Peer-production and social sharing in the digitally networked environment

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Overview

- Free software & peer production
- Distributed computing, other physical resources
- What is the motivation?
- What are the enabling conditions?
- Why is it efficient or sustainable to use social relations as an alternative transactional framework to markets and firms?
- Organization: solutions to the problems of commons-based coordination and cooperation

Free Software

Getting harder to ignore success

• [insert here netcraft websurvey]

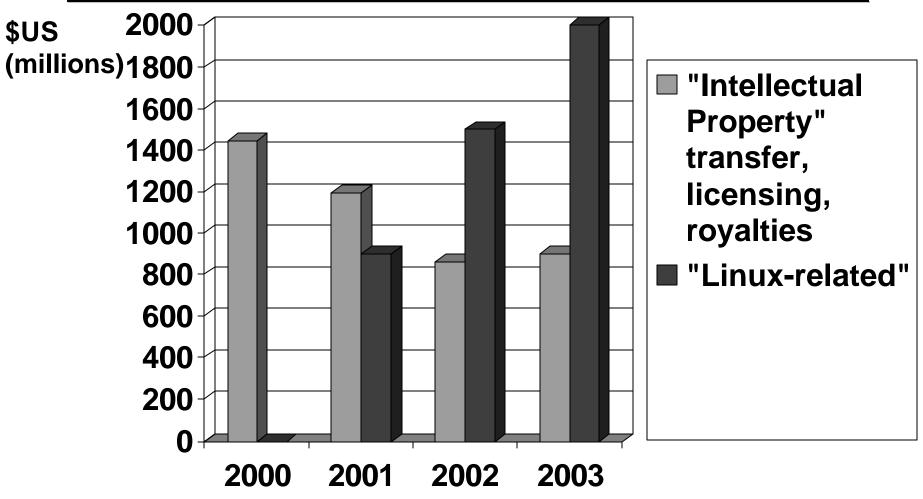
Free Software

Getting harder to ignore success

- Insert here linux
- market share pie chart

Source: Netcraft Survey Sept. 2001

BUT: counts difficult to sustain, estimates range from 20+ to 40% e.g., HP reports \$2.4B in linux-related sales



Sources: IP income: IBM annual reports

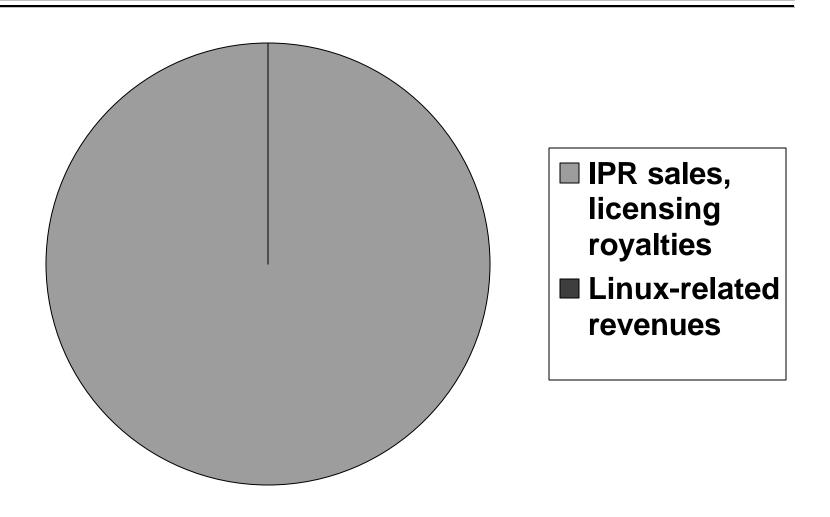
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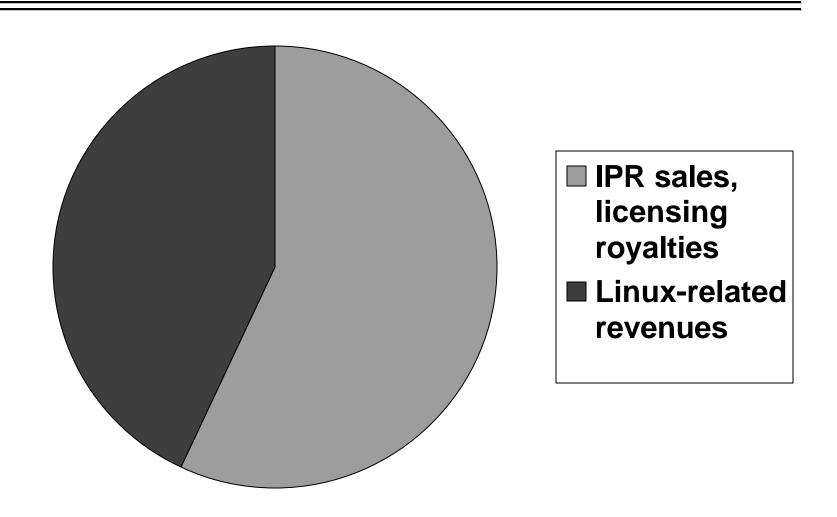
2003 Forbes Magazine, http://www.forbes.com/forbes/2004/0607/086_print.html

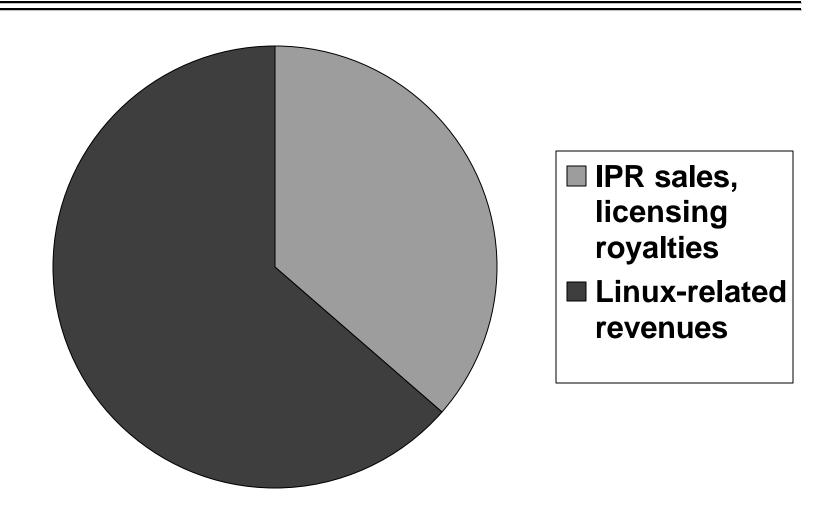
2002 CNET News http://news.com.com/2100-1001-981633.html

