPal employees—Chad Hurley, Steve Chen, and Jawed Karim—started building a video-sharing service for the Internet. They weren’t the first. But they architected the best. Steve Chen told me, “The sort of initial acceleration for our growth came from the technology. We did some things right—namely, choosing Flash video as a delivery platform so you didn’t have to download anything. The video just plays in the browser.”²³ By using Flash as the video format, they guaranteed that anyone with a (modern) Web browser could view the videos. (As Chen told me: “I always thought about the grandmother in the Midwest, if she came to a video site.”) Very quickly the service grew. Indeed, by the summer of 2006, YouTube was the world’s fastest-growing Web site. Nielsen/NetRatings estimated traffic was growing 75 percent per week in July 2006. One hundred million clips were viewed daily; sixty-five thousand were uploaded every hour. Users spent twenty-eight minutes per visit on the site. In the United Kingdom the site quickly became the largest online video market.²⁴ In 2007, YouTube was bought by Google—for a reported \$1.65 billion.

So this success came first from great code. But technology was not

everything. The balance was, as Chen put it to me, “the community...the people’s relationship, their tie to, user-generated content on YouTube.” This value came directly from the community. YouTube users select the content to be added. They make the content that gets added. Some of YouTube’s content is copyrighted material that the copyright owner didn’t upload. But if the top hundred videos is any indication, most of the most popular of YouTube’s content comes from users creating content that they then upload to YouTube’s site. The site has become a bizarre mix of the most bizarre video content. It has launched some stars, and some fanatics. (Wikipedia lists more than sixty YouTube creators who have become Internet phenomena on the basis of their appearance in YouTube videos.)²⁵ No site—ever—has more quickly become central to popular culture.

So why do people do it? What do they expect to gain from working so hard to make a couple of Stanford dropouts rich? Most, following Dan Bricklin’s insight, contribute as a by-product to getting what they want—a simple, cheap, and effective way to spread their video. YouTube, and the other video-sharing sites, provide a service that even three years ago seemed unimaginably difficult: a network location that would deliver anyone’s video for free.

But some do much more than simply consume content. As with Craigslist, the community of YouTube users helps police the YouTube content. Inappropriate content gets flagged. Content violating the rules gets reported. Like neighbors in a well-kept community, the users clean up after one another and take pride in the place they’ve helped build. The result is a space that is addictive as well as amazing. Its biggest draw, founder Chen told me, is

just the content itself. We see on our top-viewed pages some of this content from [professional sites] versus some of this content from

user generated. They're just married together, sitting side by side on all these "top browsed" lists. But some of this stuff was created with \$500 of editing equipment and a lot of time spent on it versus, on the other end of the spectrum, probably millions of dollars to create this fifteen-second commercial.

"The very nature of UGC [user-generated content] video sites, as well as their potential for financial success and sustainability, relies on the effective leveraging of Internet-based social networking activities. In other words, the content must be shared in order to represent value."²⁶

TYPE 2: COLLABORATION SPACES

A collaboration space is different from a community space like Flickr or YouTube. Those participating in a collaboration space think their work is different. Or more accurately, at least some (significant portion) of those on a collaboration space believe they are there to build something together. The community is visible. It's the focus of the work. And the product of the participation is intended to be more valuable than the material they found when they came.

This collaboration can come in many forms. Consider a range of examples.

Declan

Declan McCullagh is a journalist. He began his career covering and protesting Internet censorship. In 1994, while a student at Carnegie Mellon in Pittsburgh, McCullagh began organizing against efforts

by CMU to “remove any Usenet newsgroup that had the word ‘sex’ or ‘erotica’ in the title.”²⁷ That organizing took the form of an e-mail mailing list, Fight Censorship. The mailing list had two channels. One was an announce list, which McCullagh published to, posting information about the fight against censorship. The second was a discussion list, on which individuals receiving the e-mail could also post comments or replies to what they received. The traffic from the second list was often overwhelming. That led most to stay on the announce list only.

Fight Censorship was soon renamed Politech, and its focus broadened to include the “growing intersection of law, culture, technology, politics, and law.”²⁸ In the terms that I’ve used, Politech is a sharing economy. At least those in discussion space speak out and/or listen, constituting a community of common interest and, sometimes, common action. (I criticized [mildly] McCullagh in my first book; the flames I got from McCullagh’s community were anything but mild.) The community in this sense is like hundreds of thousands that live in discussion spaces everywhere. Yahoo! has over 2,083,698 such groups.²⁹ So too does Google. McCullagh’s is much smaller than those, but for a private (noncommercial) site, it is quite impressive: the list started with a couple hundred readers. It now boasts more than ten thousand subscribers.

But McCullagh has transformed this sharing economy into a hybrid. For in the time since CMU, he has become a professional journalist. His journalism is within the scope of the interests of Politech. Neither aggressively nor inappropriately, McCullagh uses the community he has built to better his journalism. As he explained to me: “Intentionally, I tried to create a community. I never really thought much about where it would end up. But I did

do things like that [from the start]." The reasons are not hard for a journalist to identify with. Said McCullagh,

This is a problem for journalists...because people read our articles but we don't really have a community to talk to. We just get nastygrams from people who hate us, and we get nice notes from people who like us. But the process of being able to develop an article idea with some community input is very valuable. So you can throw out sort of half-baked ideas on a mailing list, and then hone those into something that you can get paid to write a few days later.

