



Markets 2.0: Social Finance. Affinity Capital.

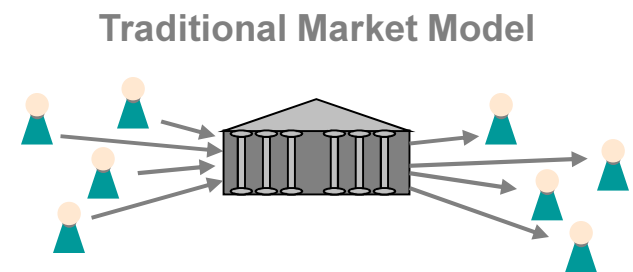
Markets are superior resource allocation mechanisms

April 2008

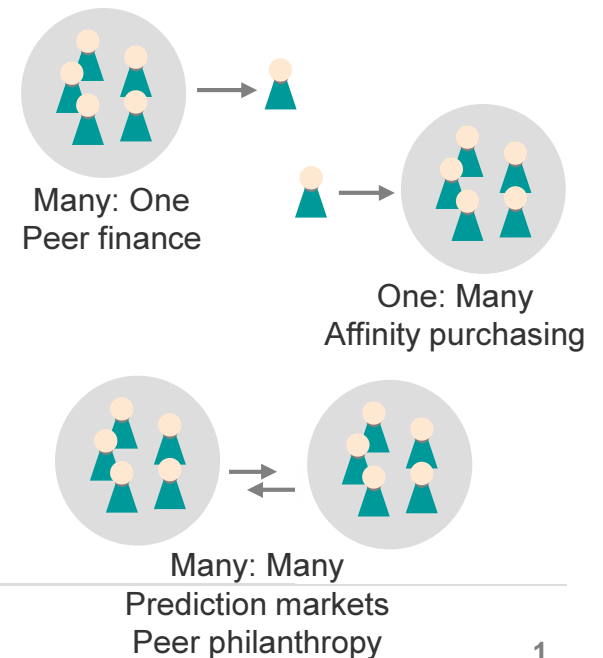
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Definition of Markets 2.0

- Traditional market model: one central organization (financial, governmental, non-profit institution or corporation) serving many individuals
 - Large-scale impersonal markets
 - Low resolution preference expression
- New innovative market models: flexible dynamic capital allocation systems that provide democratic, more immediate, low-cost, affinity-directed capital
 - Benefits to individuals: freedom, convenience, preferences articulation
 - Benefits to groups: virtual aggregation of group power to conduct transactions



Innovative Market Models



Characteristics of Markets 2.0

- Social
 - Values self-expression
 - Reputation building
 - Activity broadcasting
 - Interaction and fun: winning, gaming
- Empowerment
 - Aggregation, group power
 - Democratization
 - Increased agency
- Affinity
 - Personalization through rich attribute selection
- Impact and efficacy
 - Ability for social impact via economic actions
 - Greater efficiency of capital allocation and utilization
 - Linkage/feedback loop to capital end use
- Broader application of market mechanisms