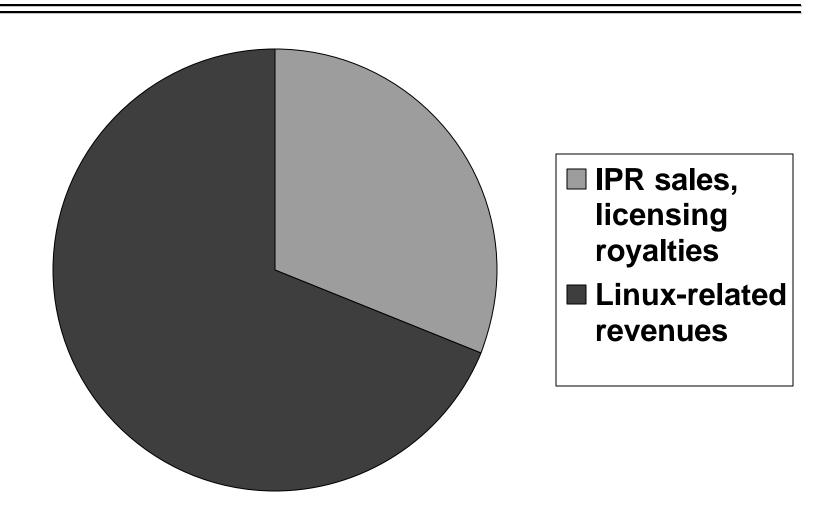
2001 CNET

http://news.com.com/IBM%3A+Linux+investment+nearly+recouped/2100-1001 3-825723.html?tag=nl







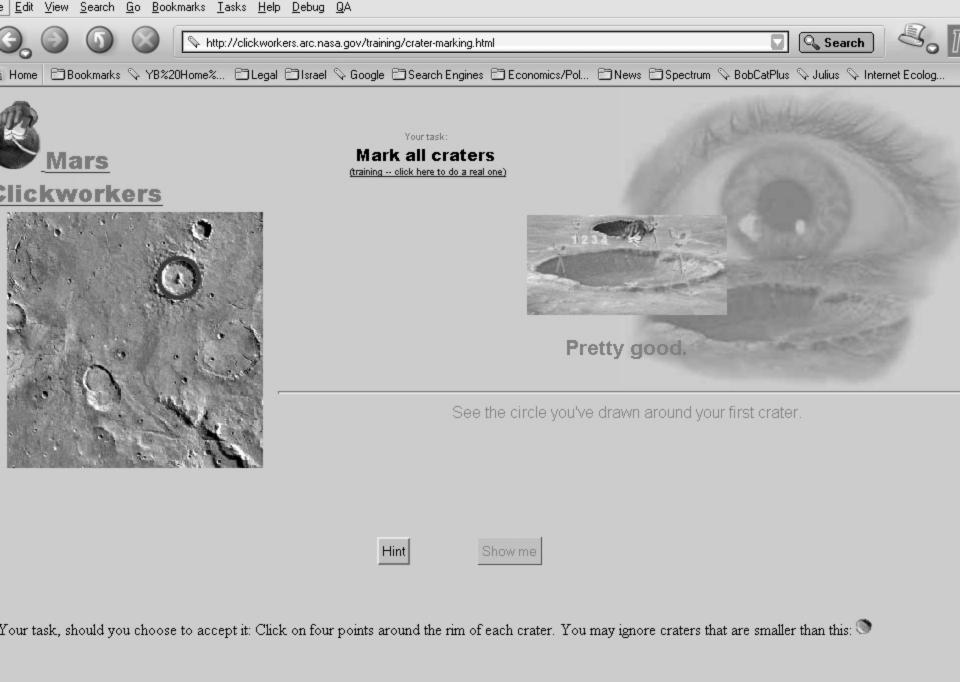


Peer Production All Around

- Peer production
 - various sized collections of individuals
 - effectively produce information goods
 - without price signals or managerial commands
- Sharing material resources
 - Large scale practices of effective productive sharing
 - Components are material resources, including private economic goods
 - Outputs not necessarily public goods

