



Conversation with Philip Rosedale

Ashley Hopkinson

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Ashley Hopkinson: Can you introduce yourself and tell me a little bit about your background?

The origin story of High Fidelity and how Second Life came to be?

Philip Rosedale: I'm Philip Rosedale. I started the company called Linden Lab that made this thing called Second Life almost 25 years ago. Since then, I've worked on more VR related virtual world stuff.

Most recently, I worked on a number of projects in a lab that are all generally directed at positive outcomes, wellbeing and impact on people. One of those is a digital currency project, which is informed by the currency experience that we had building a digital currency in Second Life. So that brings me to the present.

In terms of the origin story, I got to middle school after the PC, but before the internet, and so the dreamy stuff for me was networks because that was what was just coming. Computers were available, and I learned to program as a kid. But I really became fascinated to an extreme with the idea of redoing the laws of physics in a computer over a network and then having that be a place that people could go to and make things. That was my dream.

I just felt like I wanted to be there myself. I wanted to be part of that. And so I did a bunch of stuff entrepreneurially getting out of college and then working on different internet projects. But ultimately, I returned to San Francisco in 1999 and started this company and then started working on Second Life. When Second Life launched, it created all these interesting results and observations about how people can behave online.

I think one of the really positive things is that Second Life in comparison to, say social media, has been remarkably positive (in terms of) impact and outcomes for people. So it doesn't, for example, increase division between perspectives. It tends to actually reduce it or get people to synthesize opinions or get

people who wouldn't have liked each other to like each other but as avatars. So there's a lot of learning around that. What I hope to do as an entrepreneur going forward, and what I'm trying to do with Fair Share, is see if there's a way to apply what I know and how I know to build software to some of the things that we saw happen in Second Life, which were positive and say : “hey, are these things that we could do for more broadly?”

Ashley Hopkinson: I see what you're saying. How can we take the impact and the learnings from this particular area and sector and build upon it? Can you share more about what you felt like you were responding to in terms of creating Second Life and also with the new project as well? Were you responding to our disconnection? People have deep communities within the gaming world, and so was it that? What led you to want to do that kind of work?

Philip Rosedale: There were two big blobs to that. One was, as you said, that people seemed to be disconnected and disconnecting. And many of the online mechanisms we have to connect, they seem to work in little fits and starts, but they don't work across the board.

I think many people share this opinion, unfortunately, the business model of social media in general has been negative with respect to human relations. It's almost grinding up people's trust and like for each other and turning it into money, which is just awful. There was a second blob though that really attracted me to the immediate work that I've been doing and became particularly evident through COVID, which was economic inequality.

There are some fundamental experiments that I couldn't unsee, which have to do with how free markets inevitably and mathematically (work) not as a result of human behavior. There's this fascinating finding that's become really interesting in the last 10 or 20 years to economists and others, which is that free market systems where everybody starts out with the same amount of money and they just trade with each other (has an unexpected result).

To a mathematically inclined person, it's so strange, which is that if you start people out with exactly the same amount of money and they're exactly identical, and you let them participate in a free market with each other, a very strange thing happens, which is no matter how you model simulate that free market, you end up with a smaller and smaller number of people getting richer and richer until in the end, literally one person has all the money kind of as if you were playing Monopoly or a poker game.

But it turns out that this happens in every kind of free market trading we can simulate. What that means is that at least some of the reasons that we talk about inequality, economic inequality, the rich getting richer, the banks exploiting us or whatever, there's almost an underlying unfortunate thing,

which has to do, not with any intentional behavior, not with people harming each other and actively going after each other in different ways, but is instead actually intrinsically built into the mathematics and the economics of free market trading.

Economic inequality particularly in the United States is at such a broken point that it seems unlikely we can fix things like our politics, like climate change, all the divides we have between us. It feels as if we're not going to be able to address those things under conditions where the economic inequality is where it is. Particularly through COVID, economic inequality in the United States increased dramatically. No matter which indicator you look at, there's little question.