When he was hired recently by CNET, he and his new employer agreed that he would get to keep his community and to feed it in the way its members had come to expect. Nothing confidential would be shared, but the community could be drawn upon to help this journalist produce good work.

And not just good work. Politech members gather for dinners in big cities. McCullagh connects with them as he travels. The site thus spawned a community—and not just one community. As McCullagh told me as we ended our interview, "Oh, I should say: I met my wife through the list."

Slashdot

Slashdot began in September 1997 as a Web site covering technology-related news. Its angle, however, was a technology that enabled users to both comment upon the articles that got referenced, and comment upon the comments. The consequence of the second set of comments would be to filter out comments not thought useful. That meant the site could self-edit, and hence present to any reader

a high-quality public debate about issues important to the technology community.

Today there are more than a quarter million people collaborating in just this way on Slashdot.³⁰ Their work—work they don't get paid for, don't even get frequent-flier miles for—produced a site worth millions of dollars. In 1999, Slashdot was sold to Andover.net, and ads were added to the layout. So readers edit, and readers and Andover.net then profit.

Collaboration here winnows a potentially endless array of comments to a relative few that people reading the site would or should want to see. The site adds a kind of collaborative editing to a news page that is RW to the tradition of RO news. This collaboration produces a high-quality RW site. Editing is value. This value is produced for free.

Last.fm

No doubt the industry that has squealed the most (think stuck pig) about the Internet is the traditional recording industry. As I've described, the Net competed (whether legally or not) with its model for profiting from music. It fought hard to limit that competition. But not all in the music business have fought the Net. Some have tried to build upon its design, to enable collaboration among music fans. One great example of this technique is the site (recently acquired by CBS) called Last.fm.

Last.fm's objective was to find a way to map user preferences for music into an engine that might recommend music more intelligently. Many have tried this. But Last.fm does it by a unique mix of community and technology. The technology watches what you listen to, "scrobbling" (meaning sending the name of the song you're listening to) to an engine that then learns more about you

(and people like you). That engine then enables individuals to be linked with others. But not just anonymously. Instead, the technology helps individuals link their own user pages with others, both friends and those within their musical “neighborhood.”

As Japanese venture capitalist (and Last.fm investor) Joi Ito described it to me,

The Last.fm community originally was, and may still be, revolving around the cleaning up of the data. So if you have titles of songs that are misspelled, or if you have an artist whose name is written differently in Japanese, there’s a whole community of people who go in and fix those ambiguities and fix the data.

The contributions, however, are now much wider than some form of community editing. “There’s also a community around each of the bands where people talk.... There are discussion groups and people are contributing information. And by listening to a lot of the music, the users are creating profiles.”

Thus, simply by listening to music, members “generate value for the community.” Listening becomes a kind of advertising. Each song you listen to gets tagged as a song you listened to. It advertises the song. It cues others to your interest. But this advertising is simply conversation. Again, Ito: “What we’re currently doing in terms of so-called advertising is really part of the conversation.” Volunteers converse. The product is a value to the company.

Microsoft

In an increasingly remote region of cyberspace called Usenet, a fanatically committed group of volunteers works to help people they’ve never met with computer problems. These problems might

be simple. Some are quite complex. Yet these volunteers spend many hours helping these lost cybersouls find digital salvation. In the particular space to which I am referring, there are over 2 million contributors a year, with over forty thousand making more than thirty-six contributions each per year, and about eight hundred making contributions just about all the time.

The striking thing about this story is not that there are people helping other people. Nor is it that the people are helping people they're never going to meet. It is instead that all this pro bono effort is devoted to a very peculiar end: that of making Microsoft's customers happier. For these volunteers live within Microsoft support "newsgroups." They're not paid by Microsoft. The vast majority are not even recognized by Microsoft. But they all work (and some work quite hard) to make Microsoft richer by solving its customers' problems.

Microsoft knows this. In one of two buildings devoted to research, the chief of Microsoft's Community Technologies Group, Marc Smith, leads a team carefully studying the behavior within these groups. The company has developed elaborate technologies to measure the "health" of these and other virtual communities, asking, for example: Is there enough balance to the contributions? and Are the contributors constructive or smothering? It is constantly reflecting upon the husbandry necessary to make these communities work better. Researchers study the interaction. They watch the pattern of communication. They try to learn what forms of interaction work.

The problem isn't easy. There are scores of variables to consider. But the one variable that remains completely absent is money. Not because Microsoft is too poor to pay its help. Or because the community is not creating important value for Microsoft. Money is absent because Smith doesn't believe that "cash exchange for community

support” helps. “There are numerous social benefits that amply incentivize contributions to communities,” Smith explains. Money isn’t one. Indeed, for the reasons we’ve discussed, money would probably hurt.

This is Microsoft building a hybrid economy. Volunteers living within what was once a pure sharing economy—Usenet—devote extraordinary time and effort to helping Microsoft users better use Microsoft products. Microsoft is not passive about this sharing. It cultivates it. It spends real resources to understand how to make it work for it, better. But the product is a network-based community collaborating to make it easier to use Microsoft products.