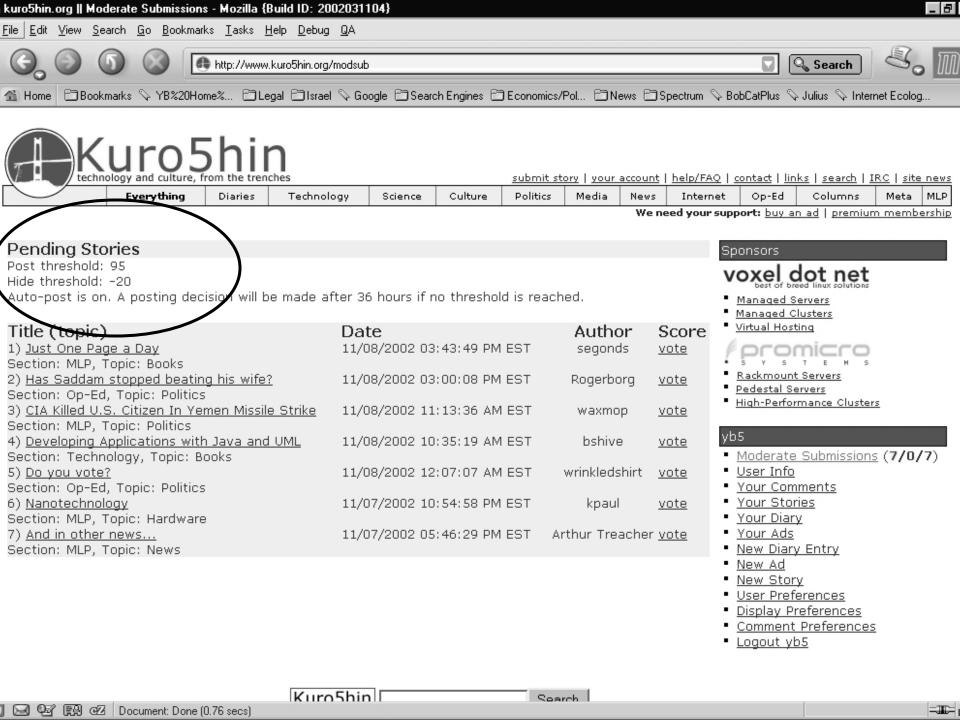
Peer Production

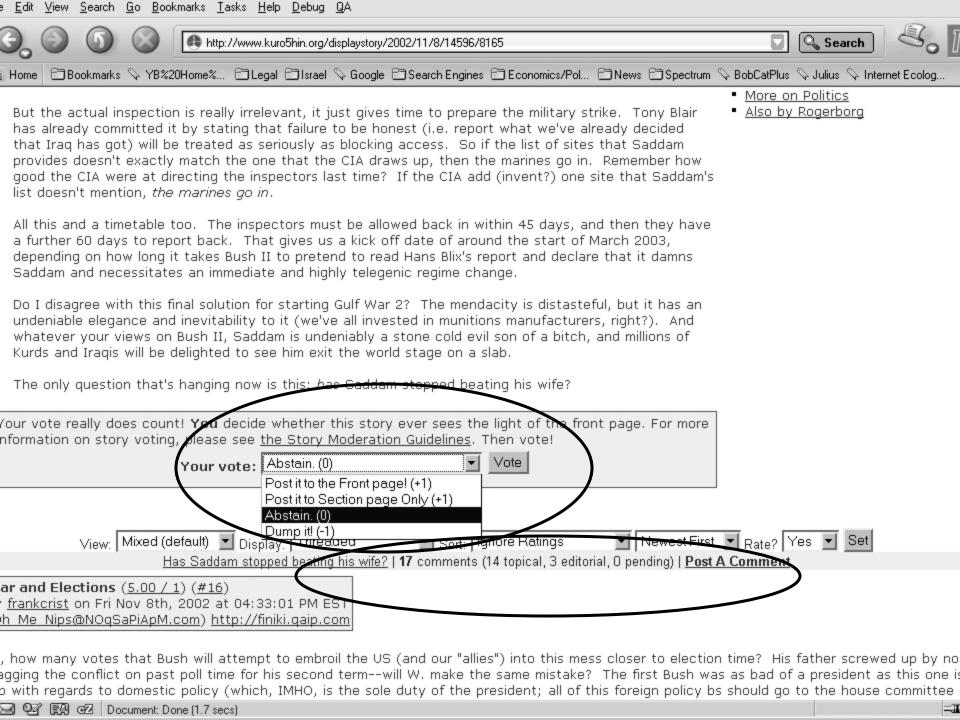
- Academic research
- The Web
- Content (<u>Clickworkers</u>, <u>K-5</u>, <u>Wikipedia</u> MMOGs)
- Relevance/accreditation
 - commercial utilization--Amazon, Google
 - volunteer--<u>open directory project</u>, <u>slashdot</u>, <u>Kuro5hin</u>
- Distribution
 - value added--Distributed Proofreading