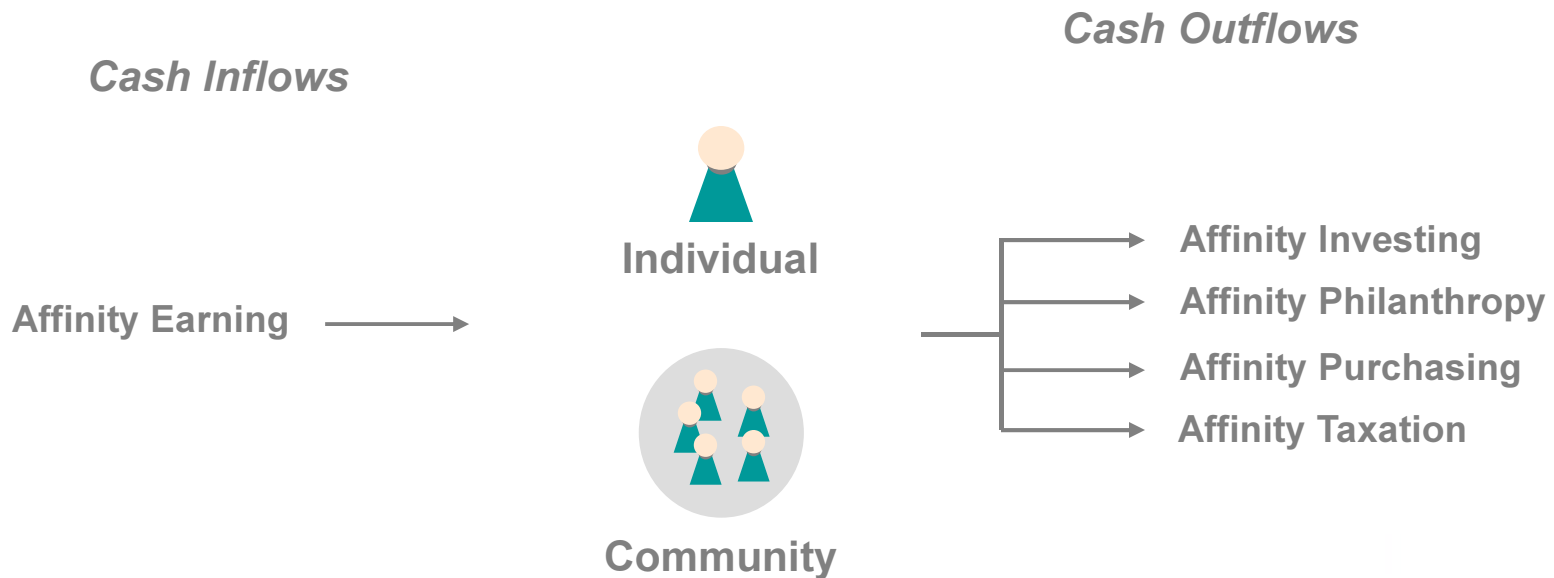
Synthesis of forces driving Markets 2.0

- Technological
 - Liquidity: critical mass of continuously online Internet users
 - Communities: advent of large Internet social networking and interest groups
 - Interaction tools:
 - Web 2.0 collaboration
 - Long-tail can meet and interact
- Social
 - Social impact movements
 - Desire and ability of individuals for increasing agency, personal impact
 - Cultural embracement of market mechanisms



Potential impact of Markets 2.0

- All individual and group economic transactions could be dramatically transformed
- Multiple realms of capital generation and deployment: physical world and digital worlds



Taxonomy Detail: Affinity Investing

- Equity: socially-responsible investing (SRI) and values-based investing
 - Citizens Funds
 - Calvert Funds
- Debt: peer-to-peer lending
 - Prosper
 - Lending Club
 - Zopa (lenders buy a credit union CD and decide if allocate interest to borrower)
 - Kiva (lenders forgo interest on developing country loans)
- Venture capital and private equity
 - Good Capital
 - P2P Venture
- Real Estate
 - P2P mortgage, pooled investor groups
- Prediction Markets
 - Intrade, HSX, Iowa Electronic Markets, Predictify
 - Software: Zocalo (open source), Xpre

Note: See Appendix for comprehensive Taxonomy with clickable organization links

Taxonomy Detail: Affinity Philanthropy

- Social network
 - Change.org
- Crowd-sourcing, crowd-funding donations
 - Fundable (general projects)
 - Sellaband (music)
 - Swam of Angels (film)
 - Have money will vlog (video blogging)
 - OpenBasicResearch (R&D)
- Personalization
 - Crowd source badges
 - Personal foundations
- Platform tools
 - Wordpress crowd-sourcing plugin



Taxonomy Detail: Affinity Purchasing

- Personal value expression in purchasing, attribute examples
 - Organic, local, fair trade, recyclable
 - Hybrid, electric [auto]
- Certified products
 - Forestry Stewardship Council (lumber)
 - Marine Stewardship Council (seafood)
 - Transfair (fair trade)
- GroupPurchase
 - Aggregated buygroups commanding purchase discount
- Product tagging
 - Urban Logic
 - FruCall, scanZOOM, RFiD
 - Microsoft's AURA (terminated June 30, 2007)
- Personalization
 - ThisNext Shopcasting
 - Item proliferation: Second Life has 1^{10} Wal-Mart's SKUs