Yahoo! Answers

Usenet is not the only forum for sharing information. Increasingly companies are building “answer sites” to encourage a wide range of questions that will encourage a rich and diverse community. In December 2005 Yahoo! followed the Usenet lead and launched a service called Yahoo! Answers.

The basic idea was simple enough: Millions of volunteers would spend their free time answering other people’s questions, for free. If millions did this long enough, and reliably enough, Yahoo! would profit from it. Yahoo!’s aim was to become the hub of community-based activity on the Web. The hottest answer site would be an important part of that hub. As described to me by Yahoo! founder Jerry Yang,

We’ve been at it for about a year and there are 75 million people a month participating either asking questions, answering questions, looking up answers. You know, some of it is silly, “Why is the sky blue?” Others are very technical questions or very specialized questions around taxes or profession. A lot of people saying,

"I can't get my Mac to work. What do I do?" And all of a sudden, you have this very natural human interaction of "I have a question and somebody out there must have an answer for this." But you bring it on the Web and then you have a global community.³¹

As of April 14, 2008, the site contains 35,411,866 questions and 35,411,851 answers.³²

Again, why would anybody want to help Yahoo! like this? We've seen the answer before. They don't do it to help Yahoo!. Some like to show others how smart they are. Some like to help. "Because they like to" is explanation enough for why people offer their expertise.

Yahoo! adds to these incentives, not with money, but by offering a point system to users. Users get one hundred points when they open an account. They get two points for every answer given, one point for every vote on an unresolved question, and ten points if their answer is selected as best. To ask a question costs five points. If you delete an answer you posted, you lose the two points you got by posting it, and you lose ten points if a question or answer is deemed to violate the terms of service.³³

But, as with Microsoft, money is not part of the equation. The incentives from a gamelike structure are enough; adding money would make this seem more like work. For the users, it isn't meant to be work. Again, Yang: "I'm not sure we'll just do, 'Hey, you know what, if you answer a lot of questions, you'll get paid.' I think there is this fine balance between paying people versus people feeling like there's a noncommercial motive."

Wikia

Wikipedia, as I described in the previous chapter, is a sharing economy. It has sworn off advertising as a way to raise money. This is no

idle resolve: as I've already mentioned, based on the traffic Wikipedia garners, it could earn over \$100 million a year if it added advertising to its site. Such is the opportunity of top ten Internet portals.

Wikia, another wiki site, was launched by Wikipedia founder Jimmy Wales. Its aim is not to build an encyclopedia. Rather, its aim is to be a "platform for developing and hosting community-based wikis. Specifically, Wikia enables groups to share information, news, stories, media and opinions that fall outside the scope of an encyclopedia.... Wikia is committed to openness, inviting anyone to contribute web content."³⁴ The site is enjoying the Jimmy Wales magic. With eight hundred thousand articles, it is actually growing faster than Wikipedia was at a comparable period.³⁵

The site is already a treasury of human culture. Fans of television shows detail facts about the shows. The Marvel Database Project hopes to become "the largest, most reliable, and most up-to-date encyclopedia about everything related to the Marvel/DC universe." Football (meaning soccer) fans can build upon the "football wikia" for all topics related to football. Foodies can contribute to discussions of food and recipes. All of this work—or better, this passion for these subjects—is offered for free. No one makes money on Wikia.

Except, of course, Wikia Inc. For unlike Wikipedia, Wikia does run ads. Unobtrusive, sometimes silly, but increasingly valuable for the site. Wikia offers its users a free platform to build a community. They do the building. That building is a complex process of collaboration. Wikia gets the advertising revenue.

This fact leads many to wonder how such a site can work. Don't the builders of these wikis realize that Wikia could grow rich off of their creative work? The answer is yes, they do, but that doesn't stop them from contributing. Just as a bowling alley does, Jimmy

Wales explains, Wikia provides a context in which people get to do what they want. Like a bowling alley, people are happy if they get to do something they enjoy. No one begrudges the owner of a bowling alley his profit. Wales believes no one will begrudge Wikia its profit.

This is true, at least if certain other conditions remain true. There's got to be competition among wiki sites that allows users to move as they want. And Wikia supports this competition by enabling users to move the content of the wiki elsewhere if they begin to find the bowling alley no longer reflects their values. Wales imagines a Wiki user reasoning:

"Look, we accept that you have ads because we know we need the infrastructure, but that's not giving you carte blanche to basically slap way too much stuff all over the site." And so that tension and the fact that communities are empowered to actually leave—they can take all their content and leave if we're not making them happy—are really important.

There's thus a social contract between the commercial and the sharing. Upon that contract, the value in Wikia gets built.

Hybrid Hollywood

Perhaps the most interesting emerging (if slowly) example of collaborative hybrids comes from the least likely of sources: Hollywood. Increasingly, Hollywood is including the audience in the process of building, spreading, and remaking its product. That practice constitutes a kind of hybrid.

The story is not always pretty. Progress has not always been smooth. Perhaps the best example of this struggle, producing in

the end real understanding, begins with a home-schooled fourteen-year-old named Heather Lawver.