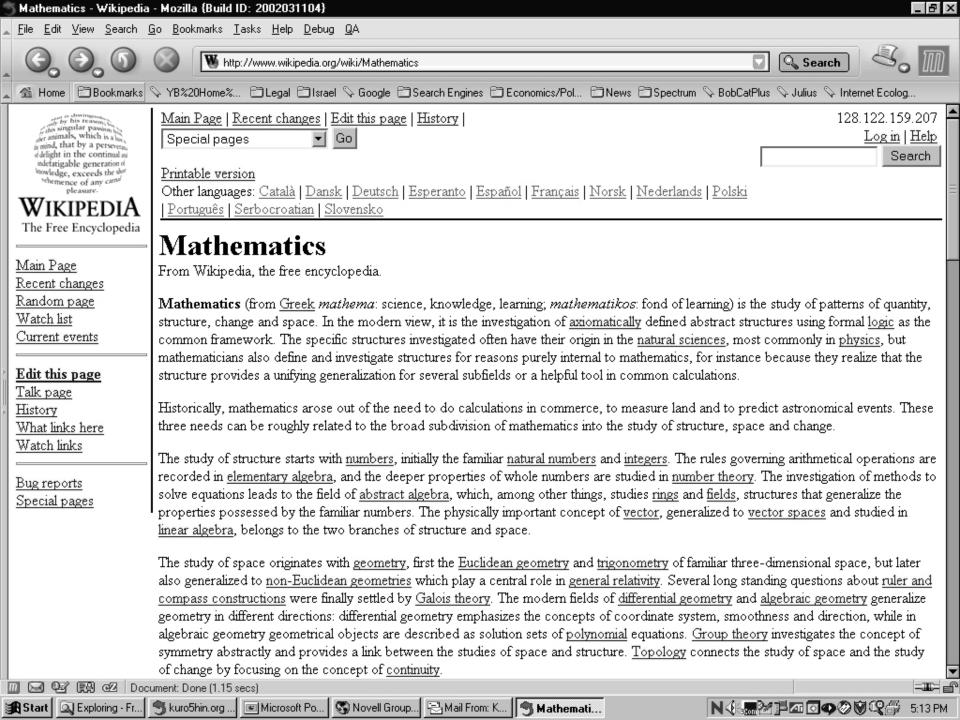


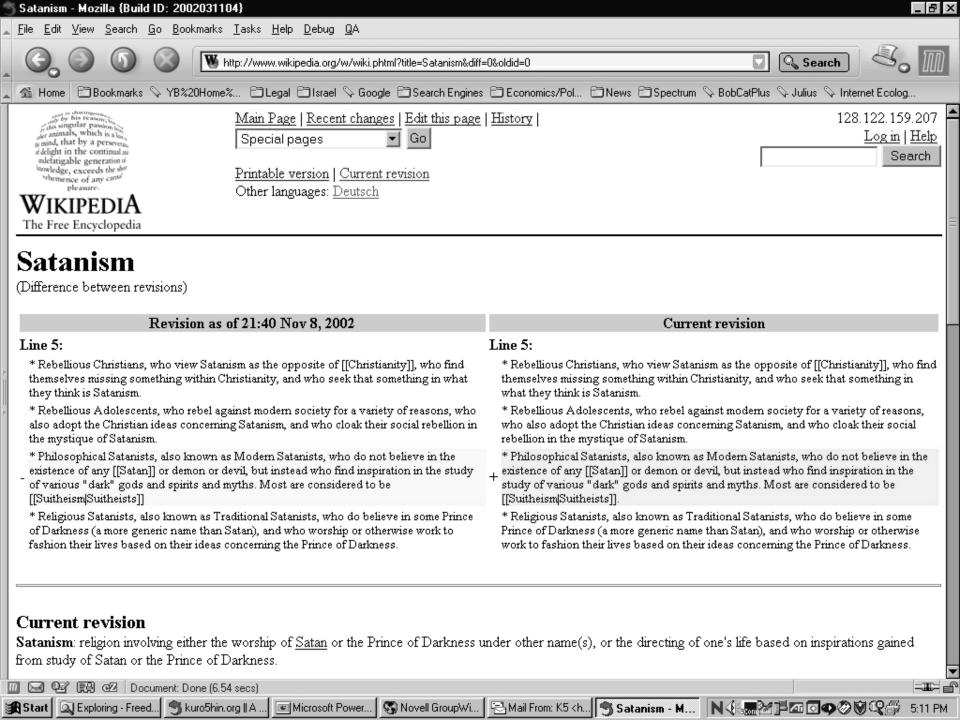
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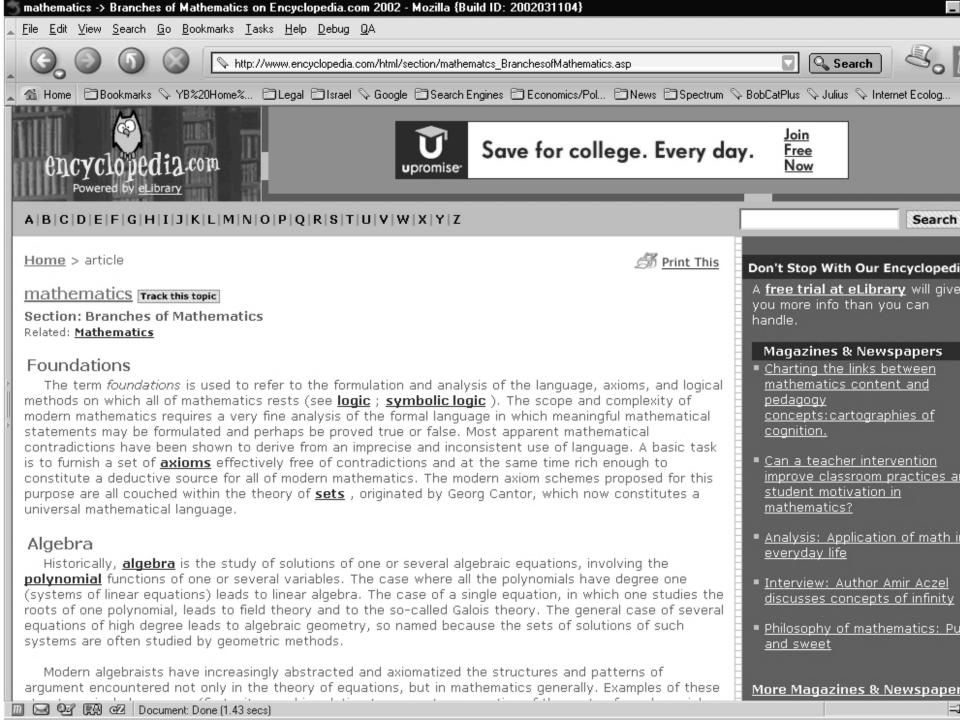