Taxonomy Detail: Affinity Earning

- Web 2.0 crowdsourcing/ideagoras (ideas marketplaces)
 - The Point, Kluster, Zooq, Ideablob, Cambrian House
 - Change This, CrowdSpirit
- Wikinomics/enterprise crowdsourcing/ideagoras
 - Innocentive, Nine Sigma
 - InnovationXchange Network
 - Your Encore, Innovation Relay Centres
- Affinity-based
 - justmeans
 - RentACoder
 - TopCoder
 - Open-source projects
- Distributed workforce
 - LiveOps (call center)
- Micro-projects
 - Mechanical Turk
- Attribute signaling
 - MWOB, GLBT, Muslim-owned, Hispanic-owned



Taxonomy Detail: Virtual Economies

- Social capital markets-focused social network
 - Xigi
- Alternative currencies
 - Seriosity (attention)
 - Timebanks (time)
 - Freeconomy, Beyond Barter, open-source, Wikipedia (gift economy)
- MMORPG
 - World of Warcraft, Ultima Online, Lineage
 - Economic activities: internal/external character and object auctions/sales, gold-farming
- Metaverse worlds (60 existing worlds)
 - Proprietary worlds: Second Life, There, Sims Online
 - Open platforms: OpenSim, Multiverse.net
 - Economic activities: real estate, objects, apparel, services and animation script design/sales



Implications of Markets 2.0

- Market mechanisms are proliferating and increasingly becoming the standard for resource allocation
- How the average person earns and deploys income is changing
- Economic transactions have more dimensionality:
 - Self-expression, reputation-building, broadcast, feedback loops, group power aggregation and affinity selection
- Multi-currency economy, reputation and activity records are critical and should be portable
 - eBay, Amazon are really in the reputation business
 - PayPal is really an escrow business
- Potential to significantly disintermediate traditional financial institutions and capital markets
 - Instantaneous, cheaper, affinity-directed capital



Predictions, what will it be like when...

- Mortgage and home equity loans can be obtained online via peer finance in less than 24 hours
- Million-member virtual BuyGroups bid for insurance and health care services
- Internet reputations are consolidated and portable
- Investment portfolios include allocations to local managers; Indian commodities, Chilean metals, etc.
- Synthetic economies nominate and finance candidates for physical world office
- Socially Responsible Debt (SRD) means that cities/states without measurable social progress cannot get bond offerings financed





Thank you

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Appendix 1: Markets 2.0 Taxonomy Summary

- Economic transactions are becoming increasingly affinity-based
 - Socially responsible is one of many affinities

Equity: SRI Funds
 • [Citizens Funds](#)
 • [Calvert Funds](#)

Debt: P2P Lending
 • [Prosper](#)
 • [Zopa](#)
 • [Lending Club](#)
 • [Kiva](#)

Venture Capital
 • [Good Capital](#)
 • [P2PVenture](#)

Prediction Markets
 • [Intrade](#) • [predictify](#)
 • [Iowa Electronic](#)
 • [Zocalo](#) • [xpre](#) (sw)

Social Network
 • [Change](#)

Crowdsource Donations
 • [Fundable](#) (general)
 • [Sellaband](#) (bands)
 • [Swarm of Angels](#) (film)
 • [HaveMoneyWillVlog](#) (vlogs)
 • [DonorsChoose](#) (education)
 • [OpenBasicResearch](#) (R&D)

Personalization

Crowdsource Badges
 • [Personal foundations](#)
 • [firstgiving](#)

Platform
 • [Wordpress plugin](#)

Attributes
 • Organic, fair trade

Certified Products
 • [Forest/lumber](#)
 • [Marine/seafood](#)
 • [TransFair USA](#)
 • [Scientific Certification](#)

GroupPurchase

Affinity Tagging
 • [Urban Logic](#)
 • [FruCall](#), [scanZOOM](#)
 • [MSFT's Aura](#)

Personalization
 • [ThisNext Shopcast](#)
 • [Community Choice](#)

Crowdsourcing
 • [The Point](#)
 • [Kluster](#) • [Zooq](#)
 • [Cambrian House](#)
 • [Change This](#)
 • [CrowdSpirit](#)

Wikinomics
Ideagoras
 • [Innocentive](#)
 • [Nine Sigma](#)
 • [InnovationXchange](#)
 • [Your Encore](#)
 • [Innovation Relay](#)

Affinity-based
 • [justmeans](#)
 • [RentACoder](#)
 • [Top Coder](#)

Dist. Workforce
 • [LiveOps](#)
 • [Mechanical Turk](#)