In January 2000 Lawver started an online newspaper called *The Daily Prophet*. This was not a religious paper. It was instead an effort to explain and extend the story given to her generation by the extraordinary author J. K. Rowling. Every day for months, Heather would collect articles written by kids around the world about the Harry Potter saga. She would edit them and then publish them online.

As Henry Jenkins, perhaps the world's leading scholar on the emerging RW creativity of the Net, notes, "Rowling and Scholastic, her publisher, had initially signaled their support for fan writers, stressing that storytelling encouraged kids to expand their imaginations and empowered them to find their voices as writers."³⁶ In 2003 Rowling welcomed "the huge interest that her fans have in the series and the fact that it has led them to try their hand at writing."³⁷

But the instincts of a brilliant writer are not always the instincts of a media company. As Rowling's success migrated from the printed page to a major Hollywood media company, Warner, the "control" over what was now Warner's "property" shifted from a storyteller to a pack of lawyers. As Marc Brandon, the twenty-something Net-head Warner eventually brought in to deal with the problem they were about to create, explained, "Warner Bros. at the time... had never dealt with something the scale of a Harry Potter. Certainly not online."³⁸ So the company dealt with the Harry Potter questions in the way they had dealt with IP issues on the Internet. As Jenkins describes: "The studio had a long-standing practice of seeking out Web sites whose domain names used copyrighted

or trademarked phrases.... Warner felt it had a legal obligation to police sites that emerged around their properties.”³⁹

“Police” in this context means firing off angry letters written by entry-level lawyers who always wanted a gun, but instead were issued IBM Thinkpads.

Lawver learned of these threats in December 2000. They transformed her into an activist. (Why? I asked her. “I think it just kind of came from a common sense point of view, and, also... I grew up in a household with three brothers, and they were all Weird Al fans. And so I was really familiar with his various battles against other artists.”)⁴⁰ Two months later, she had organized a boycott of Harry Potter products. On February 22, 2001, the “Potter Wars” began.⁴¹

Lawver was the commander in chief. The teen debated Warner Bros. representatives on MSNBC’s *Hardball with Chris Matthews*.⁴² Newspapers around the world started picking up on the fight.⁴³ “We weren’t disorganized little kids anymore. We had a public following and we had a petition with 1500 signatures in a matter of two weeks. They finally had to negotiate with us.”⁴⁴

Lawver’s campaign of course leveraged the Net. Warner quickly became savvy in its strategy of intimidation. It avoided threatening Lawver directly; it hoped to avoid her following generally. But, as she told Jenkins,

They attacked a whole bunch of kids in Poland.... They went after the 12 and 15 year olds with the rinky-dink sites. [But] they underestimated how interconnected our fandom was. They underestimated the fact that we knew those kids in Poland and we knew the rinky-dink sites and we cared about them.⁴⁵

"If someone got threatened by Warner," she explained to me, "they could come to us. And it got to the point where Warner Bros. was so afraid of me and my partner, Alastair Alexander, that if we sent them an e-mail, most of the time the threatening would stop." And "the most important" part of the story, "regardless of any legal impact it had," was that after this battle, kids from around the world were fighting back. They were "fighting their own battles now, because they have the confidence to do what they can."

This was the part of the story that I had heard about. It was the part, in my perverse yellow-journalism sense, I wanted Lawver to tell me more about. But to my surprise, and (eventual) delight, Lawver was not so interested in trashing Warner. Her real interest was in making me understand a different, less-reported part of the story.

For this was not simply a story of the big bad media company. It was also a story of a company coming to learn something about the digital age. As much as she was rightly proud of the movement that she had spearheaded, Lawver was also proud of the way she had helped Warner understand the twenty-first century. "We did a lot of educating," she told me, "regarding where fans are going to take a stand and how much crap we're going to take before we fight back." More important, she pushed Warner to understand that fans were not a burden. "Warner Bros. [came to]... realize that, 'Hey, these people are funding our franchise with their pocket money. We shouldn't scare the living daylights out of them.'" Fans were, she explained to me, "a part of your marketing budget that you don't have to pay for."

Lawver's story was confirmed by Warner Bros. Marc Brandon, now a vice president at Warner, was the contact with whom Lawver worked. He saw the history much as she did. "There was a 'better safe than sorry' approach" taken at the start, Brandon told me.

“Why don’t we do as we’ve always done with our trademarks, and pursue as much protection as is humanly possible?” The answer to this question was Lawver: she showed them why. And Brandon was quick to admit that “some mistakes were made.”

Very quickly, Brandon pushed Warner to “approach this from a practical point of view.” He said, “There’s a legal analysis that happens, but that was less of the discussion that occurred when this came up. It was more about how we can allow the fans to enjoy Warner Bros. properties online while still continu[ing] on with our interest as a company and a content creator.”

The studio thus “went through an interesting learning process” about “how to interact productively with the fans.” The “responses from the fan community,” Brandon explained, “drove [Warner] to reexamine our approach. The process there was not, ‘Well, let’s sit down and look at the law and figure out what we need to do.’ It was really more of a ‘how do we deal with this practically?’”