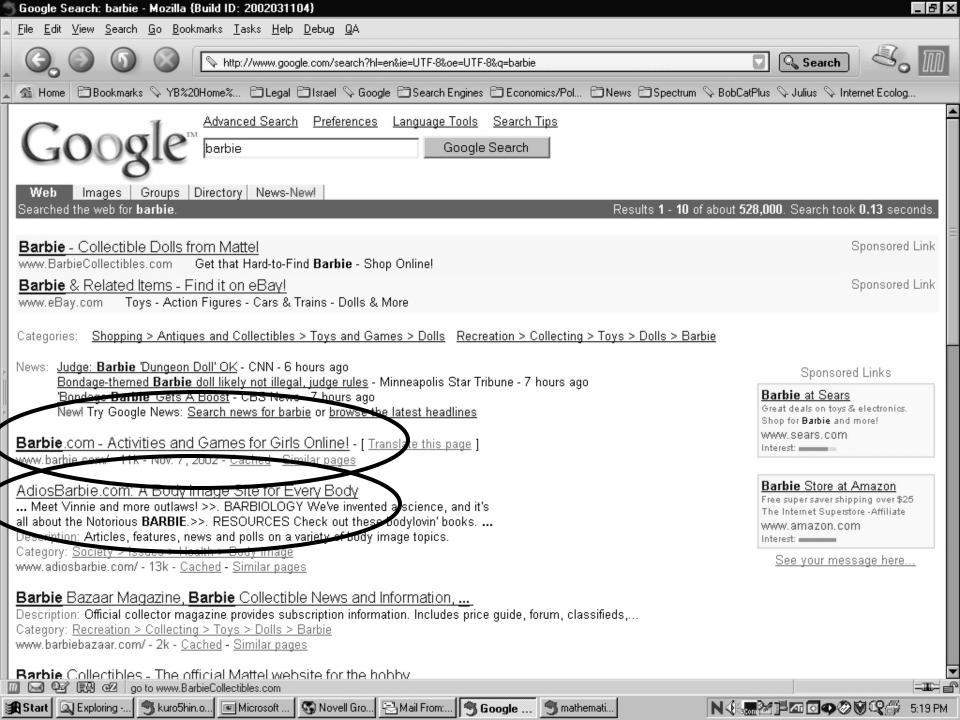




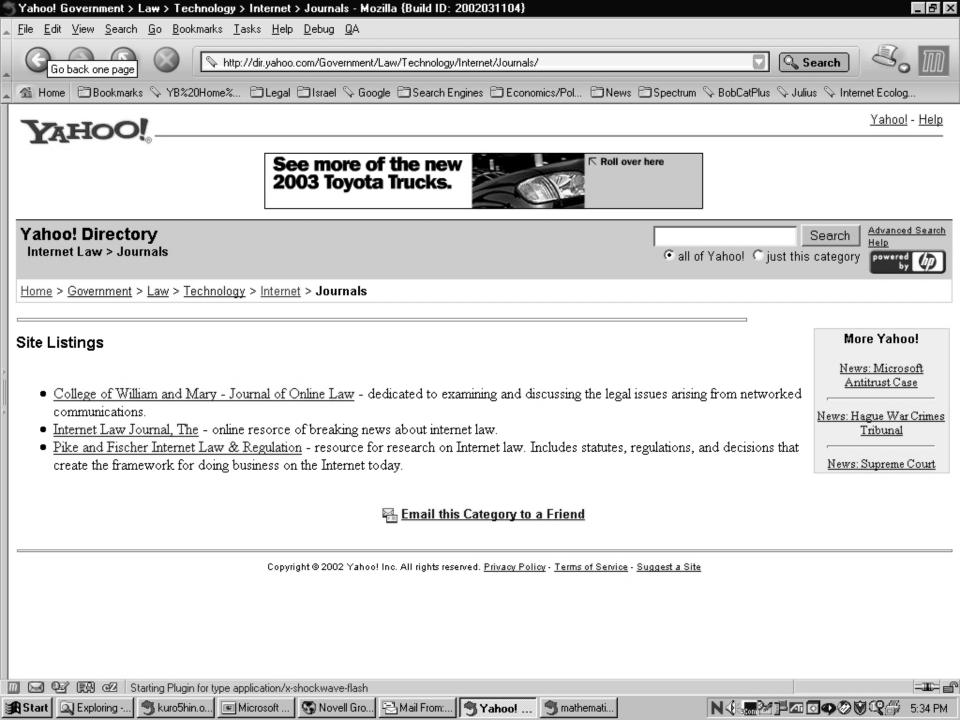












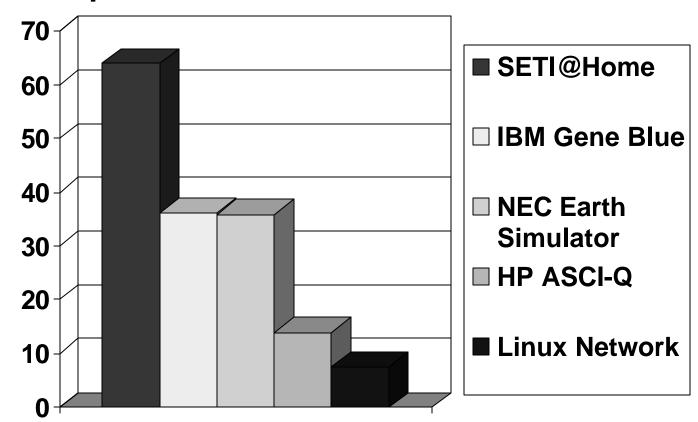
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Material sharing

- Computation: @Home projects
- Physical transport capacity: Open Wireless Networks
- Storage: Kazaa, Freenet
- Combined mixes: Skype

SETI@Home

Teraflops



speed relative to fastest supercomputers in top 500 list

@Home

- SETI@Home: ~4.5 Million users
 - Download small screensaver
 - Kicks in when user is not using their pc
- Folding@Home: ~572,000 cpus, 272,000 volunteers; 28,000 teams

Common Characteristics

- Widely distributed physical goods with some capacity
- Have excess capacity (of transmission, storage, processing)
- Are privately owned by many distinct users
- Who pool their excess capacity without relying on either prices or managerial commands to motivate and coordinate the pooling

Economic Questions

- What are the motivations?
- What are the feasibility conditions?
- Is it more efficient, and if so when?

- OSS economics literature maps the diverse appropriation mechanisms (Lerner & Tirole; Weber; von Hippel)
 - Intrinsic
 - Hedonic
 - Community ethics
 - Extrinsic
 - Supply-side--human capital, reputation
 - Demand-side--service contracts, widgets

- OSS literature
- Motivation crowding out theory
 - Titmuss-Arrow debate over blood donation
 - Different people differ in incentives
 - But does money crowd-out giving?
 - Frey: social psychology focuses on intrinsic & extrinsic motivations
 - People feel rejected and untrusted when offered money to do something a welladjusted, respectable person would do for free—so reduce their effort

- OSS literature
- Motivation crowding out theory
 - Titmuss-Arrow, Frey
 - Benabou & Tirole
 - People take cues from others in authority; when offered fine-grained monetary incentives and monitoring they loose confidence in their own abilities

- Motivation crowding out theory
 - Titmuss-Arrow, Frey
 - Benabou & Tirole
 - Empirics
 - Frey & Jege 2001: survey
 - Bewley 1995: survey of managers regarding efficacy of incentive contracts
 - Osterloh & Frey 2000: knowledge transfer within the firm
 - Frey & Oberholzer Gee 1997; Kunreuther & Easterling 1990: NIMBY increases when \$ offered
 - Gneezy & Rustichini: fines increase tardiness of kindergarten pickup

- Motivation crowding out theory
- Social exchange & social capital
 - Carpooling, p2p file sharing, includes an instrumental component not accounted for on the psychology-based theories
 - Anthropology of gift literature includes heavy emphasis on reciprocity, social hierarchy
 - Social capital (Coleman; Granovetter; Porat; Lin) focuses on instrumentalism
 - Empirics: Fehr & Gechter 2002: reciprocity crowded out by money

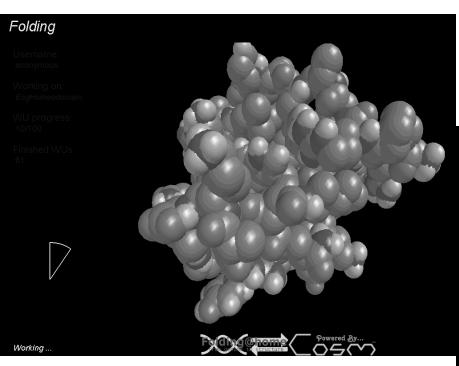
- Motivation crowding out theory
- Social exchange & social capital
- Combined
 - Human beings are diversely motivated
 - A reward function includes
 - Material motivations expressed in money
 - Social-psychological motivations
 - Which can be instrumental or non-instrumental
 - The different motivators have a complex relationship to each other
 - Dinner with friends; sex

- Motivation crowding out theory
- Social exchange & social capital
- Combined
- Culturally contingent and crossculturally diverse

Motivational feedback

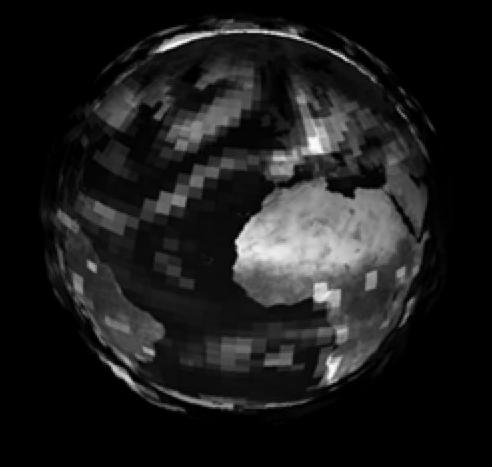
- Information about the amount of work
 - That each user contributes
 - That the collective effort achieved
- Information about the scientific context
 - interfaces that present the process (more-orless opaquely)

Motivational feedback



Folding@Home

Climateprediction.net



Commercial efforts

- Gomez performance network (capped at \$45 per month)
- Capacity calibration network (\$.30/ hr)
- Hard to compare success: smaller scale, but concerned with topological diversity, control over participation centralized.