But we created a lot more money during COVID. We did do some public programs, which were helpful and now are good material for people to look back at and say, "Hey, this is working." Giving people grants of money actually did help them with their outcomes and their health and their welfare. What we also are seeing, unfortunately, is that these critical statistics worsened significantly and that's an unsurprising output. We would've expected that to happen.

So what I'm trying to do is build something that takes a look at that kind of bug, if you will, with money and then tries to build a community-based solution, which by the way is not dissimilar to other things that are happening around the world right now at the local economic level. We're trying to build something digital that tries to fix that problem and provides people in smaller communities with a way to support each other.

So economic inequality has really moved me to action more than anything, the sense that this is just not fair, and we are not going to end up in a good place or make further progress until we fix it.

Ashley Hopkinson: I really appreciate that framing. The pandemic pulled the veil back a little bit so people I think are able to connect the dots and understand that some public programs that came in were short term solutions or not fully in action now.

What do you think we can do to move toward things that are more long-term? With the digital currency that you're creating, how have you thought about it? I don't know if the word is sustainability, but how have you thought about the long game?

Philip Rosedale: There's an interesting analogy. People talk about a movement around regenerative farming where you put a circle around a farm and you say, "To the greatest extent possible, we're going to regenerate." We're going to pick what we farm, and we're going to pick the methods that we do in such a way that it's mostly self-sustaining or it's a lot more self-sustaining than it was before. So we don't have to import fertilizer or we don't have to import as much as we did. We don't have to use

as many diesel trucks. There's a similar idea in economics, which is to say if as a community we wanted to maximize our collective wellbeing using an economic system, how would we do that?

There's abundant evidence both historically and in experiments that have been done more recently that economists have worked on around this problem that I discussed earlier, that again, the problem is even in a small community, if you give everybody the same number of poker chips and let them start buying and selling things from each other in complete goodwill in a public market, you end up with this rather odd and unfortunate outcome where one random person starts accumulating all the wealth, and they didn't even mean to. Believe it or not, that actually happens.

(The reason) I said regenerative farming is regenerative economics (is that) you have to recirculate money in exactly the same way that you have to do something like cycle the crops you grow on a piece of land. It's actually the same thing. The economists that have studied this now realize it. What I'm trying to do is build a simple digital version of this. What you actually have to do is simply have a flow of currency that is always going from where it's piled up the most back equally to everybody.

In Fair Share, the way we do that explicitly is it's like a digital currency, so there's a tax on every transaction that you can't escape because it's just built into the code, then what that tax does is it just gets dividends back to everybody in the community.

Now, in the community, is an important statement because there are some typical techno-utopians right now that are trying to say, "Oh, we can just do that with one currency for the whole world." There's this crazy OpenAI project called World Coin, for example, that is an attempt to make a world currency and scan everybody's eyeballs. That is a horrifically bad idea.

This idea of a local currency that recirculates itself digitally is a pretty good idea. And it's not very different from what is happening grassroots all over the world right now around the economy with transformative things like the village savings and loan programs. For example, in Kenya, I think it's called *chama*, which are these savings groups that are springing up in major cities all over the world. That's another example where there's hope that we can use local economic mechanisms to reduce wealth inequality and provide people with a basic level of sustenance.

Ashley Hopkinson: I like that you have the framing around “in the community.” Sometimes right after a solution emerges questions of scaling globally come in. With this idea whatever is there goes back to the community. Is that the recirculating?

Philip Rosedale: There are times in history when countries for a brief period actually do the right thing. The tax program of a healthy country is basically that, at least for a little while, you tax people on

their transactions or on their incomes or whatever. That means that people that have larger amounts of economic flow are contributing more. And then you recirculate. Again, you recirculate that money back to everybody else.

And the trick is to do that at the level of a community because it's the community that can make the right decisions about how much to recirculate and how to turn the knobs, if you will, for themselves. I have a growing awareness as a more experienced technologist now that it feels to me like solutions that are introduced globally like Bitcoin or Instagram or something like that, I'm kind of coming to the opinion over my career that they're always going to fail, that global solutions that are supposed to apply to eight billion people, they're never going to work.