“Practically” meant deciding which kinds of uses Warner needed to control, and which kinds not. And that line was not strictly a commercial/noncommercial distinction. Porn and child exploitation were obviously out, whether commercial or not. But there was more. “Our main concern was taking the properties of the company and utilizing them for direct commercial activities, such as creating consumer products based on [Harry Potter properties]....But there are other types of commercial uses that...we decided we could live with....Some of those included banner advertising and affiliate programs.”

This was Lawver’s understanding of a fair deal as well:

Well, obviously, the line includes whether or not you’re trying to make money off of the franchise that someone else owns. That’s

the most important thing, because I do still respect Warner Bros.’ right to say, “Hey, you can’t make money off of something that we created and we own the rights to.” So, that’s one of the biggest things we always tell the kids is that you can’t start a Harry Potter site and start confusing the fans and trying to get them to send you money. Making money off of it is an absolute no-no.

But part of Lawver’s message to Warner was that the fans were where the money was. The consequence of (what the lawyers saw as) this “piracy” was, paradoxically, more money to the “victim.” So while “making money off of [Warner]” was “an absolute no-no” for the fans, it was not a no-no for Warner. Indeed, it was the argument advanced to Warner for why they should just lighten up.

Warner’s Brandon was not eager to frame it in just that way to me. He believed, as Lawver did, that “Warner Bros. has come to a place that is very positive and mutually beneficial for, not only the company, but the fan base as well.” When I pushed him about the benefit that Warner got, however—when I characterized it as more profit to the company—he hesitated.

I think that, as a by-product of that, you certainly get to a benefit to both the fan and the company, and I think that that’s what’s important to Warner Bros. It’s not solely a commercial interest. It’s not an approach of, “Well, let’s use the fan so that we can make sure and make a lot of money.” That’s not the number one goal of the company.

I let it go. But the hesitation was revealing. What else is Warner supposed to do, except “make a lot of money”? Sure, it must do that in

a way that doesn't offend its authors or its audience. But that's to say, it should "make a lot of money" over the long run. The unwillingness even to acknowledge what at some level must be true reveals either a careful marketing sense or a discomfort with the future. Brandon had helped build a media hybrid. He hadn't yet come to terms with just what that would mean for the company.

Warner had learned that being less restrictive with its intellectual property strengthened fans' loyalty to the brand and, hence, the return to its artists. Again, if that is true, then of course Warner should be less restrictive with its IP. And we all should be happy about this because (a) Warner's artists succeed more, and (b) IP rights will restrict less. Or more precisely, because (b) IP rights are not restricting in ways that limit the freedom of kids without any benefit to Warner artists. More freedom is good, especially when less freedom would help no one.

People still resist this idea, however, by saying that there's something unseemly in Warner "exploiting" kids. But I don't see it that way. Warner's "exploitation" consists in giving kids more freedom than they otherwise would have, under the rights that the law legitimately grants to Warner. Perhaps you have quibbles with how broadly the law grants Warner rights. That's a fair argument for Congress, but not a fair complaint against Warner. Warner is releasing rights given to it. Because of my (perhaps retrograde) views about corporations, I hope it is doing so because it helps it make money. And because of my (perhaps retrograde) views about transparency, I would hope we could praise it for doing what it does for the real reason it does it.

With this freedom (granted to the fan) comes a loss of control (by the company). Freedom will inspire a wider exposure of the

original content. But as Jenkins puts it, “it also threaten[s] the producer’s ability to control public response.”⁴⁶

Tapscott and Williams make the point more generally:

So here’s the prosumption [meaning PROfessional + conSUMER] dilemma: A company that gives its customers free reign to hack risks cannibalizing its business model and losing control of its platform. A company that fights its users soils its reputation and shuts out a potentially valuable source of innovation.⁴⁷

Yet at the same time, media companies, as well as businesses more generally, are recognizing that closer ties with the audience are the key to profit in the era of the hybrid. As Jenkins writes, “Rather than talking about media producers and consumers as occupying separate roles, we might now see them as participants who interact with each other according to a new set of rules that none of us fully understands.”⁴⁸ Artists who get this are building “a more collaborative relationship with their consumers.”⁴⁹ And “in the future,” Jenkins argues, quoting cultural anthropologist Grant McCracken, “media producers must accommodate consumer demands to participate or they will run the risk of losing the most active and passionate consumers to some other media interest that is more tolerant.”⁵⁰

Harry Potter, of course, is not the only example of Hollywood leaving the twentieth century. Practically every major franchise of content is coming to understand the value of the community of fans who work (for free) to promote their content. My favorite example is the fandom surrounding the series *Lost*. *Lost* is currently in its fourth season, but it has already become “a model for a new media age,” as the *Los Angeles Times* put it.⁵¹ The show has encouraged a wide range of unregulated fan sites—including the wiki Lostpedia

and many more sites on Wikia, as well as twenty other platforms whose content can be accessed and shared. These sites help viewers understand and keep up with the show. They give fans a place to explore and add to their obsessive understanding of the detail of the show. And by being free with the content, *Lost* producers Damon Lindelof and Carlton Cuse can avoid their “biggest worry”: “losing viewers who skip one episode and don’t return because they become intimidated by the revealing flashback they missed or the complex plot’s twists and turns.”⁵²

Thus, ABC is using a sharing economy to drive interest and eyeballs to commercial product. How long this model can be sustained no one knows. As Lindelof said: “We’re exploring a new frontier here.... So it’s best to see what it is first, as opposed to everybody walking up to the cash register and saying, ‘Pay me, and then we’ll do the exploring.’”⁵³

TYPE 3: COMMUNITIES

I’ve described community spaces and collaboration spaces, intending the word “spaces” to reduce a bit the grandness of these other, big words. One might call Dogster a community. In a sense it is. But the range of life lived in Dogster is much narrower (one hopes) than the range of life in a typical community.