Motivational feedback

- Information about the amount of work
 - That each user contributes
 - That the collective effort achieved
- Information about the scientific context
 - interfaces that present the process (more-orless opaquely)
 - papers published using processes
- Competitions for most cycles contributed
 - Including teams like national teams, or universities, "linux" etc.
- Online forums for discussing the topic or project

Motivational "theory"?

- Agonistic giving
 - user of the week/month/year/galaxy
- Non-agonistic giving
 - Help humanity
- Individualist and solidaristic
 - Solidarism both prefab and new-fangled, or organic and synthetic
- Reciprocity?
 - Reciprocity much more of a factor in p2p systems, OWLs
- Are these projects shooting in the dark, or is there no crowding out among forms of sharing?

Economic Questions

- What are the motivations?
- What are the feasibility conditions?
- Is it more efficient, and if so when?

- Human creative labor
 - Highly variable
 - across human beings
 - within every individual over time in short and long term cycles
 - Personal, specific, non-fungible
 - intrinsically available to individuals
 - weakly available for fully specified transfer

- Human creative labor
- Networked connectivity of many individuals to diverse projects at diverse times
- Task organization: critical for pooling diversely motivated contributions
 - Modular components
 - Variable granularity
 - With an integration platform

Shareable goods

- Lumpy
 - Come in discrete packages of functionalityproducing resources/goods, that do not align perfectly with demand for the functionality flow
- Mid-grained
 - Packages can be provisioned to a substantial segment of a population, given wealth, cost, and demand for functionality flow over the lifetime of the good.

- Shareable goods
 - Lumpy
 - Mid-grained
 - => Large amounts of excess physical capital capacity, widely distributed in a population in small chunks
 - Enabling greater play for diverse human motivations free of the rationalizing effects of markets and bureaucratic management
 - Available for clearance through markets, firms, states, or social sharing systems

- The most important inputs, into the core economic activities, of the most advanced economies, are widely distributed in the population
 - Human creativity
 - Computation and communications resources
- We are seeing platforms emerging for harnessing underutilized pools of talent, experience, and physical capacity

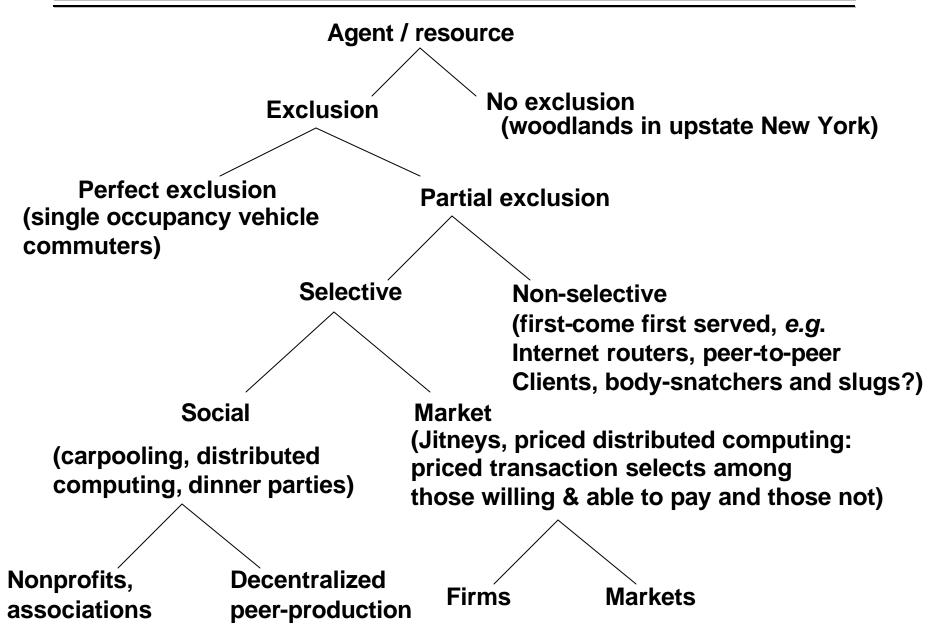
Is it efficient?

- "Incentives"
 - When motivation crowding decreases activity
 - If large quantities of excess capacity (human creativity, CPU cycles) are widely distributed in small dollops
 - "Incentives" trivial as a matter of macro, long-term sustainability: volunteers, hobbyists, and professionals will combine if modularization is right

Is it efficient?

- "Incentives" or motivation
- Transactions costs
 - Information gains
 - Allocation gains

Transaction costs & choice of production modality



- Human creative labor highly variable
 - time, task, mood, context, raw information materials, project
 - Difficult to specify completely for either market or hierarchy control
 - In peer-production agents self-identify for, and self-define tasks
 - Have best information about ability in time
 - Mechanisms for correcting misperceptions necessary: e.g. "peer review"

- Human creative labor highly variable
- Markets and hierarchies (firms or agencies) require
 - Crisp definitions of transactional moves—actions, goods, obligations on a per-transaction basis
 - Highly structured data computable within its decision system (price or managerial/bureaucratic report)

- Human creative labor highly variable
- Markets and hierarchies
 - Crisp per-transaction information
 - Formalized information rendering
- Social sharing & exchange
 - Loose accounting, contributions into a cloud of social goodwill: lower pertransaction information costs
 - Informal, culturally transmitted cues for action, "reading social situations"

Tradeoffs

- Social systems have similarly high setup costs, but lower per-transaction costs
 - Particularly important where one "finished" effort/unit requires multiple transactions/ contributions
- Trade off formal computability for texture
 - Social sharing particularly good where inputs (tacit knowledge) or outputs (help fight AIDS) hard to measure and encode formally