One of my pieces of mentoring advice to younger technologists is to say, "Understand that even if you have a big idea about something wonderful you want to do, if it's something that everybody around the world has to use the same way, it isn't going to work. I can tell you right now. And not only is it not going to work, but it's going to end up having a perverse negative outcome that you didn't anticipate.

Ashley Hopkinson: The last part is significant too because with all these unintended consequences, the thing you created for good can end up reintroducing different kinds of problems or a new kind of inequality. I was listening to a talk on wellbeing and the person said: "we have a harvest in society, but we have an unequally shared harvest."

Philip Rosedale: I really resonate with that statement. The way I often put it from my perspective at work is that — it isn't abundance unless we have both: lots of something and a means to distribute it to everybody.

I think Elon Musk this week was saying, "We can make as much clean drinking water as we want." Sure. At some specific point on earth with an infinite amount of money and new technology, we can make an infinite amount of freshwater.

That does not mean abundance because abundance would be that somehow the people who need to drink that water actually get it. I think this distinction between technologies that could theoretically provide everybody with something and a set of social contracts (matters). Technologies and mechanisms where that stuff gets distributed relatively equally to everybody, those are completely different things.

Ashley Hopkinson: What challenges are you facing in doing this kind of work, and how do you find yourself working to overcome those challenges?

Philip Rosedale: I'd say one of the biggest challenges, which everybody's talking about now, is the venture funding mechanism that we have often used to build new technologies has a focus on short-term returns and an utter lack of concern for human welfare that is distressing. And it seems difficult to move from a mainstream project that is the standard to (one that is not about) make money at all costs, and it's technology that someday maybe might help people. That's the typical deal. There is a very dry area just outside of that.

When you try to get some other way to get stuff financed that for example doesn't, as its first order of interest, have maximizing returns, it becomes very difficult very quickly to fund things. Everybody knows this, I think around tech, but that's the problem that I see being a challenge.

On the more optimistic side, it does feel to me as the world becomes more and more uncertain, there are a greater and greater number of investors that are starting to say either for self-interested reasons like virtue signaling or because they're genuinely concerned, there does seem to maybe be more capital available to work on things that are genuinely good things. But check back with me in a couple of years, and I'll tell you how that went.

I'm trying to deploy myself as a technologist solely to work on these positive impact projects, and I find it surprisingly difficult. I am a well-known leader in the technology space with a few good outcomes behind me, and yet I find it surprisingly difficult to get both teammates to work on these things and to get investors to fund them. So I think that's challenging.

Ashley Hopkinson: In your particular work, what would you say has been a teachable lesson or takeaway? What did you learn from Second Life? What are you learning now with High Fidelity that you think is valuable to share and pass along?

Philip Rosedale: On The Second Life side, there were a lot of learnings that were only really clear in retrospect. I think it would be absurd to say that I was some good hearted young entrepreneur who was trying to save the world. I don't think that's true. I think I'm probably a little more positively inclined than most in that regard. But with Second Life, all these things started happening, which with the benefit of hindsight and some years of looking at them, we were like, "Oh yeah, that's pretty awesome." So, for example, online behavior and online moderation, people often don't get along online. Second Life helped us understand more about the specific conditions and fundamental ways that we can make people get along online.

So, for example, if you and I are sitting in a room together in Second Life, and just like with a video game, our cameras are what we call third person camera in a game where I can see myself sitting next

to you, and we can see that we're within arm's length of each other as avatars. Literally, if our avatars reached out, they could touch each other because we're sitting on the couch in a chair or something.

That is an example of something that we've seen statistically and confidently across a lot of time in Second Life causes people to behave much more nicely to each other, just like in the real world, just like when people get face to face with each other in the real world than (if) they're on opposite sides of a perspective or something. So there's really a hopeful statement there about how we need to keep trying and we absolutely can make online places friendlier and more helpful to us. And by the way, we don't need to do that by creating a utopian online world controlled by one hopefully benign leader or whatever with one set of rules, which is I think what you see today with something like Twitter.