Yet there are spaces on the Net that aspire to be more than community spaces. And some of these spaces do deserve the moniker “community” without any qualifiers. For old-timers, perhaps the first (and maybe the best) such space was a community called the Well. But for the generation that knows the Net right now, the most interesting examples of hybrid communities are virtual spaces like Second Life.

Second Life

Think of Second Life as a world that a character you create gets to travel to. Once in that world, the character gets to do just about anything. The character (or, forgive me, but better, “you”) can hang out with others. Buy some designer clothes. Create a new kind of motorcycle. Buy some land to build a house. Grow flowers. Basically anything you can do in real life, you can do in Second Life, so long as you’ll let the word “virtually” attach to much of what you do. You can have a long conversation with someone you met in a virtual hot tub. You can explore the extraordinary virtual worlds that others have built. You can build an extraordinary virtual world that others can explore.

Of course, there’s nothing about virtual worlds that makes people more virtuous. So as well as all these things that we’d be proud to tell our parents about (or happy our kids did), there is lots that happens in Second Life that we’d never tell anyone about, or that we might wish our kids would never do. Sex is the organizing term for this set of stuff. Second Life has lots of virtual sex. Some you might have no problem with—consenting virtual adults, and all that. Some you might have lots of trouble with—consenting virtual adulterers. But some you might wonder whether you should have any problem with: Would you be happier if your son was experimenting with real space? Would it be better if your roaming spouse was meeting someone at a bathhouse? Sure, the virtual both creates and satisfies demand. Maybe without Second Life, your spouse wouldn’t wander at all.

People doing what they want to do doesn’t on its own create a sharing economy, any more than the passengers on an Airbus 310 constitute a sharing economy simply because they all happen to want to fly to Canada. Second Life, like Vegas, gives people a chance to do something they want to do. And people spend hun-

dreds of hours doing that. But much of the stuff that members of Second Life do is stuff that builds value for Second Life. Linden Lab, the creator of Second Life, has built a “‘product’ that invites and enables customers to collaborate and add value on a massive scale.”⁵⁴ The members do this with one another (mainly) for free; the product of what they do for free is a much richer, more interesting virtual world for Linden Lab to sell membership to.

We can measure the community here by mapping the range of public goods (meaning goods which everyone in the community gets to share) that community members create.

First, Second Lifers contribute the good of help. A significant percentage of Second Lifers hang about, trying to help newbies as they learn the ropes. As the chief Second Lifer (i.e., the Boss), Philip Rosedale, described to me,

Second Life is a daunting environment because, obviously, it's so rich with capability. And, so, as a new user to it, you are bound to be frightened, confused by, or frustrated in your attempts to do pretty much anything that you're trying to do. And, I think what has come of that has been quite interesting.⁵⁵

For, he continued:

Once you have figured out how Second Life really works, what tends to happen is you then have a kind of currency that you can freely give, which is your advice and explanation of how things work. And, I think that that behavior is so prevalent. It's so pleasurable to tell a new person what to do, and they get so much from it, as well, and are so thankful and then you just have that natural, I don't know... I think there's a natural pleasure that we take as humans in being able to help

somebody else that, I would say, that the general idea of helping each other in the environment is a very strong one, and you see, nowadays, you see numerous cases of that happening in a way that doesn't... isn't really, I suppose, economically rational at a tactical scale.

So does that mean Second Life was constructed to create this kind of community? "No," Rosedale said with some resignation. "I don't think we've explicitly tried to make things hard in Second Life. I think we managed to accidentally do that pretty well."

Second, Second Lifers contribute the gift of beauty. Like people in a well-kept neighborhood, Second Lifers spend endless hours making their property beautiful. Not just to make it salable, but also to make the neighborhood more attractive. They build new designs; they add painted posters or images; they craft gardens, or parks where people can meet.

Third, Second Lifers contribute code. According to the company, some 15 percent write "scripts" in Second Life, meaning the code that builds things or places that others can see. A significant portion of those code writers—at least 30 percent—make their code free for others to share.