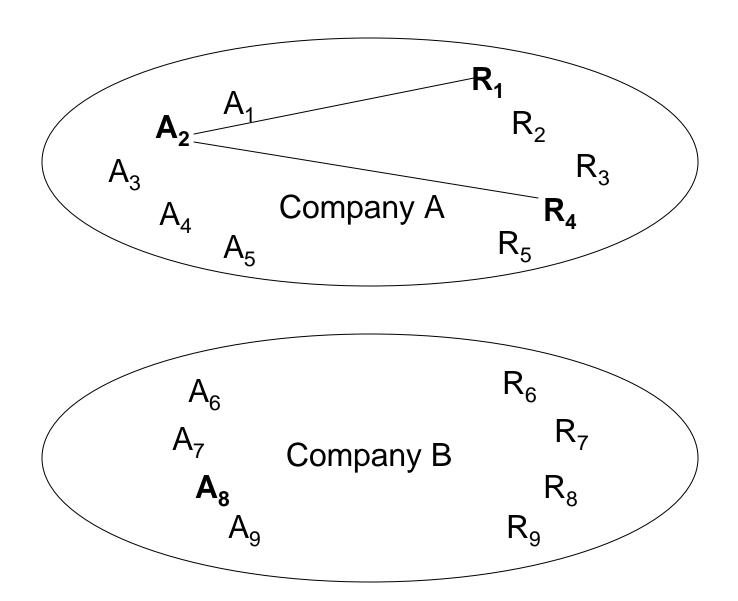
- Centralized/decentralized systems
 - Distance (physical, logical, institutional) between locus of an occurrence of an opportunity for human action in an environment, and the authority for directing whether and how the agent confronted with the opportunity will act on it
 - Peer production & distributed sharing systems, but also eBay-like markets
 - Firms, bureaucracies, the organized churches?

- Centralized/decentralized systems
- These systems tradeoff information for control
 - Information is lost in the transmission from the locus of opportunity for action to the locus of authority and back
 - Centralized systems will be information poor but more controlled, decentralized systems will be information rich and less controlled (though not necessarily less dynamically stable, efficient, etc.)

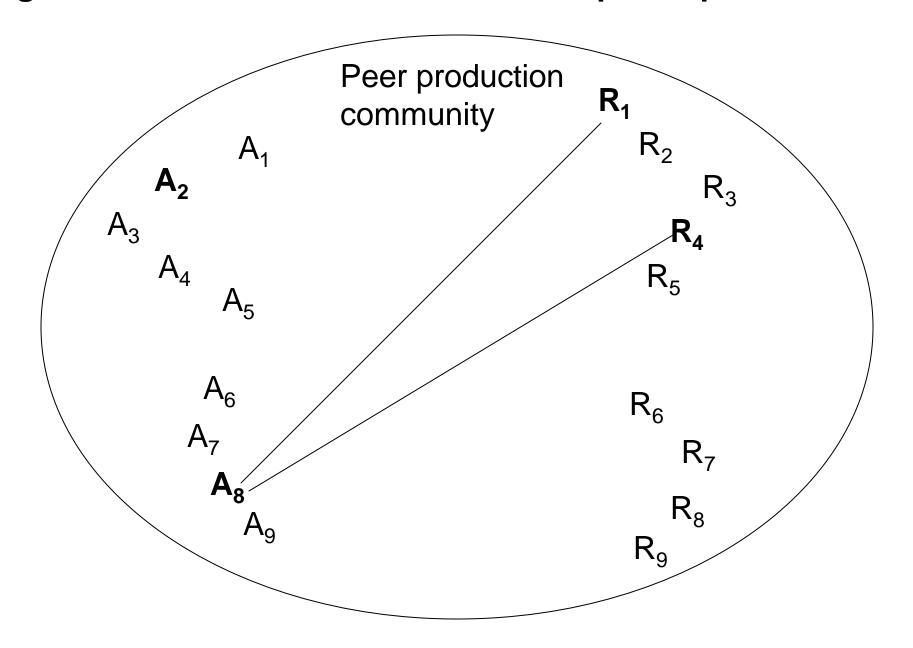
Allocation gains

- Firms and markets use property & contract to reduce uncertainty of availability of agents & resources
- Individuals highly variable in fit to resources, projects, and each other
- Substantial increasing returns to size of
 - set of agents permitted to act
 - set of resources they may act upon
 - set of projects they may pursue

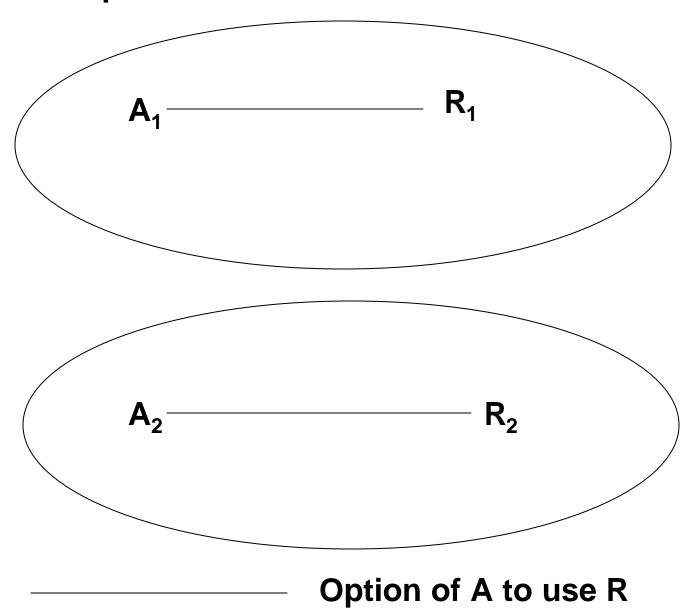
Agents and resources separated into firms



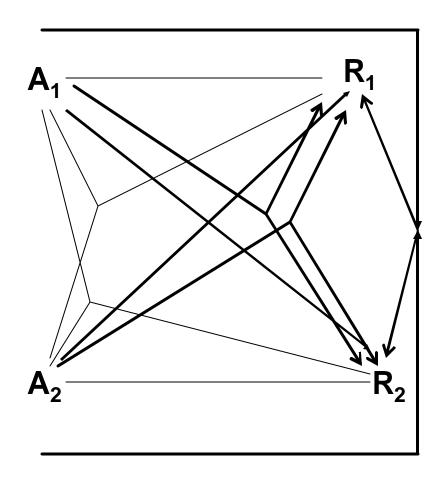
Agents and resources in common enterprise space