Instead, we can create many, many recursively nested places just like the way the real world is where the rules and the guidelines and what you'll get in trouble for and what you can do are totally different in all those places. So I think that's one example. I could go on and give you three or four more examples from Second Life, but there's a lot to be learned from looking carefully at the last 20 years and going through it with a comb and finding the good stuff.

Ashley Hopkinson: I wonder if you could share a little bit about the value of technology and digital currencies and what it takes to demonstrate the value of this work? How do you talk to people who aren't technologists? How do you talk to people outside of the space about the value of what you do and connecting virtual reality and the reality that we're in, those worlds?

Philip Rosedale: Well, that's a good prompt. In some ways, Second Life gives us a right now look at a set of environmental conditions that look more like times in history — more like a time machine going back, because literally Second Life is smaller. You could call it a city of around a million people, but it's about the size of Los Angeles, so it's spread out quite a bit. If you look at the local communities and towns and developments and stuff that people have made there, in some ways you can look back..(and be reminded). "Hey, this works." If you give people, for example, the tools to just make things from scratch, which is what Second Life is.

Second Life from the very beginning is you build everything out of these literally little Lego blocks, but they're a little bit cooler because they're Lego blocks that you can twist and you can also paint them and you can also upload a picture onto them and then you can glue them together.

There's been this stupid thing in modern capitalist society where we're like, "Well, most people are just consumers and there's a very small number of people that are creators." Well, that's just complete nonsense. When you put people into Second Life and they start from scratch on grass, which is quite

literally Second Life was rolling hills at the beginning, that was just the choice we made, but you could dig holes and you could start building and you could take a tree and move it a little bit. And so what did we see when we did that?

Well, we saw what we know happened historically, which is that people are plenty self-sufficient, and they work together, and they're all quite creative, and everybody naturally diversifies and finds something to do, and then they start sharing things with each other. Second Life is an example of what the real world can become again too, we are plenty creative, we're plenty smart, we're plenty helpful to each other. I think the other fundamental thing is we're prosocial mammals. That's the other thing.

The wrong way of looking at Darwinian evolution or whatever is to think that it's the survival of the strongest, and this is total nonsense, mammals like us always work together very tightly to achieve the things we achieve. Humans are the very apex of that. We cooperate. Everything we have is due to cooperation.

So sometimes I am reflecting on how fundamentally important it is, especially in these times, to realize that we are fundamentally positive cooperative people, animals who help those near us immediately and almost unconsciously. And so all you have to do, if you will, in online environments is just get the conditions right to enable that to happen.

You're not working against human nature. I hate that technologists are blaming Facebook, are blaming their product on a statement about human nature, which is just absolutely false. People do not want to hurt each other by default. They want to help each other. If you encourage them to hurt each other, they will. But that is your fault as a product designer.

Ashley Hopkinson: That's a really profound statement. My experience with that level of generosity was definitely during Hurricane Ida here in New Orleans, with neighbors making sure we were all ok and looking for ways that they can help and support other people.

Given the right support, what would you like to prioritize when it comes to regenerative economics or technology? What would you like to see grow and expand?

Philip Rosedale: Generally speaking, increase trust. And trust is this word that's gotten beaten up in tech lately because we're misusing it. We're using it to mean something like, "I trust that my computer will give me the same answer on a spreadsheet tomorrow as it did today." While that's a valid use of the word trust, it's confusing because the only form of trust that matters right now for us to all survive is, "I trust you." Would I loan you a hundred dollars and expect that you might pay me back? That's the

trust that I'm talking about. And we've actively damaged that trust. Many of us have done it inadvertently; we've unfortunately reduced trust.