Fourth, Second Lifers have built institutions that make Second Life work better. One member, for example, Zarf Vantongerloo, decided Second Life needed a way to authenticate statements or promises (as in contracts). Using encryption technology, Zarf built a Notary ("Nota Bene" in a land called "Thyris"). When a person signs the document, the Nota Bene adds a cryptographic signature which verifies both that the signature of the parties is genuine and that the text on the document hasn't been changed since it was signed. The program is open-source, and uses open-source encryption routines (providing a way for people to trust that the program

does what it says it does). The code thus adds a bit of confidence into the system, one “baby step” to better governance, as Zarf put it.⁵⁶

Finally, Second Lifers struggle through acts of self-governance. The city of Neualtenburg (literally, New-Old-City) is an example of this. Neualtenburg describes itself as a “one-of-a-kind self-governed community, whose purpose is to (1) enable group ownership of high-quality public and private land; (2) create a themed yet expressive community of one-of-a-kind builds; and (3) implement democratic forms of self government within Second Life.”⁵⁷

The city builds this community through a mix of architecture, culture, law, and politics. Unlike most spaces in Second Life, the design of Neualtenburg resembles a medieval Bavarian city—wandering, organic, nonrectangular. The city is designed to be a “nexus for progressive social experimentation . . . including modern art . . . political organizations . . . and education.” And the city was the first “democratic republic” built within Second Life. It has a nonprofit land cooperative; it has offered the first “well-defined investment bonds”; and it has Second Life’s first and only constitution. In addition, the government offers well-defined and binding land deeds and covenants, and a virtual-world legal system.

These are all the sorts of things that members of any community do. They all create a kind of value that more than the creator gets to share. And as with any community, the more people contribute, and see others contribute, the richer everyone feels. Indeed, for many, the richness of the life they know in Second Life exceeds the richness of the life they can live in real life. As Sherry Turkle reported from one user of a different but related world more than a decade ago,

I split my mind. I’m getting better at it. I can see myself as being two or three or more. And I just turn on one part of my mind and then

another when I go from window to window. I'm in some kind of argument in one window and trying to come on to a girl in a MUD in another, and another window might be running a spreadsheet program or some other technical thing for school.... And then I'll get a real-time message [that flashes on the screen as soon as it is sent from another system user], and I guess that's RL [real life]. It's just one more window...and it's not usually my best one.⁵⁸

Second Life is of course not the only virtual place in which people build this sort of community. Many (perhaps most) of the most interesting virtual games have this component built in. Japanese entrepreneur and venture capitalist (and gamer) Joi Ito describes the community in perhaps the Net's most popular game, *World of Warcraft*: "[T]he game emphasizes the necessity for a group. As an individual, you realize that the only way that you could create a group is by sharing and by being friendly." This is a lesson especially important for kids.

So a lot of times when young kids start playing *World of Warcraft*, in the beginning they're very greedy. They look at it as a game and they don't look at these other people inside of this game as real people. They will do something stupid in the middle of a raid, or they'll go off and leave the game without saying anything, and do something that will cause him to be mean, so...they realize that they quickly lose their community. Once you lose your community, you're unable to then go off and even set foot inside of certain dungeons and things like that without the right kind of...without a group.

The game thus "pushes you to help each other.... It is very difficult to play by yourself, and being nice to people and gaining friend-

ship is rewarded.” The design thickens the community as a way to improve the play of the game.

Around these sharing economies, companies like Second Life build business. They thus try to extract profits from the sharing of others. And again, in my (what to some seems) Neanderthal view, this search for profits is to be praised. Of course, everyone should understand just what’s happening. Transparency is key. But assuming this understanding, the success of the company means a greater opportunity for community by the members. There may be squabbles about the terms: Should it be cheaper? Should the company make more? But the structure of the deal is not a mystery. Linden Lab will, if successful, make money by giving its customers just what they want: more than just a service, an experience that gives at least some of the rewards of any sharing economy.

So far, the description of this hybrid has been at the content layer of Second Life. In 2007 Linden Lab took one further step down the hybrid path, by “open-sourcing” the client with which one interacts with Second Life. The code for that client was placed under the Free Software Foundation’s General Public License (GPL), meaning the source was free for anyone to tinker with, and modifications of the source when distributed had to be distributed openly as well.

Rosedale’s motivations for this change are mixed. One part is the belief in his company, and the belief that it should grow as fast as possible. Second Life makes people better; Second Life should therefore grow as quickly as possible.

And, it just seemed that, if your mission as a company is to grow as quickly as you can, which very much is our mission, not just from the “make money” perspective but actually, I think, primarily from

the perspective, which I've talked about in our blog quite a bit, we broadly believe that this is a force for good. That as people use Second Life it is a statistical improver in one's quality of life. And, if that's true, then we should allow it to grow as quickly as people want it to, and we should criticize ourselves if there's a moment at which we maximize revenue at the cost of growth or maintain some degree of control that, if we had given it up, would have caused this thing to grow faster. So, we made the decision to open-source.

Second, the decision was driven by the recognition of how much value Linden Lab might leverage from its community:

And, so, we went ahead and put the pieces in place, but the core belief was that there were—we only have about thirty principal developers at this point—and the belief was that there would be hundreds if not thousands of people who would be willing to contribute development time and that it would therefore be unprincipled of us not to allow those people to do so. So, that's what we're trying to do. And, the early results, as you probably know, are quite positive. We're getting patched submissions now every day that we're folding into the code....I don't think we've had enough time beyond the release yet of the source code to characterize how many additional virtual developers we have, but it's already more than a few.