Agents and resources option value when separated in bounded spaces



Agents and resources option value when combined



Option of A to use R

The role of culture

- Technological characteristics create threshold barriers to adoption of various modalities of production
- Beyond threshold viability, similar activities can be undertaken through different modalities

The role of culture

- Prevailing social institutions, practices, motivational interpretations differ among societies, affecting the attractiveness and transition costs to one or another of these forms for a new activity
 - Based on relative attractiveness of money and social-psychological rewards
 - Trust; experience with cooperative practices
 - Although these may be endogenous and dynamic once you start a practice of sharing, you get better at it, and vice versa
 - Presence or absence of formal background institutions supporting, and investments in, one or another system

Social sharing & exchange as a modality of economic production

 Under certain technological circumstances practically-feasible opportunities for action are amenable to execution by a class of approaches to organizing production that rely on sharing and social exchange, rather than on a pricesystem or a firm hierarchy

Social sharing & exchange as a modality of economic production

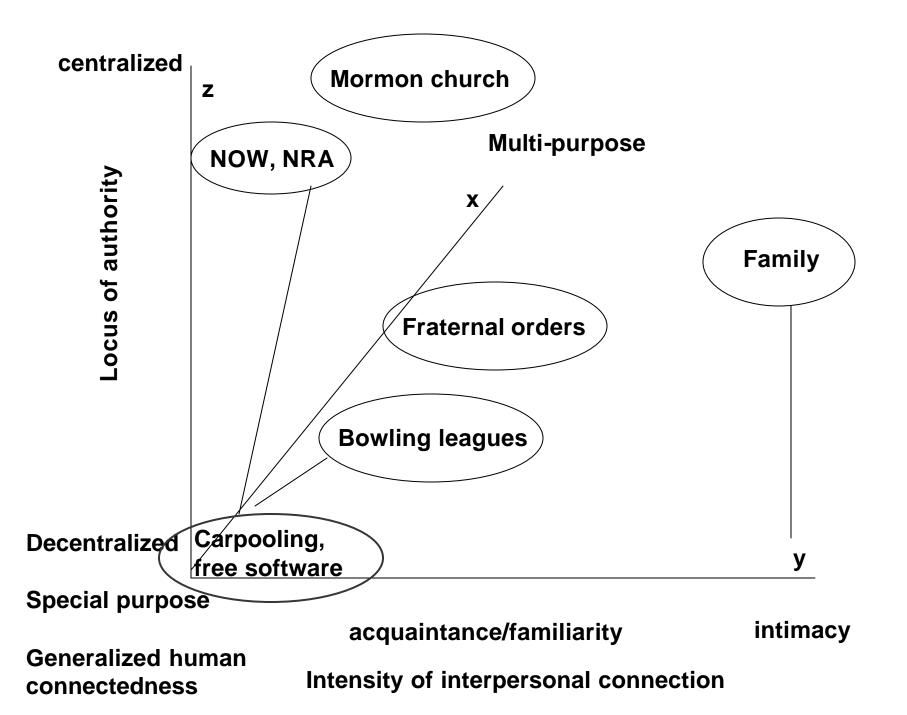
- Threshold technological conditions enable class of approaches
- Typified by
 - decentralization of the authority and capacity to contribute to effective action, and
 - reliance on social information flows, organizational approaches, and motivation structures, rather than on prices or commands, to motivate and direct productive contributions

Sharing

- Gift –production of social relations through flows of material things
- Social norms—production of behavioral constraints/institutions
- Social capital—increased productivity within the modalities of market/state
- Common property regimes/club goods
 - Typified by crisp in/out distinctions
 - Rely on stable repeat play relationships

Social production

- Operating in the domain of production of things and services valued materially, not only or primarily the production of norms or social relations
- Inputs and outputs can be private, economic goods, not only public goods, or club goods
- Can occur among strangers, not only intimates or longstanding associates



Four transactional frameworks

Price-system

 where motivation context is resistant to sharing claims (e.g., bank records back-up)

Firm hierarchy

 usable where excess capacity is internally available

Govt Regulation

- "regulatory gain"
- Residual?

Social sharing and exchange

- particularly valuable where lots of small contributions required
- particularly easy where instrumental exchange possible
 - open wireless networks
 - distributed storage
 - processing load balancing harder

The Commons Problem

- Different kinds of commons have different solutions
- Information a provisioning problem, not an allocation problem
- Shareable goods do present allocation problems
 - Online, solutions have been technical, with proposals for law as to OWLs
 - KaZaa participation level

The Commons Problem

- Primary concerns
 - Defection through unilateral appropriation undermines intrinsic and extrinsic motivations
 - Poor judgment of participants
 - Providing the integration function
 - Initial modularization of tasks
 - Managing peer review
 - Integrating contributions into a usable whole

Levers used in commons

- Formal rules
 - Contractual: GPL; cc
 - Organizational: standards

Levers used in commons

- Formal rules
- Technological mechanisms
 - Constraints
 - Slash moderation (maximum moderations per period)
 - Wireless standards (say, collision avoidance)
 - Affordances
 - Wiki transparency & revert
 - Moderation on Slash
 - Collaborative filtering
 - Reputation systems (troll filters; eBay)
 - Redundancies to overcome failures (clickworkers; BitTorrent)

Levers used in commons

- Formal rules
- Technological mechanisms
- Social mechanisms
 - Social norms as behavioral constraints or guides (Wikipedia objectivity)
 - Discussion platforms for airing differences (project lists; Wikipedia "talk"; blog comments)
 - Quasi-formal, community-enforced mediation or arbitration

Coordination & cooperation

| Trans- actional frameworks/ | social sharing & exchange | firms | price system | Govt | parallel existence |
|-----------------------------------|---------------------------------|----------------------------------|--|---------------------------------------|------------------------------------|
| Levers of constraint & affordance | | | | | |
| contracts | None or vague per transaction | Longer term; emp. & supply | 10 widgets for \$1 | Regulation; consumer protection | - |
| norms | Social | "firm culture" | Merchants | - US wants YOU? | - |
| technology | "social software" | Enterprise platforms | Efficient payment systems | CALEA; CARNIVORE ; DRM | purely technical coexistence |
| law | GPL; cc? | securities; etc. | Property, contract; NOT per transaction | baseline modality | |

Wrap-up

- Technological threshold conditions enable individual human agency
- Increase the domain of effective action for diverse motivations with complex relationships to money
- Peer-production focused on human creativity
- Resource sharing for computation and communications resources
- Emergence of social sharing & exchange as a substantial modality of economic production