Social Capital Network
 • [Xigi](#)

Alternative Currencies
 • [Seriosity](#) (attention)
 • [Timebank](#) (time)
 • [Wikipedia](#) (gift)
 • [Freeconomy](#) (gift)
 • [BeyondBarter](#) (gift)

MMORPG
 • [World of Warcraft](#)
 • [Ultima Online](#)

Metaverse Worlds
 • [Second Life](#)
 • [There](#)
 • [Sims Online](#)

Platform
 • [Multiverse](#)

Affinity Investing

Affinity Philanthropy

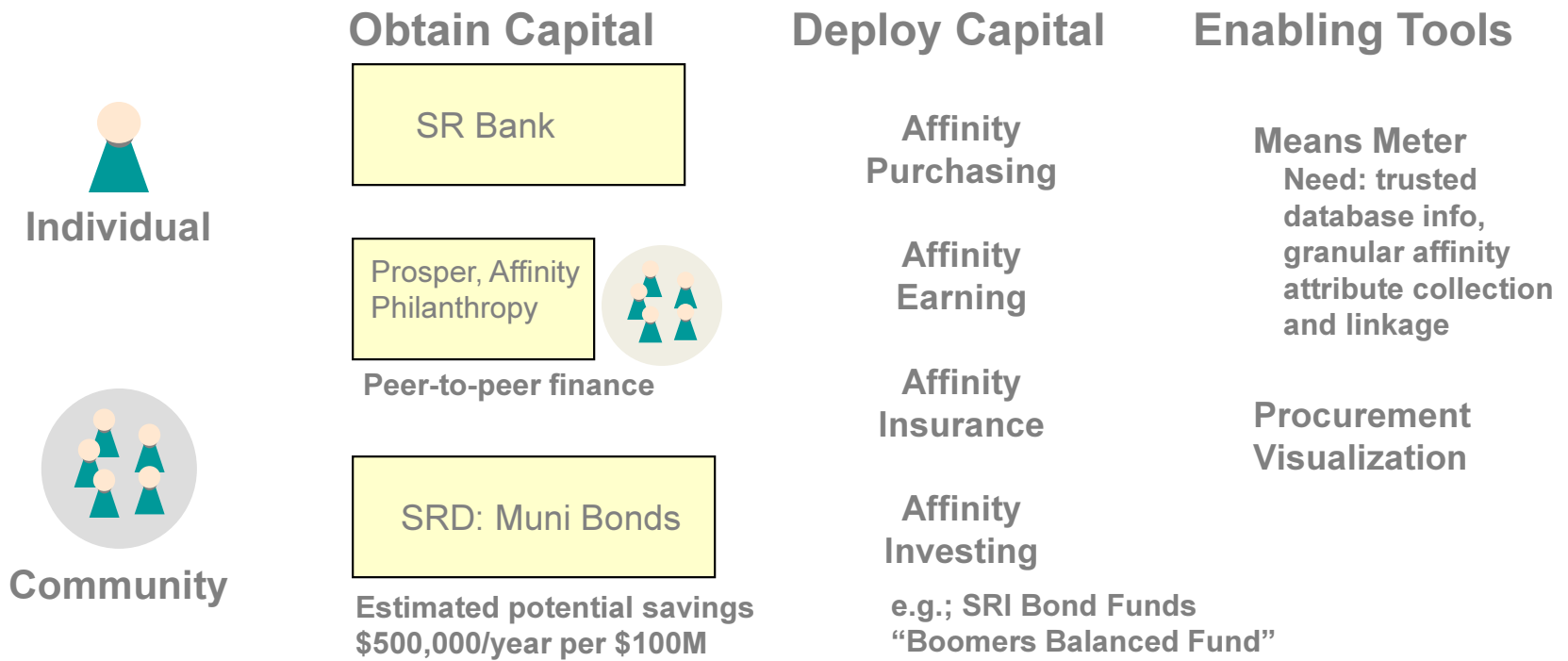
Affinity Purchasing

Affinity Earning

Virtual Economies

Appendix 2: Urban Logic Case Study

- Sustainable Resiliency: a comprehensive community policy agenda and financing system



More information: [Urban Logic](#) and [“Saving Democracy With Web 2.0”](#) – Jennifer Granick, Executive Director, Stanford Center for Internet and Society, Wired, Oct. 25, 2006