So in the end, Second Life will have given away the copyright to the creativity built in the game, and it will have opened the client and servers to the free sharing of a GPL'd software project. In short, it will have taken just about all its assets and freed them to the community. And from these gifts, it expects to inspire a creativity that will make the platform extraordinarily valuable.

It's been about seventeen years since the World Wide Web became more than a dream of Tim Berners-Lee. As it has seeped into our veins, it has changed how we interact. More of us do things for other people, even if we do it because it is fun. More businesses find ways to do things for us, because doing so is more profitable for them. And more are experimenting with ways to build value by working with a community—commercial economies leveraging sharing economies to produce hybrids.

What has driven companies to the hybrid experiment? The answer is the same as it always has been, within competitive markets at least: the recognition of success. Companies see the hybrid as a model of success, not as a compromise of profit. Tapscott and Williams summarize the lesson for companies building a hybrid consistent with the principles of “wikinomics” (openness, peering, sharing, and acting globally):⁵⁹

What was the difference [between successful business and not]? The losers launched Web sites. The winners launched vibrant communities. The losers built walled gardens. The winners built public squares. The losers innovated internally. The winners innovated with their users. The losers jealously guarded their data and software interface. The winners shared them with everyone.⁶⁰

Hybrids are also a model for getting others to innovate in ways that benefit the company. Tapscott and Williams quote Technorati's Tantek Çelik: “It comes down to a question of limited time and, frankly, limited creativity. No matter how smart you are, and no matter how hard you work, three or four people in a start-up—or

even small companies with thirty people—can only come up with so many great ideas.⁶¹

Recognition alone is not enough. Remaining is the hard problem of building the community to support the hybrid. So how does community get built?

The answer is: explicitly and upfront. “You have to design with the community in mind,” Jerry Yang said. “It’s very hard to do . . . as an afterthought. . . . Community has to be part of the product.”

But communities can’t simply be called into life. Instead, they have emerged through a number of stages. “The first couple elements,” Yang told me, were when “the users created content and the users distributed content.” But that alone could not sustain a community. “Really critical for a sustainable kind of community,” Yang said, “is the community themselves as editors—both as to quality and for the community to continue to have its identity.” These together meant the community was more than a bus stop (a place convenient for people to hang out on their way to doing what they wanted to do). Instead, it was a place where the members felt a kind of ownership. And that pride of ownership meant they took steps to improve what they found.

The real challenge, however, comes now, as these online communities begin to offer more. As Yang put it, “People are starting to really put the economic element in. . . . [They are] starting to make money from this community, whether it is printing calendars or doing albums or whatever.”

How this gets done well is not something even Yang fully sees yet. “There’s no science in this . . . there’s still a lot of art.”

You know, the community will give you a certain latitude for facilitating a commercial business, but they ultimately have to

feel like they're the ones that are part of the economy and not you. So you have to find a way to balance out the value that you as a platform for that community are adding versus the ability for the community to benefit from that economy.

"The goal is to make people feel like there are real social benefits and economic benefits for them to invest in this platform." And in an analogy that we will return to at the end of the book, Yang continued: "It's not unlike running a government where you're charging for certain basic services. If you overcharge, people feel like they're overtaxed, and if you don't charge enough then you don't provide enough services. So it's always a balancing act."

To say that community is important—or in the terms I've been suggesting, to say the "sharing economy" is important—is obviously not to say community alone is enough. Nor is it even to say that among all the factors of success, community is the most important thing. As perhaps the Net's most famous publisher, Tim O'Reilly, put it,

You get your initial enthusiasm from people who are your passionate, inner core. And you want to build a system that lets them become passionate, become connected, have this personal connection to you and what you do. But, to get beyond that, you have to build a system in which people participate without knowing that they participate. That's where the power comes.⁶²

For, O'Reilly put it, the most powerful architecture and participation don't rely on volunteerism.

They don't rely on people explicitly being part of a community or knowing who's in the community....[T]he Web is like that.

It's this brilliant architecture where everybody puts up their own Web site for their own reasons, links to other people for their own reasons, and yet, there is a creation of shared value.

O'Reilly points to YouTube as an example. YouTube's success, he argues (agreeing again with Chen), came not from the rah-rah of the community activism. Its success came instead from great code: YouTube's success, O'Reilly explained to me,

wasn't because [people] thought it was cool. It was because YouTube figured out better how to make it viral. Viral is about making it serve the people's own interest, so that they're participating without thinking that they're participating. Google said, "Upload your video here and we'll host it," and YouTube with their Flash player said, "Either put this video on your site or we'll host it anyway." So you get to share the video without any of the costs and with no-muss-no-fuss.

"People aren't thinking," he continued, "that they are donating to YouTube. They're actually thinking, 'Wow! I'm getting a free service from YouTube.'"

O'Reilly's point is a good one. It builds directly on Bricklin's. You create value by giving people what they want; you create good by designing what you're offering so that people getting what they want also give something back to the community. No one builds hybrids on community sacrifice. Their value comes from giving members of the community what they want in a way that also gives the community something it needs. The old part in this story is that in a competitive market, success comes from satisfying customers' demands. The new part is to recognize a wider range of wants, some me-motivated, some thee-motivated, and the way technology can help serve them.