There are multiple opportunities. Fair Share is one of them, but I could give you two or three more that are really simple ways that we could create trust. In fact, I'll give you one. How about doing a video call with somebody every day as a ritual at the end of your day, somebody around the world that you've never met and you're going to speak to them definitely not in their native language, and that's going to be aided for you by AI? So you're going to get on video chat, think of it as chat roulette or Omegle or something. You're going to get on your computer before you go to bed and you're going to make a new friend. It's going to be somebody in a far away part of the world that is not speaking the language you are, and both of you are going to get AI subtitles in your language.

So you're going to be able to say to them, "Hi, I'm Philip. Can you count to 10?" And they're going to count to 10 in their language, and you're going to be like, "That's so cool. Okay, let me tell you how I do it." And you're going to basically connect with somebody across a language barrier. You're going to build trust with somebody that historically would've been very difficult to build trust with because you literally don't speak the same language.

But now with AI, we can completely cross that divide. We can give you subtitles for each other. And I think that that is a really simple example of using technology to generate trust and actually using the most complicated modern type of technology AI that unfortunately has a lot of negative applications, but there's an example of a very positive application. Just translate what I'm saying to this other person's language for them as quickly as you can.

Ashley Hopkinson: That's a great example, and it's a good segue to this other question I wanted to ask you. Can technology and wellbeing intersect? Can those two things live together? And can you tell me why that's something that you believe or not?

Philip Rosedale: Right now, we're all reacting negatively around technology for a good reason, which is that some people are trying to harm us. I think saying that technology is always an unvarnished good — of course, this is false.

Technology in my opinion is completely neutral. So many other things in life like fire is the classic example we talk about. It is neutral in its ability to do harm or to aid us. And this is a beautiful thing (because) it is for us to demonstrate our ability and willingness to use it in a more positive way than a negative way.

My career started in 1994, which was the beginning of the consumer internet. And I can tell you that from 1994 to really about 2004, about those first 10 years, most of the things that we were doing with the internet in that time were really very positive and warm and fascinating.

So ranging from things like Wikipedia where everybody could contribute and then read for free a bigger encyclopedia than anything that had ever been built, right? That was a wonderful gift. And that company persists today. It's still one of the biggest websites in the world. It's a nonprofit, which is super awesome. It managed to not need to generate a profit and harm anybody.

Another example from back then was eBay. eBay basically said, "Look, if you've got stuff and you want to sell it or you've got extra stuff, here's a website that lets you do that." And guess what that does? It builds trust. You see somebody far away, and they send you an old laptop, and you send them some money, voila, you've made a new friend. That's an example of something that was also in the mid-nineties in that case. These things are very possible (in the future).

We need to shake off this last decade of harm and look back and go, "Wait, wait, wait, wait, wait, wait, whoa, whoa, whoa, let's go back to the nineties and build some of the same stuff that we were talking about there that we didn't get done."

Ashley Hopkinson: I would like to ask you about this unique work that you're doing with the Fair Share Project. Can you tell me a little bit about it, what you think is distinctive about it, and how it connects to your experience and all the things you want to create?

Philip Rosedale: Sure. So traditional economies like Dollars or even Bitcoins have this weird problem. Basically, they have a couple of weird problems.

One is you're not getting your fair share of those economic units of the currencies themselves. So the first thing is when we make currencies, we end up not distributing them fairly to the people who need to use them. And then the second thing is that, as I mentioned earlier, unfortunately in any currency that is just used for trading and not, there's no other mechanisms to it, you get this problem where the rich get richer.

That's just a math problem, not a human behavior problem, but a math problem. So Fair Share is basically a prototype that we've done in Alpha for the last year in a weird way in Discord. So it's an online prototype that is not at all what it's intended to be. So we're about to begin building the smartphone app that is going to be the actual thing. So what Fair Share is going to be is an app that feels like Venmo or Zelle etc. It's just a way (for example, like) M-PESA. But it's a currency that's digitally available to you.

The way it's going to work is you're going to ask to join a local group. That group is going to basically vote you in, and then once you're in that group, you're going to get a continuous supply of currency. So every day you're going to get a little bit of spending money that you can use for whatever you want, and the community is going to vote on the economic controls. So each community in Fair Share gets its own supply of free money. Each community member gets a supply of currency.

That supply, as I mentioned earlier, is funded by a tax that's built into every transaction and is very small. So everybody will be okay with that tax. And then the community gets to vote on the tax and the income rate that everybody gets independently. So it's a way to make a local community into its own country where that local community has its own currency. And then what happens behind the scenes is that when you need to travel to another local community where they take a different form of this currency, your app will just do the currency exchange for you so easily that it won't be a bother. When you go to your friend's place a hundred miles down the road and you need to buy a drink or a dinner, your phone will just say, "Oh, okay, the exchange rate is 1.1 to one or whatever, and this is what your bill is basically."

And so it's basically a local currency, but with a technology tool that connects all those local currencies together. So each little miniature country gets to control its own economy, and the benefit to the local people there is that everybody gets to control what happens with their currency, not spend it on military or not spend it on things they don't want to be spending it on. And then everybody gets a fair share of it continuously. So you have a safety net and you have a way of controlling the outcomes where you don't get this problem of one fortunate person becoming richer and richer and then ultimately becoming the tyrannical leader of the town.

Ashley Hopkinson: That's so fascinating. I didn't think about it as a form of economics but as you mention safety nets... I grew up in Guyana, South America. That's where my family's from and I remember my mom and aunts would call it "box hand." This isn't digital currency but just an informal banking system so to speak within a community of close friends or family.

Philip Rosedale: Yes exactly what you described is the village savings pattern that is being used. It's typically a box that everybody puts money into, and then they can withdraw basic income for emergency supplies and micro loans from the box. And the box is generally controlled by two or three women in the local community.

In a way, that model that you experienced as well is a very positive model. What I've been trying to do in a way is simply replicate it as a digital app that can therefore be taken up and used much more quickly than boxes with keys.

Although, actually this movement, this village savings movement, is taking over the world right now. So I'm so delighted to hear that it was actually part of your lived experience as a kid. That's so cool.

Ashley Hopkinson: I've been framing wellbeing as "social justice on a healthy planet" because wellbeing economics is about how our economic systems work in a way that's better for communities and better for our environment. In your framing, how would you define what a wellbeing economy is, what that means to you in terms of your work?

Philip Rosedale: I would say that specifically with respect to economic wellbeing and social justice, we have to create currencies. We have to create economies where there's equal access to the fundamental units of that economy, and then we build on top of that.

Unfortunately, and, again, I think in some cases unintentionally we have created economies in which those conditions are not yet true. We don't have equal access to the means of trade.

One way of thinking about it is if the function of an economy is to enable sharing, which is the way I put it, the function of a currency or economy is simply to enable people to share more broadly than with their immediate friends. So you share with your family because you know that there'll be a reciprocal action. You take care of your family unconditionally because you know that they have exactly the same rule to take care of you. But as soon as you get just a little bit farther outside that local friends and family group, you want to share with somebody that's in the next town over, as I said. But how would you do that given that you may never see them again in a way that's fair?

And so I think that equal access to economic tools, the concept of an economy, is to facilitate as broadly as possible that sharing. And so if we build our currencies and our economies from the small group up, which with technology we can now do, we don't need to have kings cutting up gold bars and melting them and making coins for us. We don't need to do that anymore. We really did that historically. So, yes, humans can be terrible to each other, but also if you had to use gold coins, there was somebody that owned the gold mine. And so you get into some immediate problems there.

So I think distributive economic systems that empower everybody, at least enough for them to operate, enables them to then share with each other. I think of wellbeing economics as everyone can share. Everyone feels able to share with each other, and that is not true today.

Ashley Hopkinson: Fabulous. Thank you.

Ashley Hopkinson is an award-winning journalist, newsroom entrepreneur and leader dedicated to excellent storytelling and mission-driven media. She currently manages the Solutions Insights Lab, an initiative of the Solutions Journalism Network. She is based in New Orleans, Louisiana.

** This conversation has been edited and condensed.*